



建發國際投資集團有限公司
C&D International Investment Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1908

ANNUAL REPORT

2019

ANNUAL REPORT



房地產開發及房地產產業鏈綜合投資服務商
Real estate development and real estate industry chain investment services

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This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHUANG Yuekai (*Chairman*)
Mr. SHI Zhen (resigned on 21 March 2019)
Ms. ZHAO Chengmin
Mr. LIN Weiguo (*Chief Executive Officer*)
(appointed on 21 March 2019)

Non-executive Directors

Ms. WANG Xianrong (resigned on 21 March 2019)
Ms. WU Xiaomin (resigned on 30 March 2020)
Mr. HUANG Wenzhou
Ms. YE Yanliu (appointed on 21 March 2019)

Independent Non-executive Directors

Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

COMPANY SECRETARY

Miss LEUNG Ching Ching

AUDIT COMMITTEE

Mr. WONG Chi Wai (*Committee Chairman*)
Mr. WONG Tat Yan, Paul
Mr. CHAN Chun Yee

REMUNERATION COMMITTEE

Mr. WONG Tat Yan, Paul (*Committee Chairman*)
Mr. ZHUANG Yuekai
Mr. WONG Chi Wai
Mr. CHAN Chun Yee

NOMINATION COMMITTEE

Mr. ZHUANG Yuekai (*Committee Chairman*)
Mr. CHAN Chun Yee
Mr. WONG Chi Wai
Mr. WONG Tat Yan, Paul

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

(in alphabetical order)
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd
Postal Savings Bank of China
Shanghai Pudong Development Bank

REGISTERED OFFICE

P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands ^(Note)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office No. 3517
35th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands ^(Note)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

STOCK CODE

1908

COMPANY'S WEBSITE

www.cndintl.com
(the contents of which do not form part of this annual report)

Note: Change of address to "Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands" with effect from 1 April 2020

* The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

Dear Shareholders,

I am pleased to present the annual report of C&D International Investment Group Limited ("C&D International Group" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2019 (the "Year").

I. ANALYSIS ON ECONOMIC LANDSCAPE

In 2019, despite the global economic slowdown and the rising trade protectionism, China has retained its economic growth stably. In 2019, with the key control objectives of "stabilizing land and housing prices while managing market expectations", China's real estate industry continues to adhere to the control measure of "implementation customised for city". Meanwhile, given the acceleration of financial deleveraging, real estate industry has implemented more stringent financing regulation with tightening financing environment. With the increasing household consumption, it is expected that the improved demand for in pursuit of high-quality products will become the market mainstream in the future, so as to further accelerate the market integration and concentration.

Facing both opportunities and challenges, the Company has adhered to its long-term corporate orientation as the "integrated service provider in real estate development and real estate industrial chain investment services", which fully combined the dual advantages of the state-owned enterprise background and the market-oriented operating system, and carried out sustained self-reformation to improve the core competitiveness of enterprises. In 2019, the Company focused on expanding business scale, consolidating product advantages, establishing corporate brands, enhancing shareholder value and increasing its overall strength.

II. RESULTS AND DIVIDENDS

During the Year, the Group's operation indicators achieved another historical high, as evidenced by revenue of approximately RMB17.995 billion (2018: approximately RMB12.371 billion), representing a year-on-year increase of approximately 45%; the profit for the year attributable to the equity holders of the Company of approximately RMB1.718 billion (2018: approximately RMB1.420 billion), representing a year-on-year increase of approximately 21%.

The board of directors (the "Board") of the Company has proposed to declare a final dividend of HK\$0.82 per share in respect of the Year, subject to the approval of the forthcoming annual general meeting of the Company (the "AGM").

III. BUSINESS REVIEW

In 2019, under the leadership of the Board and by focusing on business directions of “improving business scale, strengthening business foundation, and expanding capital publicity”, the Company adhered to the brand development strategy of “Product + Service” and achieved rapid growth of various operating indicators.

(1) Real estate business scale maintained rapid growth with increasing comprehensive strength

1. Substantial increase in contracted sales: In 2019, the Company achieved a substantial increase in contracted sales. The Group, together with its joint ventures and associates, achieved a total contracted sales amount of approximately RMB50.78 billion (2018: approximately RMB24.79 billion, representing a year-on-year increase of 104.84%) with a total contracted sales gross floor area of approximately 2,932,400 sq.m. (2018: approximately 1,641,700 sq.m., representing a year-on-year increase of approximately 78.61%). The average selling price is approximately RMB17,300 per sq.m..
2. Enlarging business coverage: In 2019, the Company focused on project selection and actively participated in promising real estate development projects. During the Year, the Company has newly invested in 40 real estate development lands. The saleable gross floor area (“GFA”) of newly acquired projects was approximately 6,670,000 sq.m. with saleable value of approximately RMB96.3 billion. As at 31 December 2019, the Company has invested a total of 83 real estate development projects (2018: 48, representing a year-on-year increase of approximately 73%) which locate in 5 regions including more than 30 cities within southern Fujian, northern Fujian, East China, Central China and South China, and cultivated its presence in second-tier (strong second-tier) cities. The saleable GFA of land reserves was approximately 9,350,000 sq.m. (2018: approximately 5,570,000 sq.m., representing a year-on-year increase of approximately 68%) with saleable value of approximately RMB162.0 billion (2018: approximately RMB120.1 billion, representing a year-on-year increase of approximately 35%). Promising and abundant land bank will subsequently boost substantial sales growth.
3. Well reputed quality products and services: The Company has focused on “high-end improvement projects” and “new Chinese” style of products. Based on unique and innovated Chinese artisan concept, the Company has developed different new-Chinese-style benchmarking projects for many years which were highly recognised and well reputed by property owners and various parties. According to customer satisfaction survey conducted by FG Consulting in 2019, the Company ranked first in terms of real estate industry in the residential satisfaction survey. In 2019, the Group’s developments won both the domestic and overseas awards, of which 6 projects including Jianfa • Jiuliwan* (建發 • 玖里灣) in Wuxi and Jianfa • Yangzhu* (建發 • 央著) in Fujian awarded “Merit Award of 2019 Real Estate Design Award (2019地產設計大獎優秀獎)”, Xiamen Wudi & Jianfa • Yangzhu* (廈門武地 & 建發 • 央著) Project awarded “First Prize (Residence) for 2019 World Landscape Award (WLA) (世界景觀設計獎 (WLA) 2019年居住類一等獎)”, and “Xiamen Wudi & Jianfa • Yangzhu Lilehui* (廈門武地 & 建發 • 央著鯉樂薈)” awarded “First Prize (Education) for 2019 Global Excellence Awards (GEA)(2019年全球卓越設計獎(GEA)(教育類)大獎)”, which enjoyed leading brand influence.

(2) Improving the productivity of the real estate industry chain with sustained and effective development of various businesses

1. Recognised property services: C&D Property Services Group Limited* (建發物業服務集團有限公司), a professional city service provider of the Group, provides property management services such as residential, office, hospitals and urban complexes covering 32 cities throughout the country. As at 31 December 2019, the Company had contracted area for management of nearly 35 million sq.m., representing an increase of approximately 25% as compared to the end of 2018. Honoring with "2019 Top 50 Blue-Chip Enterprises Companies"* (2019年物業藍籌企業50強), "Ranked 41th in 2019 China's Top 100 Real Estate Services Enterprises"* (2019年中國物業服務百強企業第41名), and "Third place for Property Service Satisfaction of Saiwei"* (2019年賽惟物業服務滿意度第三名), reputation services were highly recognised by the property owners. In 2019, the revenue from property management services amounted to approximately RMB779 million (2018: approximately RMB592 million, representing a year-on-year increase of approximately 32%) and achieved the net profit of RMB65.99 million (2018: approximately RMB44.12 million, representing a year-on-year increase of approximately 50%). The summarised financial information presented above represents the amounts before any inter-company elimination.
2. Well development of commercial assets management: The Company's commercial assets management projects are located in Shanghai and Nanning with a total area for management of approximately 152,000 sq.m.; the revenue from commercial assets management amounted to approximately RMB122 million in 2019 with a steady improvement in operating quality.
3. Sustained growth in project operation and management (entrusted construction services): The project operation and management (entrusted construction services) of the Company expanded rapidly. As at 31 December 2019, the Company has undertaken a total of 22 management (entrusted construction services) projects with entrusted construction areas of over 1 million sq.m.. With quality products and standardized operating models, the Company is highly appreciated and recognised by customers and government's entrusting parties.

In the future, the Company will continue to improve its strategic layout of investment services in the real estate industry chain, create the brand image and reputation of "Jianfa" with strict service standards and excellent service quality, as well as strive to promote value creation in different types of business.

(3) Promoting investment projects in emerging industries and keeping abreast of new economic growing points

In 2019, Xiamen Yibai Yiyang Centre* (廈門溢佰頤養中心) (the "Centre"), a large-scale elderly service centre in which the Company participates in its investment and operation, was officially opened for serving customers. In line with its core philosophy of "integrated services on medical treatment and nursing", the Centre has nearly 700 beds and strives to develop into a comprehensive elderly service provider providing integrated services in health management, daytime care and home care.

(4) Participating interactive communication with the capital market for enhancement of the Company's brand image

1. Actively promoting corporate value: In 2019, the Company actively engaged in communication and interaction with the capital market, and established a sound and effective interaction mechanism for investor relationship. During the Year, nearly 90 exchange activities were carried out which attracted a total of nearly 300 investment institutions and over 30 securities firms, of which 7 securities firms (including Guoyuan International Holdings Ltd., Industrial Securities Co., Ltd., Haitong Securities Co., Ltd., Soochow Securities Co., Ltd., Guotai Junan Securities Co., Ltd., Zhongtai International Securities Ltd. and Pacific Securities Co., Ltd.) issued their first study report and tracking rating report against the Company. The Company was successfully included as 7 index series including the Hang Seng Composite SmallCap Index in August 2019, and was officially included as the eligible stock under Shenzhen-Hong Kong Stock Connect in September 2019.
2. Highly recognised by the market: The Company won "Best Growth Award for Hong Kong Listed Company"* (港股上市公司最具成長獎) at "Gelonghui • 1st Best Listed Company in Greater China"* (格隆匯 • 首屆大中華區最佳上市公司) and "2019 Growth Potential Award of Listed Real Estate Enterprises in China"* (2019中國上市房企成長潛力獎) at "Gelonghui • 2019 Real Estate Summit Forum"* (格隆匯 • 2019高屋建瓴房地產高峰論壇), respectively.

IV. FUTURE DEVELOPMENT PROSPECT

Impact by an outbreak of novel coronavirus, the real estate industry in China was materially affected at the beginning of 2020. Facing the severe market economic situation, the Company will focus on "continuously expanding the scale of operations, orderly improving the operating efficiency, balancing the quality of growth and improving the quality of products and services" with persistence in grasping corporate positioning, integrating the advantage of resources proactively, improving real estate development and real estate industry chain service layout, leveraging on competitive advantages between product development and value-added services, and driving the growth of coordinated model of "product + service", so as to create value for shareholders and society.

(1) Strengthening the real estate development business and enhancing the Company's core competitiveness

The Company will keep abreast of the policy directions and market information to each of the key regional cities for ensuring the reasonable arrangement of operating cycles for existing projects with effective management of operational risks and full protection of operational safety. On the other hand, by prudently judging the time of investment and carefully selecting the investment goals, as well as actively participating in quality projects, the Company will cultivate its presence in five core regions which would actively expand its land bank.

Meanwhile, the Company will give full play to the competitive advantages in both product development and value-added services with focusing on its product positioning of "high-end improvement projects". With the driver of the growth of the coordinated model of "product + service", brand of "Jianfa" would gain understand and trust from its broad customer so as to achieve complementarity between corporate brand and value creation.

(2) Consolidating the service layout of the real estate industry chain and continuously optimising service quality

1. Property management business: The Company introduces innovative Chinese-style service standard and continuously expands the scope of property services. Save as conventional residential and office buildings, urban municipal and public facilities are gradually involved in property services. For catering to the needs of residential owners, it would increase service content, achieve service upgrades and enhance brand influence. Intelligent Technology is used for optimising service processes, establishing service standardisation and improving overall operational efficiency.
2. Commercial asset management business: By promoting the development of offline services in an orderly manner, it insists on ensuring the operational safety, actively explores the establishment of online experience platforms to complement each other and increases the overall leasing rate so as to improve the efficiency of commercial asset management.
3. Project operation and management (entrusted construction services): With the advantages of quality and professional management (entrusted construction services), it ensures the quality of project construction and improves the operational efficiency with strong market expansion, which would increase the brand influence of "Jianfa" in the management (entrusted construction services) industry.

(3) Focusing on the investment projects of emerging industries and keeping abreast of new growing points

The Company will continue to keep abreast of investment opportunities in emerging industries with promising prospects and great investment potential and further explore various operating potentials. By exploring the effective combination of real estate and integrated industries, the synergy between the integrated industrial sector and the real estate business will be further strengthened which would form a pattern of mutual support and promotion of the main industry and the comprehensive industry.

(4) Strengthen interaction with the capital market and actively promoting corporate value

In 2020, the Company will strengthen interactive communication with domestic and foreign investors to enhance the corporate brand image and stabilise and expand the investor base; by establishing an efficient communication channel with the capital market, a high level of corporate governance would be maintained.

APPRECIATION

The continuous development of the Company's business in future will depend on the trust and support from all shareholders, investors and business partners, as well as the dedication and diligence of the entire staff, I would like to express my gratitude on behalf of the Board.

C&D International Investment Group Limited
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 20 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, despite the global economic slowdown and the rising trade protectionism, China has retained its economic growth stably. In 2019, with the key control objectives of “stabilizing land and housing prices while managing market expectations”, China’s real estate industry continues to adhere to the control measure of “implementation customised for city”. Meanwhile, given the acceleration of financial deleveraging, real estate industry has implemented more stringent financing regulation with tightening financing environment. With the increasing household consumption, it is expected that the improved demand for in pursuit of high-quality products will become the market mainstream in the future, so as to further accelerate the market integration and concentration.

BUSINESS REVIEW

The Group is principally engaged in the business of property development, real estate industrial chain investment services and emerging industry investment. During the Year, the main source of revenue for the Company was sales of properties.

During the Year, revenue of the Group was approximately RMB17.99515 billion, representing a year-on-year increase by approximately RMB5.62373 billion as compared with the previous financial year. Gross profit was approximately RMB4.65334 billion, representing a year-on-year increase by approximately RMB538.18 million as compared with the previous financial year. Profit for the Year increased by approximately RMB419.67 million year-on-year to approximately RMB1.99757 billion in the Year as compared with the previous financial year. Profit attributable to the owners of the Company increased by approximately RMB297.55 million year-on-year to approximately RMB1.71799 billion in the Year as compared with the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Development Business

Sales of Properties in 2019

In the Year, the Group's revenue from sales of properties was approximately RMB17.10529 billion, representing a year-on-year increase by approximately RMB5.58835 billion as compared with the previous financial year and accounting for approximately 95.06% of the Group's total revenue. For the year ended 31 December 2019, the GFA of delivered properties was approximately 1,267,100 sq.m., representing an increase by approximately 466,800 sq.m. as compared with the previous financial year. During the Year, revenue from sales of properties recognized in Fujian and East China contributed 23% and 60% of the total revenue from sales of properties respectively.

The amount and GFA of each project recognised for sales in the Year are set out in the following table:

Name of Project	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Shanwaishan* (建發•山外山)	Changtai	4,927	2,881	17,102
Jianfa•Bihushuangxi* (建發•碧湖雙壘)	Zhangzhou	3,134	2,292	13,674
Shangyue House* (尚悅居)	Longyan	124,292	121,228	10,253
Jianfa•Shouyuan* (建發•首院)	Longyan	43,597	33,763	12,913
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Quanzhou	7,260	5,878	12,351
Jianfa•Lingjun* (建發•領郡)	Lianjiang	12,612	20,668	6,102
Guandi* (觀邸)	Shaxian	59,900	92,015	6,510
Jianfa•Yangzhu* (建發•央著)	Jianyang	56,748	52,947	10,718
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	64,542	96,586	6,682
Jianfa•Zhongyang Yuefu* (建發•中央悅府)	Changsha	2,664	2,701	9,863
Jianfa•Yangzhu* (建發•央著)	Changsha	107,626	68,706	15,665
Jianfa•Yangxi* (建發•央璽)	Changsha	139,761	98,706	14,159
Jianfa•Yangzhu* (建發•央著)	Taicang	82,626	42,746	19,330
Jianfa•Dushuwan* (建發•獨墅灣)	Suzhou	148,460	88,436	16,787
Jianfa•Yangyu* (建發•泱譽)	Suzhou	318,513	146,701	21,712
Jianfa & Yangguangcheng•Puyue* (建發&陽光城•璞悅)	Suzhou	33,921	18,959	17,892
Jianfa•Yulongwan* (建發•御龍灣)	Zhangjiagang	288,471	205,851	14,014
Jianfa•Jiuliwan* (建發•玖里灣)	Wuxi	161,566	90,041	17,944
Jianfa•Xiyuan* (建發•璽院)	Nanning	49,486	74,084	6,680
Fond England* (裕豐英倫)	Nanning	423	1,875	2,256
Total		1,710,529	1,267,064	13,500

MANAGEMENT DISCUSSION AND ANALYSIS

The amount and GFA of each project recognised for sales in 2018 are set out in the following table:

Name of Project	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Bihushuangxi* (建發•碧湖雙壘)	Zhangzhou	308,924	171,182	18,047
Jianfa•Dushuwan* (建發•獨墅灣)	Suzhou	248,653	124,963	19,898
Jianfa•Yangyu* (建發•泱譽)	Suzhou	149,369	57,165	26,129
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Suzhou	5,614	18,022	3,115
Jianfa•Lingjun* (建發•領郡)	Lianjiang	155,542	140,560	11,066
Jianfa•Yulongwan* (建發•御龍灣)	Zhangjiagang	72,857	47,347	15,388
Jianfa•Shanwaishan* (建發•山外山)	Changtai	64,580	50,090	12,893
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	54,430	99,829	5,452
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Quanzhou	50,339	45,861	10,976
Jianfa•Zhongyang Yuefu* (建發•中央悅府)	Changsha	40,798	43,669	9,343
Fond England* (裕豐英倫)	Nanning	413	923	4,475
Li Yuan* (裕豐荔園)	Nanning	175	694	2,522
Total		1,151,694	800,305	14,391

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Sales in 2019

In the Year, the Group achieved contracted sales of approximately RMB50.77976 billion, representing a year-on-year increase by approximately RMB25.98927 billion as compared with the previous financial year. As of 31 December 2019, the contracted GFA of properties was approximately 2,932,400 sq.m., representing an increase by approximately 1,290,600 sq.m. as compared with the previous financial year.

The Group has launched 26 projects for pre-sale in the Year as compared with the previous financial year.

The amount and GFA of each project contracted for sales in the Year are set out in the following table:

Name of Project	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Yangzhu* (建發•央著)	Xiamen	101,502	29,293	34,651
Jianfa•Yangzhu Phase II* (建發•央著二期)	Xiamen	263,209	74,970	35,109
Jianfa•Xiyue* (建發•璽樾)	Xiamen	628,084	115,417	54,419
Jianfa•Shanwaishan* (建發•山外山)	Changtai	42,061	31,778	13,236
Jianfa•Bihushuangxi* (建發•碧湖雙壘)	Zhangzhou	3,164	2,246	14,087
Jianfa•Xiyuan* (建發•璽院)	Zhangzhou	162,403	74,749	21,726
Jianfa•Yangzhu* (建發•央著)	Zhangzhou	130,846	71,219	18,372
Jianfa•Xiyuan* (建發•璽院)	Zhangpu	29,998	40,134	7,474
Jianfa•Xiyuan* (建發•璽院)	Longyan	49,963	44,763	11,162
Shangyue House* (尚悅居)	Longyan	4,578	7,632	5,998
Jianfa•Shouyuan* (建發•首院)	Longyan	146,646	127,915	11,464
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Quanzhou	2,295	2,143	10,709
Jianfa•Yangzhu* (建發•央著)	Putian	182,924	150,924	12,120
Jianfa•Yangyu* (建發•央譽)	Putian	178,487	127,935	13,951
Jianfa•Yangzhu* (建發•央著)	Fuzhou	86,897	32,005	27,151
City of Sky* (天空之城)	Fuzhou	329,093	129,800	25,354
Jianfa•Lingfu Xinyuan* (建發•領賦新苑)	Fuzhou	115,606	61,664	18,748
Jianfa•Lingjun* (建發•領郡)	Lianjiang	4,050	5,785	7,001
Jianfa & Rongqiao•Shanghai Dagan 01, 03, 04* (建發&融僑•山海大觀 01、03、04)	Lianjiang	20,035	22,814	8,782
Jianfa•Xiyuan* (建發•璽院)	Lianjiang	42,161	55,759	7,561
Guandi* (觀邸)	Shaxian	16,301	28,198	5,781
Jianfa•Yangzhu* (建發•央著)	Jianyang	88,569	80,265	11,035
Wuyi & Jianfa•Shanwaishan* (武夷&建發•山外山)	Wuyishan	76,448	50,442	15,156
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	51,922	70,424	7,373
Jianfa•Xiyuan* (建發•璽院)	Jian'ou	57,077	71,808	7,949
Jianfa•Xiyue* (建發•璽悅)	Jian'ou	75,273	89,428	8,417
Jianfa•Tianxing Yangzhu* (建發•天行央著)	Ningde	140,594	104,104	13,505
Jianfa•Tianxing Xiyuan* (建發•天行璽院)	Ningde	14,745	13,599	10,843
Jianfa•Zhongyang Yuefu* (建發•中央悅府)	Changsha	2,796	2,701	10,352
Jianfa•Yangzhu* (建發•央著)	Changsha	169,345	100,196	16,901
Jianfa•Yangxi* (建發•央璽)	Changsha	61,426	40,336	15,229

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Project	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jinmao & Jianfa•Guanyue* (金茂&建發•觀悅)	Changsha	18,642	13,922	13,390
Jianfa•Xiyuan* (建發•璽院)	Wuhan	16,467	8,873	18,559
Jianfa & Jinmao•Xiyue* (建發&金茂•璽悅)	Wuhan	99,016	74,700	13,255
Jianfa•Yangyu* (建發•央譽)	Taicang	12,540	6,748	18,583
Jianfa•Yangzhu* (建發•央著)	Taicang	90,579	43,000	21,065
Duhuizhiguang* (都會之光)	Taicang	51,346	23,452	21,894
Jianfa•Dushuwan* (建發•獨墅灣)	Suzhou	92,655	74,223	12,483
Jianfa•Yangyu* (建發•央譽)	Suzhou	257,071	123,745	20,774
Jianfa & Yangguangcheng•Puyue* (建發&陽光城•璞悅)	Suzhou	44,471	22,971	19,360
Jianfa•Yulongwan* (建發•御龍灣)	Zhangjiagang	236,720	155,248	15,248
Jianfa•Tianxi* (建發•天璽)	Zhangjiagang	2,566	1,845	13,908
Jianfa•Yangyu* (建發•央譽)	Zhangjiagang	117,550	62,837	18,707
Jianfa•Jiuliwan* (建發•玖里灣)	Wuxi	418,983	231,220	18,121
Jiuli Yingyue* (玖里映月)	Wuxi	18,571	8,035	23,113
Jianfa•Runjinyuan (formerly Jianfa•Guobinfu)* (建發•潤錦園(原建發•國賓府))	Nanjing	10,224	4,174	24,494
Jianfa•Yangyu* (建發•央譽)	Nanjing	104,804	65,219	16,070
Xixi Yunlu* (西溪雲廬)	Hangzhou	7,376	1,990	37,065
Jianfa•Jingyuexuan* (建發•璟悅軒)	Shenzhen	8,823	2,109	41,835
Jianfa•Xiyuan* (建發•璽院)	Nanning	42,852	49,270	8,697
Jianfa•Yuexi* (建發•悅璽)	Nanning	73,674	70,216	10,492
Jianfa & Jiulongcang•Yangxi* (建發&九龍倉•央璽)	Guangzhou	39,244	8,450	46,443
Jianfa•Xiyuan* (建發•璽園)	Zhuhai	34,860	17,797	19,588
Fond England* (裕豐英倫)	Nanning	444	1,875	2,368
Total		5,077,976	2,932,362	17,317

MANAGEMENT DISCUSSION AND ANALYSIS

The amount and GFA of each project contracted for sales in 2018 are set out in the following table:

Name of Project	City	Amount (RMB ten thousand)	GFA (sq.m.)	Average selling price (RMB/sq.m.)
Jianfa•Dushuwan*(建發•獨墅灣)	Suzhou	369,382	159,708	23,129
Jianfa•Yangyu*(建發•泱譽)	Suzhou	220,184	76,179	28,904
Jianfa•Zhongyang Tiancheng*(建發•中泱天成)	Suzhou	1,188	3,874	3,067
Jianfa•Yulongwan*(建發•御龍灣)	Zhangjiagang	300,470	195,327	15,383
Jianfa•Yangyu*(建發•泱譽)	Zhangjiagang	12,788	6,707	19,067
Jianfa•Tianxi*(建發•天璽)	Zhangjiagang	200,762	138,118	14,536
Jianfa•Yangxi*(建發•央璽)	Changsha	136,735	90,391	15,127
Jianfa•Yangzhu*(建發•央著)	Changsha	91,579	52,470	17,454
Jianfa•Zhongyang Yuefu*(建發•中央悅府)	Changsha	31,198	34,884	8,943
Jianfa•Xiyuan*(建發•璽院)	Longyan	128,332	115,835	11,079
Shangyue House*(尚悅居)	Longyan	97,171	91,789	10,586
Jianfa•Shouyuan*(建發•首院)	Longyan	65,731	54,315	12,102
Jianfa•Lingjun*(建發•領郡)	Lianjiang	105,996	96,520	10,982
Jianfa•Yangzhu*(建發•央著)	Fuzhou	38,411	67,585	5,683
Jianfa•Xiyuan*(建發•璽院)	Lianjiang	7,237	11,014	6,571
Jianfa•Shanwaishan*(建發•山外山)	Changtai	88,006	52,529	16,754
Jianfa•Yuecheng*(建發•悅城)	Jian'ou	83,416	121,989	6,838
Jianfa•Xiyuan*(建發•璽院)	Jian'ou	24,314	30,332	8,016
Guandi*(觀邸)	Shaxian	52,096	71,067	7,331
Jianfa•Jiuliwan*(建發•玖里灣)	Wuxi	48,851	26,855	18,191
Jianfa•Bihushuangxi*(建發•碧湖雙璽)	Zhangzhou	38,259	22,465	17,030
Jianfa•Yangzhu*(建發•央著)	Xiamen	33,997	9,651	35,226
Jianfa•Xiyuan*(建發•璽院)	Nanning	24,449	24,844	9,841
Jianfa•Xiyuan*(建發•璽院)	Zhangzhou	19,505	7,381	26,426
Jianfa•Yangzhu*(建發•央著)	Jianyang	17,990	15,855	11,347
Jianfa•Yangzhu*(建發•泱著)	Taicang	12,908	6,280	20,554
Jianfa•Zhongyang Tiancheng*(建發•中泱天成)	Quanzhou	12,652	10,762	11,756
Xixi Yunlu*(西溪雲廬)	Hangzhou	214,824	45,404	47,314
Li Yuan*(裕豐荔園)	Nanning	184	694	2,651
Fond England*(裕豐英倫)	Nanning	434	923	4,702
Total		2,479,049	1,641,747	15,100

MANAGEMENT DISCUSSION AND ANALYSIS

Land Reserves

As of 31 December 2019, the aggregate saleable GFA of land reserves of the Group was approximately 9,346,900 sq.m., with a total of 83 projects in China and Australia.

The amount of saleable GFA of land reserves in the Year are set out in the following table:

Name of Project	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Jianfa•Yangzhu* (建發•央著)	Xiamen	43,251	49%	21,193
Jianfa•Yangzhu Phase II* (建發•央著二期)	Xiamen	43,953	51%	22,416
Jianfa•Xiyue* (建發•壘樾)	Xiamen	80,671	95%	76,637
Land Parcel No. H2019P03 in Haicang* (海滄H2019P03地塊)	Xiamen	107,561	49.50%	53,243
Land Parcel No. 2019HP01 in Haicang* (海滄2019HP01地塊)	Xiamen	116,448	51%	59,388
Land Parcel No. 2019HP02 in Haicang* (海滄2019HP02地塊)	Xiamen	73,398	100%	73,398
Land Parcel No. 2019HP03 in Haicang* (海滄2019HP03地塊)	Xiamen	80,270	100%	80,270
Jianfa•Shanwaishan* (建發•山外山)	Changtai	81,167	94%	76,297
Land Parcel No. D-02 in Changtai* (長泰D-02地塊)	Changtai	75,557	60%	45,334
Jianfa•Bihushuangxi* (建發•碧湖雙壘)	Zhangzhou	7,748	100%	7,748
Jianfa•Xiyuan* (建發•壘院)	Zhangzhou	37,315	100%	37,315
Jianfa•Yangzhu (formerly Land Parcel of No. 08 in Bihu, Zhangzhou)* (建發•央著(原漳州碧湖08地塊))	Zhangzhou	42,551	70%	29,786
Jianfa•Yangyu* (建發•央譽)	Zhangzhou	120,160	100%	120,160
Jianfa•Xiyuan* (建發•壘院)	Zhangpu	361,458	70%	253,021
Land Parcel No. 2019P12 in Zhangzhou* (漳州2019P12地塊)	Zhangzhou	94,201	70%	65,941
Jianfa•Xiyuan* (建發•壘院)	Longyan	12,620	30%	3,786
Shangyue House* (尚悅居)	Longyan	12,159	40%	4,864
Jianfa•Shouyuan* (建發•首院)	Longyan	64,037	100%	64,037
Land Parcel No. 2019 Lot-17 in Longyan* (龍岩2019拍-17地塊)	Longyan	102,423	55%	56,333
Land Parcel No. 2019 Lot-19 in Longyan* (龍岩2019拍-19地塊)	Longyan	117,684	70%	82,379
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Quanzhou	8,168	40%	3,267
Jianfa•Yangzhu (formerly Land Parcel No.2018–2019 in Putian)* (建發•央著(原莆田2018–2019地塊))	Putian	3,760	100%	3,760
Jianfa•Yangyu* (建發•央譽)	Putian	2,966	100%	2,966

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Project	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Jianfa•Panlongfu (formerly Land Parcel No. 2019-16 in Panlong Shanzhuang Area, Licheng District)* (建發•磐龍府 (原荔城區磐龍山莊片區2019-16地塊))	Putian	323,066	100%	323,066
Jianfa•Yongjingwan* (建發•雍景灣)	Putian	91,979	100%	91,979
Jianfa•Xiyuan* (建發•璽院)	Xianyou	135,896	55%	74,743
Jianfa•Yangzhu* (建發•央著)	Fuzhou	65,293	51.6%	33,691
City of Sky* (天空之城)	Fuzhou	301,067	16.5%	49,676
Jianfa•Lingfu Xinyuan* (建發•領賦新苑)	Fuzhou	13,513	100%	13,513
Jianfa•Lingjun* (建發•領郡)	Lianjiang	1,492	78%	1,164
Jianfa & Rongqiao•Shanghai Daguan 01, 03, 04* (建發&融僑•山海大觀 01、03、04)	Lianjiang	165,047	46.15%	76,169
Jianfa & Rongqiao•Shanghai Daguan 02* (建發&融僑•山海大觀02)	Lianjiang	148,683	55.58%	82,638
Jianfa•Xiyuan* (建發•璽院)	Lianjiang	26,003	70%	18,202
Jianfa•Yangjun* (建發•泱郡)	Lianjiang	91,376	100%	91,376
Guandi* (觀邸)	Shaxian	11,601	51%	5,917
Jianfa•Yangzhu* (建發•央著)	Jianyang	50,495	70%	35,347
Wuyi & Jianfa•Shanwaishan* (武夷&建發•山外山)	Wuyishan	43,495	50%	21,748
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	74,120	75%	55,590
Jianfa•Xiyuan* (建發•璽院)	Jian'ou	61,807	70%	43,265
Jianfa•Xiyue* (建發•璽悅)	Jian'ou	287,834	75%	215,876
Jianfa•Tianxing Yangzhu* (建發•天行央著)	Ningde	23,213	50%	11,607
Jianfa•Tianxing Xiyuan* (建發•天行璽院)	Ningde	215,580	55%	118,569
Jianfa•Yangzhu* (建發•央著)	Changsha	237,008	100%	237,008
Jianfa•Yangxi* (建發•央璽)	Changsha	17,809	100%	17,809
Jinmao & Jianfa•Guanyue* (金茂&建發•觀悅)	Changsha	230,713	49%	113,049
Land Parcel No. 011 in Changsha* (長沙縣011號地塊)	Changsha	307,299	49%	150,577
Land Parcel No. 079 in Changsha* (長沙縣079號地塊)	Changsha	505,488	49%	247,689
Jinmao & Jianfa•Boyue* (金茂&建發•鉞悅)	Changsha	156,827	49%	76,845
Jianfa•Xiyuan* (建發•璽院)	Wuhan	121,639	49%	59,603
Jianfa & Jinmao•Xiyue* (建發&金茂•璽悅)	Wuhan	178,422	51%	90,995
Jianfa•Yangyu* (建發•央譽)	Taicang	86,860	100%	86,860
Jianfa•Yangzhu* (建發•央著)	Taicang	81,589	100%	81,589
Duhuizhiguang* (都會之光)	Taicang	97,899	30%	29,370
Jianfa•Tianjingwan* (建發•天境灣)	Taicang	141,941	100%	141,941
Jianfa•Dushuwan* (建發•獨墅灣)	Suzhou	33,668	97.5%	32,826
Jianfa•Yangyu* (建發•央譽)	Suzhou	20,285	100%	20,285
Jianfa & Yangguangcheng•Puyue* (建發&陽光城•璞悅)	Suzhou	24,126	55%	13,269

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Name of Project	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Land Parcel No. 2019A-017 in Changshu* (常熟2019A-017地塊)	Changshu	101,751	100%	101,751
Land Parcel No. WJ-J-2019-017 in Wujiang* (吳江WJ-J-2019-017號地塊)	Suzhou	100,399	100%	100,399
Land Parcel No. WJ-J-2019-018 in Wujiang* (吳江WJ-J-2019-018號地塊)	Suzhou	77,228	100%	77,228
Land Parcel No. 2019-WG-28 in Sudi* (蘇地2019-WG-28號地塊)	Suzhou	83,615	100%	83,615
Jianfa•Yulongwan* (建發•御龍灣)	Zhangjiagang	5,801	70%	4,061
Jianfa•Yangyu* (建發•泱譽)	Zhangjiagang	81,279	100%	81,279
Jianfa•Yujingwan* (建發•御璟灣)	Zhangjiagang	459,156	100%	459,156
Jianfa•Jiuliwan* (建發•玖里灣)	Wuxi	162,196	100%	162,196
Hexi* (和璽)	Wuxi	243,382	49%	119,257
Jiuli Yingyue* (玖里映月)	Wuxi	170,596	42%	71,650
Jianfa•Runjinyuan (formerly Jianfa•Guobinfu)* (建發潤錦園(原建發•國賓府))	Nanjing	69,894	50%	34,947
Jianfa•Yangyu* (建發•央譽)	Nanjing	92,438	40%	36,975
Land Parcel No. G15 in Lishui, Nanjing* (南京溧水G15地塊)	Nanjing	242,077	49%	118,618
Yangyun Jingshe* (養雲靜舍)	Hangzhou	44,520	40.18%	17,888
Xixi Yunlu* (西溪雲廬)	Hangzhou	13,998	10.5%	1,470
Jianfa•Jingyuexuan* (建發•璟悅軒)	Shenzhen	33,490	51%	17,080
Jianfa•Xiyuan* (建發•璽院)	Nanning	21,682	51%	11,058
Jianfa•Yuexi* (建發•悅璽)	Nanning	302,617	60%	181,570
Jianfa•Xiyuan Yangxi (formerly Land Parcel No. GC2019-055 in Wuxiang New District, Nanning)* (建發•璽院(原南寧五象新區GC2019-055地塊))	Nanning	280,814	100%	280,814
Jianfa•Xiyuan Phase II* (建發•璽院二期)	Nanning	59,660	51%	30,427
Jianfa•Shuangxi* (建發•雙璽)	Nanning	253,124	100%	253,124
Jianfa & Jiulongcang•Yangxi* (建發&九龍倉•央璽)	Guangzhou	175,618	64%	112,396
Jianfa•Xiyuan* (建發•璽院)	Zhuhai	100,933	100%	100,933
Jianfa•Xiyuan* (建發•璽園)	Zhuhai	36,474	51%	18,602
Jianfa•Yangjingyuan* (建發•央璟園)	Zhuhai	63,807	100%	63,807
Australia Project	Sydney	7,663	60%	4,598
Total		9,346,871		6,552,289

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The amount of saleable GFA of land reserves in 2018 are set out in the following table:

Name of Project	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Jianfa•Yangzhu* (建發•央著)	Xiamen	72,543	49%	35,546
Jianfa•Yangzhu Phase II* (建發•央著二期)	Xiamen	121,454	51%	61,942
Jianfa•Xiyue* (建發•璽樾)	Xiamen	153,972	95%	146,273
Jianfa•Shanwaishan* (建發•山外山)	Changtai	119,498	94%	112,328
Jianfa•Bihushuangxi* (建發•碧湖雙璽)	Zhangzhou	9,994	100%	9,994
Jianfa•Xiyuan* (建發•璽院)	Zhangzhou	112,207	100%	112,207
Jianfa• Yangzhu (formerly Land Parcel of No. 08 in Bihu, Zhangzhou)* (建發•央著(原漳州碧湖08地塊))	Zhangzhou	111,551	70%	78,086
Jianfa•Shouyuan* (建發•首院)	Longyan	192,169	100%	192,169
Jianfa•Xiyuan* (建發•璽院)	Longyan	60,120	30%	18,036
Shangyue House* (尚悅居)	Longyan	22,710	40%	9,084
Jianfa•Yangzhu* (建發•央著)	Fuzhou	97,786	51.6%	50,458
Jianfa•Lingjun* (建發•領郡)	Lianjiang	7,560	78%	5,897
Jianfa & Rongqiao•Shanghai Dagan 01, 03, 04* (建發&融橋•山海大觀01、03、04)	Lianjiang	199,969	46.15%	92,286
Jianfa & Rongqiao•Shanghai Dagan 02* (建發&融橋•山海大觀02)	Lianjiang	148,683	55.58%	82,638
Jianfa•Xiyuan* (建發•璽院)	Lianjiang	84,261	70%	58,983
Jianfa•Yuecheng* (建發•悅城)	Jian'ou	158,280	75%	118,710
Jianfa•Xiyuan* (建發•璽院)	Jian'ou	141,821	70%	99,275
Jianfa•Yangzhu* (建發•央著)	Jianyang	142,437	70%	99,706
Jianfa•Yangzhu (formerly Land Parcel No. 2018-19 in Putian)* (建發•央著(原莆田2018-19地塊))	Putian	152,745	100%	152,745
Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Quanzhou	10,311	40%	4,124
Guandi* (觀邸)	Shaxian	39,798	51%	20,297
Wuyi & Jianfa•Shanwaishan* (武夷&建發•山外山)	Wuyishan	95,143	50%	47,571
Jianfa•Yangyu* (建發•央譽)	Nanjing	157,660	40%	63,064
Jianfa•Runjinyuan (formerly Jianfa•Guobinfu)* (建發•潤錦園(原建發•國賓府))	Nanjing	74,325	50%	37,162
Jianfa•Yangyu* (建發•央譽)	Suzhou	131,310	100%	131,310
Jianfa•Dushuwan* (建發•獨墅灣)	Suzhou	102,390	97.5%	99,830
Jianfa & Yangguangcheng•Puyue* (建發&陽光城•璞悅)	Suzhou	47,097	55%	25,903
Jianfa•Yulongwan* (建發•御龍灣)	Zhangjiagang	161,497	70%	113,048
Jianfa•Yangyu* (建發•央譽)	Zhangjiagang	144,136	100%	144,136

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Project	City	Saleable GFA (sq.m.)	Interests held by the Group	Attributable GFA (sq.m.)
Tianxi* (天璽)	Zhangjiagang	2,055	25%	514
Jianfa•Yangyu* (建發•泱譽)	Taicang	93,608	100%	93,608
Jianfa•Yangzhu* (建發•泱著)	Taicang	124,338	100%	124,338
Duhuizhiguang* (都會之光)	Taicang	121,351	30%	36,405
Jianfa•Jiuliwan* (建發•玖里灣)	Wuxi	412,601	100%	412,601
Jianfa•Yangzhu* (建發•央著)	Changsha	339,110	100%	339,110
Jianfa•Yangxi* (建發•央璽)	Changsha	66,333	100%	66,333
Jianfa•Zhongyang Yuefu* (建發•中央悅府)	Changsha	2,701	100%	2,701
Jianfa & Jinmao•Xiyue* (建發&金茂•璽悅)	Wuhan	259,523	51%	132,357
Jianfa•Xiyuan* (建發•璽院)	Wuhan	149,359	49%	73,186
Jianfa & Jiulongcang Yangxi* (建發&九龍倉•央璽)	Guangzhou	183,178	64%	117,234
Jianfa•Jingyuexuan (建發•璟悅軒)	Shenzhen	35,063	51%	17,882
Yangyun Jingshe* (養雲靜舍)	Hangzhou	44,520	40.18%	17,888
Xixi Yunlu* (西溪雲廬)	Hangzhou	15,988	10.5%	1,679
Jianfa•Xiyuan* (建發•璽院)	Zhuhai	80,864	100%	80,864
Jianfa•Xiyuan* (建發•璽園)	Zhuhai	56,176	51%	28,650
Jianfa•Xiyuan* (建發•璽院)	Nanning	71,379	51%	36,403
City of Sky* (天空之城)	Fuzhou	428,440	16.5%	70,693
Australia Project	Sydney	7,663	60%	4,598
Total		5,567,677		3,879,852

Real Estate Industrial Chain Investment Services

1. *Property Management*

During the Year, the revenue from property management services amounted to approximately RMB654.64 million (2018: approximately RMB523.82 million).

As at 31 December 2019, the property management segment of the Group has provided quality service for more than 132,000 property owners, spanning across 10 provinces, one municipality and 32 cities in PRC, with contracted management area amounting to nearly 35,000,000 sq.m..

2. *Commercial assets management*

The revenue from the Group's commercial assets management business during the Year amounted to approximately RMB122.18 million (2018: approximately RMB166.08 million).

The Group's own leasing properties and third party leasing properties leased out through Shanghai C&D Zhaoyu Asset Management Company Limited* (上海建發兆昱資產管理有限公司), are mainly located in Xingning District* (興寧區) and Xixiangtang District* (西鄉塘區) of Nanning and Putuo District* (普陀區), Yangpu District* (楊浦區) and Jiading District* (嘉定區) of Shanghai. As at 31 December 2019, the Group's retail units comprised an aggregate rentable GFA of approximately 118,387 sq.m. (as at 31 December 2018: approximately 118,480 sq.m.) in the PRC (including an underground parking area of approximately 3,954 sq.m. used as a temporary parking area (as at 31 December 2018: approximately 3,954 sq.m.)), of which an aggregate GFA of approximately 95,514 sq.m. in the PRC had been leased out (as at 31 December 2018: approximately 101,454 sq.m.).

3. *Projects operation and management (entrusted construction services)*

Revenue from the Group's entrusted construction services during the Year was derived from entrusted construction agreements and management and entrusted construction services by Xiamen C&D Zhaocheng Construction Operation and Management Limited* (廈門建發兆誠建設運營管理有限公司) ("Zhaocheng Construction"), an indirect wholly-owned subsidiary of the Group, amounting to approximately RMB91.79 million (2018: approximately RMB149.01 million).

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FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue was derived from (i) sales of properties; (ii) property management; (iii) commercial assets management; (iv) projects operation and management (entrusted construction services); and (v) others.

The following table sets forth the Group's revenue from each of these segments and as a percentage of the total revenue for the relevant financial years:

	2019		2018	
	RMB'000	%	RMB'000	%
Sales of properties	17,105,290	95.06	11,516,938	93.10
Property management income	654,637	3.64	523,824	4.23
Commercial assets management income	122,182	0.68	166,082	1.34
Entrusted construction services income	91,792	0.51	149,005	1.20
Others (Note)	21,245	0.11	15,566	0.13
Total	17,995,146	100.00	12,371,415	100.00

Note: Smart construction service income

Sales of properties increased by about RMB5.58835 billion from approximately RMB11.51694 billion for the year ended 31 December 2018 to approximately RMB17.10529 billion in the Year. Saleable GFA delivered for the years ended 31 December 2018 and 2019 were approximately 800,300 sq.m. and approximately 1,267,100 sq.m., respectively. The revenue derived from the sales of properties for the Year increased due to the significant increase in saleable GFA sold and delivered of 10 new projects in the Year.

Cost of Sales

Cost of sales increased by about RMB5.08555 billion from approximately RMB8.25626 billion for the year ended 31 December 2018 to approximately RMB13.34181 billion for the Year. This result was primarily attributable to the increase in saleable GFA sold and delivered during the Year.

Gross Profit and Gross Profit Margin

The gross profit amounted to approximately RMB4.11516 billion and RMB4.65334 billion for the years ended 31 December 2018 and 2019 respectively, representing a gross profit margin of approximately 33.26% and 25.86% respectively. The decrease in gross profit was mainly due to policy-controlled house prices and increase in costs of land acquisition.

Other Net Gain

Other net gain increased from approximately RMB209.88 million for the year ended 31 December 2018 to approximately RMB308.76 million for the Year. The increase was mainly due to an increase in interest income in the Year.

Borrowing Costs

Borrowing costs incurred for the construction projects under development were capitalised during the Year. Other borrowing costs were expensed when incurred.

Total borrowing costs increased from approximately RMB2.20437 billion for the year ended 31 December 2018 to approximately RMB2.85304 billion for the Year. The increase was mainly due to an increase in capital requirements raised by an increase in property projects.

Loss on Changes in Fair Value of Investment Properties

The loss of changes in fair value of investment properties was approximately RMB6.31 million for the Year (2018: gain of approximately RMB5.31 million), mainly due to the fact that the market environment in Xingning District, Nanning was slightly worse than that in 2018. The loss reflected the adjustments in the value of investment properties during the Year.

Administrative Expenses

Administrative expenses decreased by approximately RMB60.15 million to approximately RMB91.41 million for the Year from approximately RMB151.56 million for the year ended 31 December 2018. This was primarily due to the fact that the provision for property inventory made for previous year have been reversed this Year.

Selling Expenses

Selling expenses increased by approximately RMB585.47 million to approximately RMB1.18109 billion for the Year from approximately RMB595.62 million for the year ended 31 December 2018. It was primarily due to (i) an increase in labour cost as a result of an increase in the number of staff; and (ii) an increase in marketing expenses such as advertising and promotion expenses as a result of a significant increase in the number of sales projects during the Year than the sales of projects in 2018.

Profit before Income Tax

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately RMB3.42567 billion for the Year, representing an increase of approximately RMB335.91 million (approximately 10.87%) from a profit of approximately RMB3.08976 billion in the previous financial year.

Income Tax Expense

Income tax expense decreased from approximately RMB1.51186 billion in the previous financial year to approximately RMB1.42810 billion for the Year. The decrease in income tax was mainly due to a decrease in land appreciation tax during the Year.

Profit for the Year Attributable to the Equity Holders of the Company

The profit attributable to the equity holders of the Company increased by approximately RMB297.55 million (approximately 20.95%) from approximately RMB1.42045 billion in the previous financial year to approximately RMB1.71799 billion for the Year.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group were primarily derived from income generated from core business operations, bank borrowings, loans from intermediate holding company and cash proceeds derived from receipt in advance from the pre-sale of properties, which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed during the Year.

The Group continued to adopt a prudent financing policy and sustain a sound capital structure with healthy cash flow. As at 31 December 2019, the Group's cash at banks and on hand amounted to approximately RMB11.56227 billion (as at 31 December 2018: approximately RMB4.54744 billion) while total assets and net assets (after deducting non-controlling interests) were approximately RMB115.58882 billion (as at 31 December 2018: approximately RMB62.77495 billion) and RMB7.29815 billion (as at 31 December 2018: approximately RMB6.09402 billion) respectively. As at 31 December 2019, the Group's working capital amounted to approximately RMB48.27689 billion (as at 31 December 2018: approximately RMB32.76192 billion). As at 31 December 2019, the Group recorded net debt of approximately RMB34.46231 billion (as at 31 December 2018: approximately RMB25.67009 billion) with net debt to equity ratio of approximately 175.74% (as at 31 December 2018: approximately 242.08%).

As at 31 December 2019, the Group had (i) interest-bearing borrowings of approximately RMB2.10026 billion and RMB16.60 million denominated in HK\$ and AUD respectively which borne an interest rate ranging from 3.4% to 5.1% and at 4.78% (as at 31 December 2018: approximately RMB1.11415 billion and RMB16.65 million, with an interest rate ranging from 3.4% to 5.1% and at 4.78% respectively) per annum respectively; (ii) interest-bearing borrowings (including receipts under securitisation arrangements) of approximately RMB18.54616 billion denominated in RMB which borne an interest rate ranging from 4.35% to 7.0% (as at 31 December 2018: approximately RMB10.76272 billion, with an interest rate ranging from 4.89% to 7.3%) per annum; (iii) loans from intermediate holding company of approximately RMB23.08230 billion denominated in RMB which borne an interest rate at 5.7% (as at 31 December 2018: approximately RMB16.08215 billion, with an interest rate ranging from 5.9% to 6.18%) per annum; and (iv) the amounts due to non-controlling shareholders of approximately RMB11.95 million and approximately RMB2.26731 billion denominated in AUD and RMB respectively which borne an interest rate at 6% and ranging from 4.35% to 8.0% (as at 31 December 2018: approximately RMB10.33 million and approximately RMB2.23153 billion, with an interest rate at 6% and ranging from 4.35% to 10%) per annum, no particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

The Group's gearing ratio (total borrowings divided by total equity) decreased to 234.7% as at 31 December 2019 (31 December 2018: 284.96%) as the share capital and contribution from the non-controlling shareholders increased during the Year.

Of the total borrowings, approximately RMB8.04273 billion are repayable within one year while approximately RMB37.04525 billion are repayable after one year but within five years.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which the management considers to be adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

Financial Guarantee Contracts

The Group had arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The balance as at 31 December 2019 was approximately RMB19.84087 billion (as at 31 December 2018: approximately RMB10.07453 billion). The increase was mainly attributable to the increase of pre-sale real estate mortgage loan due to the increase of the sales of property commenced to be sold in the Year.

Capital Commitments

Capital commitments were those contracts that concluded but not provided for leasehold improvement, prepayments for intended projects that concluded but not provided for allowance, nor for the construction of properties under development. The capital commitment was approximately RMB14.95095 billion as at 31 December 2019 (as at 31 December 2018: approximately RMB16.27227 billion). The decrease was attributable to the decrease in prepayments for intended projects that concluded but not provided for allowance during the Year as compared to 2018.

Pledge of Assets

As at 31 December 2019, the Group's bank loan was secured by the legal charges over its property, plant and equipment with carrying value of approximately RMB10.08 million (as at 31 December 2018: approximately RMB10.22 million), investment properties with a fair value of approximately RMB622.00 million (as at 31 December 2018: approximately RMB596.00 million) and properties under development with carrying value of approximately RMB16.91808 billion (as at 31 December 2018: approximately RMB10.87666 billion).

Capital Structure

As at 31 December 2019, the Company's issued share capital was HK\$90,986,474.5, divided into 909,864,745 ordinary shares (the "Shares") of HK\$0.1 each (as at 31 December 2018: HK\$73,486,474.5, divided into 734,864,745 Shares).

Foreign Currency Exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

As at 31 December 2019, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the Year.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities (as at 31 December 2018: Nil).

Significant Investments

During the Year, the Group did not hold any significant investment or significant securities investment as part of its asset portfolio.

Employees and Emolument Policy

As at 31 December 2019, the Group employed a total of 7,285 full-time employees (2018: 6,307 full-time employees). Total staff costs, including Directors' emoluments, of the Group were approximately RMB1.26191 billion (2018: approximately RMB731.24 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment that commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to those staff with outstanding performance. A share option scheme has been adopted to attract and retain eligible employees to contribute to the Group.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

KEY RISK FACTORS AND UNCERTAINTIES

The Group is principally engaged in the business of property development, real estate industrial chain investment services and emerging industry investment in the PRC. The property market in Mainland China is affected by a number of factors, such as changes in social, political, economic and legal environment and the government's undertakings of fiscal, economic, monetary, industrial and environmental policies. Changes in macro-economic conditions, consumer confidence, consumption spending, and consumption preferences may also affect the Group's business. As such, the Group, taking into account the market situations, implements locally differentiated investment and marketing strategies and nurtures a number of projects across different regional markets so as to reduce reliance on individual markets. The Group's operation is exposed to a variety of idiosyncratic risks in property development, property investment, and property related businesses. Default by buyers and partners, manual and systematic negligence or mistake in internal processes, and other external factors may have impact on operation. The recent outbreak and epidemic of the coronavirus (COVID-19) may also have negative influences on the property industry operations and consumers' property preferences. In addition to the aforesaid factors, other risk factors and uncertainties may exist.

EVENTS AFTER REPORTING PERIOD

After the outbreak of novel coronavirus, a series of precautionary and control measures have been implemented across the PRC. In the meantime, the Group has implemented precautionary and control measures in all projects to fight against this disease and safeguard its employees and business operations. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group. As at the date of this annual report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of this disease.

OUTLOOK AND PROSPECT

Affected by the outbreak of novel coronavirus, global economic activity has been severely impacted. Under the effective control measures of the PRC government, prevention and control of epidemic will be continued. As the Group has fewer development projects (only two projects) in Hubei Province where experienced more severe outbreak, the impact of the epidemic on the Group is expected to be relatively little, and the Group will take proactive measures to adhere to its orientation as the “integrated service provider in real estate development and real estate industrial chain investment services” and leverage on the advantage of state-owned shareholders’ background, with full utilisation of its own advantages and resources to continue to strengthen the main business of real estate development, improve the investment service layout of the real estate industry chain, facilitate the value transfer function of the capital market, establish the corporate brands, and achieve sustained, high-speed and quality development.

1. Strengthening the real estate development business and protecting core competitive advantage

For securing projects, the Group will cultivate its presence in five core regions, such as southern Fujian, northern Fujian, East China, Central China and South China, to consolidate the market position of existing core cities and choose the appropriate way of developing potential cities. By combining its advantages in terms of products, operations, capital and brands, the Group will focus on the process of land acquisition with an increase of quality land bank to enhance sustainable growth. For the product positioning, the Group will adhere to the strategy of coordinated model of “product + service” so as to improve the customer base as a point of penetration, create products with “new Chinese” craftsmanship, provide quality property management services, create high reputation of the brand and expand corporate influence.

2. Continuously promoting the synergic development of investment service business in the real estate industry chain

The Group has been focusing on the synergy among real estate industry chain investment service business which is committed to creating new growing points in the future. The Group will focus on the aim of “expanding business scale and market boundaries” in terms of its real estate industry chain investment service business for continuously improving service quality and operating efficiency and enhancing its capabilities to create cash flow. For instance, commercial asset management business should strive to explore new business management models to further improve operating efficiency; the property management business should expand from residential property management to public facilities property management and extend the scale of management for promoting service standardization and intelligence; entrusted construction service business should intensify its efforts to introduce new projects so as to establish the corporate brand of entrusted construction and enhance reputation of entrusted construction in the industry.

3. Actively improving the image of listed company in the capital market

The Group adheres to the open and transparent information disclosure, maintains a positive and sincere attitude, carries out a proactive communication and interaction with the capital market, establishes long-term, friendly and stable investor relations, and improves corporate governance.

As mentioned above, the Group will continue to improve its operating capabilities by optimising project operation efficiency, strengthening corporate brand and establishing a solid foundation for future sustainable development, so as to continuously enhance the corporate and shareholder value.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.82 per Share in respect of the Year (2018: final dividend of HK\$1.2 per Share), subject to the approval at the AGM. Based on the 909,864,745 Shares in issue as at 31 December 2019, it is expected that the final dividend payable will amount to HK\$746,089,091 (equivalent to approximately RMB668,329,000). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on Wednesday, 3 June 2020.

USE OF PROCEEDS

1. Fund raising from the GEM Listing

During the period from the date of the listing of Shares on GEM (the "GEM Listing") on 14 December 2012 (the "GEM Listing Date") to 31 December 2019, the net proceeds from the GEM Listing had been applied as below (which applications were in line with that stated in the prospectus of the Company dated 30 November 2012 (the "Prospectus")):

The net proceeds from the issue of 75,000,000 new Shares (the "Placing Shares") in the Company under the placing as set out in the Prospectus were approximately HK\$25.5 million, which was based on the final placing price of HK\$0.66 per Placing Share after deducting the actual expenses relating to the GEM Listing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the GEM Listing Date to 31 December 2019 HK\$ million	Actual use of proceeds from the GEM Listing Date to 31 December 2019 HK\$ million	Actual use of proceeds during the Year HK\$ million
The development and operation of featured theme shopping mall and maintenance of other investment properties	13.2	13.2	11.8
— <i>Maintenance of investment properties</i>		13.2	11.8
The pursuit of potential acquisition opportunities or investment in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business)	9.8	9.8	—
— <i>Investment in the property</i>	—	9.8	—
General working capital and other general corporate purposes of the Group	2.5	2.5	—
	25.5	25.5	11.8

2. Placing of new Shares under general mandate

The net proceeds from placing 55,000,000 new ordinary Shares (the aggregate nominal value of which was HK\$5,500,000) to not less than six independent third parties under general mandate (as set out in the announcement of the Company dated 17 April 2019) was approximately HK\$483 million (representing a net placing price of approximately HK\$8.78 per placing Share), which was based on the placing price of HK\$9 per placing Share (the closing price as quoted on the Stock Exchange as at 17 April 2019 was HK\$10.18 per Share) after deducting the actual expenses relating to the placing new Shares. Such net proceeds were intended for repayment for loans from financial institutions, expanding land reserves and general working capital. Such proceeds were used in accordance with the intention disclosed in the announcement of the Company dated 17 April 2019. The actual use of such proceeds is as follow:

	Actual use of net proceeds from placing of new Shares under general mandate as at 31 December 2019 HK\$ million
Repayment of loans from financial institutions	382
Expanding land reserves	100
General working capital	1
— <i>Administration and management expenses</i>	1
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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHUANG Yuekai (庄躍凱) (“Mr. Zhuang”)

Mr. Zhuang, aged 55, was appointed as the chairman of the Board and an executive Director of the Company on 10 February 2015. He was also appointed as a member and the chairman of the nomination committee of the Company (the “Nomination Committee”), and as a member of the remuneration committee of the Company (the “Remuneration Committee”) with effect from 16 March 2015. He graduated from Fuzhou University with a bachelor’s degree in engineering, majoring in industrial and civil construction. He is a senior engineer, a registered enterprise legal adviser and a certified real estate appraiser in the PRC and is entitled to special government allowances of the State Council of the PRC. Mr. Zhuang has engaged in the real estate industry for over 30 years, accumulating a wealth of management experience in the industry. He is responsible for the strategic planning of C&D International Group.

Mr. Zhuang has joined Xiamen C&D Corporation Limited since July 1986 and worked in C&D Real Estate Corporation Limited for many years. He currently serves as, among others, the vice-general manager and a member of the party committee of Xiamen C&D Corporation Limited and the chairman of the board and the secretary of party committee of C&D Real Estate Corporation Limited.

Xiamen C&D Corporation Limited is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate Corporation Limited. C&D Real Estate Corporation Limited is the holding company of Well Honour International Limited which, in turn, is the holding company of Well Land International Limited, a controlling shareholder of the Company.

Ms. ZHAO Chengmin (趙呈閩) (“Ms. Zhao”)

Ms. Zhao, aged 51, was appointed as an executive Director of the Company on 10 February 2015 and is one of the authorised representatives of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). She was appointed as deputy executive officer on 20 March 2015 and resigned as deputy executive officer on 15 March 2016. Ms. Zhao graduated from Xiamen University with a master’s degree in business administration and is a senior accountant. Ms. Zhao has engaged in financial work for more than 30 years, accumulating a wealth of financial management experience.

Ms. Zhao has joined Xiamen C&D Corporation Limited since September 1990 and worked in C&D Real Estate Corporation Limited for many years. She currently serves as, among others, a director of Xiamen C&D Corporation Limited, a director and general manager and the vice secretary of the party committee of C&D Real Estate Corporation Limited, a director of Well Land International Limited and Well Honour International Limited and a legal representative of various subsidiaries of C&D Real Estate Corporation Limited and of the Group. Ms. Zhao worked as finance controller and vice-general manager in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870).

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LIN Weiguo (林偉國) (“Mr. Lin”)

Mr. Lin, aged 41, was appointed as an executive Director and the chief executive officer of the Company on 21 March 2019. He was appointed as the financial controller of the Company from 20 March 2015 to 15 March 2016, and the chief operating officer of the Company from 15 March 2016 to 21 March 2019. Before joining the Group, he served as a manager of a branch of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870). He thereafter joined C&D Real Estate Corporation Limited in 2007 and served as its financial controller and assistant to general manager. He is currently a director and a deputy general manager and a member of the party committee of C&D Real Estate Corporation Limited, a director and the legal representative of some subsidiaries of C&D Real Estate Corporation Limited and the Group. Mr. Lin holds a bachelor's degree. He is a senior economist and a senior accountant.

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NON EXECUTIVE DIRECTORS

Ms. WU Xiaomin (吳小敏) (“Ms. Wu”)

Ms. Wu, aged 65, has been appointed as a non-executive Director of the Company since 20 March 2015. Ms. Wu graduated from Shandong University in 1982 and majored in Japanese. She is a translator and senior economist.

Ms. Wu has been chairwoman of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600870) and Xiamen C&D Corporation Limited (while she resigned on 2 March 2017). She has also been a delegate to the 12th People's Congress of Fujian Province and a delegate to the 14th People's Congress for Xiamen City. Ms. Wu has worked in Xiamen C&D Corporation Limited for many years and currently serves as (among others) a director of C&D Real Estate Corporation Limited. Ms. Wu also serves as director of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153) (while she resigned on 23 May 2019).

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Ms. Wu resigned as a non-executive Director of the Company on 30 March 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Wenzhou (黃文洲) (“Mr. Huang”)

Mr. Huang, aged 55, has been appointed as a non-executive Director of the Company since 29 April 2015. Mr. Huang graduated from MBA of Xiamen University majoring in business administration. He is an accountant.

Mr. Huang has been working in Xiamen C&D Corporation Limited for many years. On 2 March 2017, he was appointed and currently serves as the chairperson of Xiamen C&D Corporation Limited and a director of C&D Real Estate Corporation Limited. Mr. Huang also serves as vice-chairman of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153).

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Ms. YE Yanliu (葉衍榴) (“Ms. Ye”)

Ms. Ye, aged 48, was appointed as a non-executive Director of the Company on 21 March 2019. She joined Xiamen C&D Corporation Limited in 1995 and served as its legal affairs director and general legal consultant. She is currently the vice-general manager of Xiamen C&D Corporation Limited, a director of Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153), a director of C&D Real Estate Corporation Limited and a director of some other subsidiaries of Xiamen C&D Corporation Limited (not of the Group) and in charge of risk management in general for Xiamen C&D Corporation Limited. Ms. Ye holds a bachelor’s degree. She is a qualified corporate legal consultant and a practicing corporate lawyer in the PRC.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Wai (黃馳維)

Mr. Wong Chi Wai, aged 53, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the audit committee of the Board (the “Audit Committee”) and a member of the Remuneration Committee and the Nomination Committee. He currently also serves as an independent non-executive director of Bonjour Holdings Limited (stock code: 653), Kin Yat Holdings Limited (stock code: 638) and Arts Optical International Holdings Limited (stock code: 1120), shares of all these companies are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. Mr. Wong Chi Wai obtained a bachelor’s degree in social science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has over 31 years of experience in the accountancy profession. Other than holding private practice qualification in accounting, he has been admitted as solicitor at the High Court on 9 March 2019 and practice as consultant in a law firm.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The United States Public Company Accounting Oversight Board on 18 May 2016 censured Mr. Wong Chi Wai, barring him from being an associated person of a registered public accounting firm which has audit responsibilities for public companies in the United States of America (“U.S.”), and imposing a civil money penalty against him of US\$10,000 on the basis of its findings that in connection with the audits of one U.S. issuer client of his firm, AWC (CPA) Limited. Mr. Wong Chi Wai violated certain U.S. laws, rules and standards relating to the audit requirements of a U.S. issuer client. Mr. Wong Chi Wai may file a petition to associate with a registered public accounting firm after two years from the date of the order.

For the same incident, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) concluded that Mr. Wong Chi Wai was in breach of sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants for failure to act diligently in accordance with applicable technical and professional standards when provided professional services. As such, HKICPA reprimanded Mr. Wong Chi Wai and levied an administrative penalty of HK\$25,000 and costs of HK\$10,000 jointly with other respondents on 27 November 2017.

Mr. WONG Tat Yan, Paul (黃達仁)

Mr. Wong Tat Yan, Paul, aged 50, has been an independent non-executive Director of the Company since 23 November 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Wong Tat Yan, Paul obtained a bachelor’s degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master’s degree in business administration from the University of Queensland in Australia in 2004. From May 2015 to June 2017, Mr. Wong Tat Yan, Paul served as an independent non-executive director and the chairman of the audit committee and remuneration committee of Huiyin Holding Group Limited (formerly known as Share Economy Group Limited, Stock Code: 1178) which is Listed on the main board of the Stock Exchange. Mr. Wong Tat Yan, Paul is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 22 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently a partner of Paul Wong & Co., a certified public accountants firm in Hong Kong.

Mr. CHAN Chun Yee (陳振宜) (“Mr. Chan”)

Mr. Chan, aged 42, has been an independent non-executive director of the Company since 23 November 2012. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. He obtained a bachelor’s degree in laws from the City University of Hong Kong in 1999 and a master’s degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. Mr. Chan is a member of the Law Society of Hong Kong, associate member of Chartered Institute of Arbitrators and fellow member of Hong Kong Institute of Arbitrators and has been a practising solicitor in Hong Kong for more than 16 years in general legal practice and in different areas of law. Mr. Chan has been working as a solicitor at the law firm of C.T. Chan & Co., Solicitors since 2002 and become a partner of that law firm since April 2015. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

SENIOR MANAGEMENT

Ms. JIN Liuyuan (金柳媛) (“Ms. Jin”)

Ms. Jin, aged 35, has been appointed as the financial controller of the Company since 1 April 2018. She has engaged in financial field for nearly 11 years, accumulating a wealth of financial management experience. Prior to joining the Group, Ms. Jin worked as auditor in PricewaterhouseCoopers Zhong Tian LLP from October 2010 to May 2015. She joined the C&D Real Estate Corporation Limited in 2015 and served as the assistant to general manager of the finance department of C&D Real Estate Corporation Limited. She currently serves as the vice general manager of the finance department of C&D Real Estate Corporation Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jin is a postgraduate with a master's degree, a certified public accountant (CPA) in the PRC, an intermediate accountant, and is qualified to engage in the legal industry.

Ms. PAN Yanxia (潘燕霞) ("Ms. Pan")

Ms. Pan, aged 36, has been appointed as the internal audit controller of the Company since 1 April 2018. She has engaged in financial field for nearly 12 years, accumulating a wealth of financial and auditing management experience. Ms. Pan worked in Ernst & Young Hua Ming LLP for seven years. Prior to joining C&D Real Estate Corporation Limited, she has been a vice-director of corporate finance in a private company. She joined C&D Real Estate Corporation Limited in 2016 and served as the assistant to general manager of the auditing department of C&D Real Estate Corporation Limited, the vice-general manager of the auditing & supervision department of C&D Real Estate Corporation Limited. She currently serves as the general manager of the finance department of C&D Real Estate Corporation Limited. Ms. Pan is responsible for the internal audit of the Group.

Ms. Pan, with a bachelor's degree, is a certified public accountant (CPA) in the PRC, and a certified internal audit (CIA).

COMPANY SECRETARY

Miss LEUNG Ching Ching ("Miss Leung")

Miss Leung, aged 39, has been appointed as the company secretary of the Company since 1 November 2017. Miss Leung is a senior manager of the Corporate Services of Tricor Services Limited. She has over 16 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Other than the Company, Miss Leung is currently also named company secretary/joint company secretaries to four other Hong Kong listed companies. Miss Leung is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Miss Leung graduated from The Chinese University of Hong Kong and admitted to the Degree of Bachelor of Social Science. She also received a Master of Arts in Professional Accounting and Information System from City University of Hong Kong.

DIRECTORS' REPORT

The Directors are pleased to present to the shareholders of the Company the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 22 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 8 to 27 of the annual report and the "Environmental, Social and Governance Report" set out on pages 66 to 110 of the annual report. The relevant discussion in the "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" sections forms part of this directors' report.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2019 are set out in the consolidated financial statements and their accompanying notes on pages 115 to 238 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.82 per Share in respect of the Year (2018: final dividend of HK\$1.2 per Share), subject to the approval at the AGM. Based on the 909,864,745 Shares in issue as at 31 December 2019, it is expected that the final dividend payable will amount to HK\$746,089,091 (equivalent to approximately RMB668,329,000). Subject to the approval of the shareholders of the Company at the AGM, the final dividend is expected to be paid to the eligible shareholders of the Company on Wednesday, 3 June 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy in December 2018. In recommending on declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations and other factors.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and income, capital requirements and budgets, interests of shareholders, and restrictions on payment of dividends and any other factors that the Board may consider relevant. Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. Any final dividend for a financial year will be subject to shareholders' approval. The Board will review this dividend policy as appropriate from time to time.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Monday, 11 May 2020.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 21 May 2020 to Friday, 22 May 2020 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Wednesday, 20 May 2020.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 15 May 2020.

FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 239 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 34 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

BORROWINGS

Details of the borrowings of the Group for the Year are set out in note 31 to the consolidated financial statements.

INVENTORIES OF PROPERTIES

Details of the inventories of properties of the Group for the Year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 35 to the consolidated financial statements and the consolidated statement of changes in equity on pages 120 to 121 respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings, amounted to approximately RMB1.95052 billion.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of approximately RMB1.69089 billion may be applied for paying distributions or dividends to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands in relation to the issue of new shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group for the Year are set out in note 18 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group did not make charitable donations (2018: RMB6 million).

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 0.20% and 0.60% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 7.22% and 12.07% of the Group's total purchases for the Year respectively.

During the Year, one of the five largest customers was Longyan Lirong Real Estate Development Company Limited* (龍岩利榮房地產開發有限公司) ("Longyan Lirong") and Xiamen Heshan Construction and Development Limited* (廈門市禾山建設發展有限公司) ("Heshan Construction"). Longyan Lirong is 30% owned by the Company. Heshan Construction is 100% beneficially owned by C&D Real Estate Corporation Limited.

Save as disclosed above, none of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

DIRECTORS' REPORT

BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this annual report are as follows:

Executive Directors

Mr. Zhuang Yuekai (*Chairman*) ^{R/N}

Mr. Shi Zhen (*resigned on 21 March 2019*)

Ms. Zhao Chengmin

Mr. Lin Weiguo (*Chief Executive Officer*) (*appointed on 21 March 2019*)

Non-executive Directors (the "NEDs")

Ms. Wang Xianrong (*resigned on 21 March 2019*)

Ms. Wu Xiaomin

Mr. Huang Wenzhou

Ms. Ye Yanliu (*appointed on 21 March 2019*)

Independent Non-executive Directors (the "INEDs")

Mr. Wong Chi Wai ^{A/R/N}

Mr. Wong Tat Yan, Paul ^{A/R/N}

Mr. Chan Chun Yee ^{A/R/N}

Notes:

A: Member of the Audit Committee

R: Member of the Remuneration Committee

N: Member of the Nomination Committee

On 30 March 2020, Ms. Wu Xiaomin resigned as NED. In accordance with Articles 105 and 109 of the Articles of Association, Mr. Zhuang Yuekai, Mr. Huang Wenzhou and Mr. Chan Chun Yee will retire from office by rotation and being eligible, will offer themselves for re-election at the AGM. Mr. Shi Zhen, Ms. Wang Xianrong and Ms. Wu Xiaomin have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

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

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than one month's notice in writing. Each of the executive Directors is entitled to a director's emolument of HK\$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the NEDs has entered into a service agreement/letter of appointment with the Company for a term of three years commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the NED or the Company may terminate the agreement by giving the other party not less than one month's notice in writing. Each of the NEDs does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the INEDs has entered into a letter of appointment with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the INED or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the INEDs is entitled to a director's emolument of HK\$120,000 per annum from 14 December 2012 and the emolument has been revised to HK\$150,000 per annum from 21 March 2015, the emolument has been revised to HK\$180,000 per annum from 24 March 2017, and the emolument has been further revised to HK\$200,000 per annum from 20 March 2019.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares of the Company

Name of Directors	Capacity/Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Zhuang Yuekai	Founder of a discretionary trust	60,412,000 (Note 2)	6.64%
Ms. Zhao Chengmin	Founder of a discretionary trust	60,412,000 (Note 2)	6.64%
Mr. Lin Weiguo	Interest of controlled corporation	60,412,000 (Note 2)	6.64%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of 909,864,745 Shares in issue as at 31 December 2019.
2. These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Equity Trustee Limited ("Equity Trustee"). Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai and Ms. Zhao Chengmin is one of the founders of the said discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Ms. Zhao Chengmin and Mr. Lin Weiguo are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

Name of substantial Shareholders	Capacity/ Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Well Land International Limited (益能國際有限公司) ("Well Land")	Beneficial owner	857,034,106 (Note 2)	94.19%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour")	Interest of controlled corporation	857,034,106 (Note 3)	94.19%
C&D Real Estate Corporation Limited (建發房產集團有限公司) ("C&D Real Estate")	Interest of controlled corporations	857,034,106 (Note 3)	94.19%
Xiamen C&D Inc. (廈門建發股份有限公司)	Interest of controlled corporations	857,034,106 (Note 3)	94.19%
Xiamen C&D Corporation Limited (廈門建發集團有限公司) ("Xiamen C&D")	Interest of controlled corporations	857,034,106 (Note 3)	94.19%
Diamond Firetail Equity Trustee	Beneficial owner	60,412,000	6.64%
	Interest of controlled corporation	60,412,000 (Note 4)	6.64%
Ms. Cao Xinyu	Interest of controlled corporation	60,412,000 (Note 4)	6.64%
Ms. Liu Jing	Interest of controlled corporation	60,412,000 (Note 4)	6.64%

Notes:

- The percentage of shareholding was calculated based on the Company's total number of 909,864,745 Shares in issue as at 31 December 2019.
- These interests comprise 590,187,745 Shares registered in the name of Well Land and 266,846,361 underlying Shares which may be convertible pursuant to the perpetual convertible bond issued by the Company to Well Land on 30 November 2018.
- Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality, is interested in Xiamen C&D Inc. as to 45.89%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.

DIRECTORS' REPORT

4. These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai and Ms. Zhao Chengmin are founders of the said discretionary trust. Ms. Cao Xinyu, Ms. Liu Jing and Mr. Lin Weiguo are protectors of the said discretionary trust. Therefore, Equity Trustee, Ms. Cao Xinyu and Ms. Liu Jing are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. The interests of Mr. Zhuang Yuekai, Ms. Zhao Chengmin and Mr. Lin Weiguo are shown in the section headed "Disclosure of interests of Directors and Chief Executive and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations" above.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Companies Law of the Cayman Islands, every director is entitled under the Company's articles of association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by law, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group during the year and up to the date of this report.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as provided under the Share Option Scheme, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for those connected transactions and continuing connected transactions set out on pages 41 to 48 of this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

MANAGEMENT CONTRACT

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

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 41 to the consolidated financial statements, and save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Listing Rules) of the Company and was subject to reporting requirement during the Year and as at 31 December 2019.

LITIGATIONS

There was no material litigations and obligations of the Group during the Year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 47 to the consolidated financial statements.

CONNECTED TRANSACTIONS

1. On 17 June 2019, Xiamen Yi Yue Property Company Limited*(廈門益悅置業有限公司) ("Yi Yue") and C&D Real Estate entered into the equity transfer agreement, pursuant to which C&D Real Estate agreed to sell and Yi Yue agreed to purchase 100% equity interests in Taicang Jiancang Real Estate Development Company Limited* (太倉建倉房地產開發有限公司) ("Taicang Jiancang"). The cash consideration for the acquisition shall be RMBNil. Yi Yue shall repay the shareholder's loan (principal and interests) in the amount of approximately RMB1,479,911,396 (as at 17 June 2019) previously advanced by C&D Real Estate to Taicang Jiancang (principal and interests are subject to effective adjustment). Upon completion of the acquisition, Yi Yue will hold 100% equity interests in Taicang Jiancang. As C&D Real Estate is the controlling shareholder of the Company, C&D Real Estate is regarded as a connected person of the Company. As such, the transaction contemplated under the equity transfer agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 2 August 2019, the proposed resolution approving the transaction contemplated under the equity transfer agreement was passed by the independent shareholders of the Company by way of poll.

2. On 31 October 2019, Yi Yue, Taicang Qitai Business Consultancy Company Limited* (太倉市栖泰商務諮詢有限公司) (“Taicang Qitai”), Xiamen Yilong Real Estate Development Company Limited* (廈門益龍房地產開發有限公司) (“Xiamen Yilong”), C&D Real Estate, Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) (“Xiamen Liyuan”) and C&D Real Estate Corporation Shanghai Company Limited* (建發房地產集團上海有限公司) (“C&D Shanghai”) entered into the cooperation agreement (the “Cooperation Agreement”), pursuant to which, among other things, (1) Yi Yue and Taicang Qitai agreed to establish a joint venture (the “Joint Venture”), in which Yi Yue and Taicang Qitai shall own 51% and 49% equity interests respectively; (2) C&D Real Estate and Xiamen Liyuan agreed to sell, and the Joint Venture agreed to purchase 100% equity interests in Xiamen Yilong at the consideration of RMBNil; and (3) the registered capital of Xiamen Yilong shall increase from RMB1,000,000 to RMB900,000,000, and the Joint Venture shall subscribe for RMB899,000,000. The total consideration contributed by Yi Yue under the Cooperation Agreement is approximately RMB930,000,000 (subject to adjustment). Upon completion of the transactions contemplated under the Cooperation Agreement, Yi Yue will directly hold 51% equity interests in the Joint Venture, which holds 100% equity interests in Xiamen Yilong. On 19 December 2019, Yi Yue, Taicang Qitai, Xiamen Yilong, C&D Real Estate, Xiamen Liyuan and C&D Shanghai entered into a supplemental agreement to the Cooperation Agreement (the “Supplemental Agreement”) with Taicang Jinyue Business Consultancy Company Limited* (太倉金躍商務諮詢有限公司) (“Taicang Jinyue”). Pursuant to the Supplemental Agreement, the parties agreed that (1) Taicang Qitai will transfer its entire rights and obligation in relation to the Cooperation Agreement to Taicang Jinyue, while Taicang Jinyue will assume all rights entitled to and all obligation undertaken by Taicang Qitai under the Cooperation Agreement; and (2) the time frame for establishment of the Joint Venture will be changed to within one month of the signing of the Supplemental Agreement (subject to the conditions precedent under the Cooperation Agreement being fulfilled). As Xiamen Liyuan and C&D Shanghai are subsidiaries of C&D Real Estate and C&D Real Estate is the controlling shareholder of the Company, C&D Real Estate, Xiamen Liyuan and C&D Shanghai are regarded as connected persons of the Company. As such, the transactions contemplated under the Cooperation Agreement (amended by the Supplemental Agreement) constitute connected transactions under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 7 February 2020, the proposed resolution approving the transactions contemplated under the Cooperation Agreement (amended by the Supplemental Agreement) was passed by the independent shareholders of the Company by way of poll.
3. On 30 December 2019, Xiamen Libai Business Service Company Limited* (廈門利柏商務服務有限公司) (“Xiamen Libai”), C&D Real Estate and Hongxin Chuangye Workshop Investment Group Stock Company Limited* (弘信創業工場投資集團股份有限公司) (“Hongxin Chuangye”) entered into a capital increase agreement (the “Capital Increase Agreement”), pursuant to which the parties agreed that the registered capital of Guangzhou Jianxin Microfinance Company Limited* (廣州建信小額貸款有限公司) (“Guangzhou Jianxin”) shall increase from RMB100,000,000 to RMB200,000,000. Xiamen Libai has agreed to contribute RMB34,000,000 in cash. Upon completion of the capital increase, Xiamen Libai will remain as the shareholder of Guangzhou Jianxin holding 34% of its equity interests. As C&D Real Estate, a controlling shareholder of the Company, is considered as a connected person of the Company, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Capital Increase Agreement is subject to the reporting and announcement requirements, but is exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Continuing connected transactions in relation to the lease of properties

On 14 March 2016, Shanghai C&D Zhaoyu Asset Management Company Limited* (上海建發兆昱資產管理有限公司) ("Shanghai Zhaoyu"), a subsidiary of the Company, entered into a lease (the "Huayuan Lease") in respect of the Xinjiangwan Huayuan* (新江灣華苑) project (the "Huayuan Project") and a lease (the "Jiayuan Lease") in respect of the Xinjiangwan Jiayuan* (新江灣嘉苑) project (the "Jiayuan Project") with Shanghai Zhongyue Real Estate Development Company Limited* (上海中悅房地產開發有限公司) ("Shanghai Zhongyue") and Shanghai Shanxidi Real Estate Development Company Limited* (上海山溪地房地產開發有限公司) ("Shanghai Shanxidi") respectively, pursuant to which Shanghai Zhongyue and Shanghai Shanxidi agreed to respectively certain properties in the Huayuan Project and the Jiayuan Project to Shanghai Zhaoyu.

The term of the Jiayuan Lease is 60 months commencing from 15 March 2016 to 14 March 2021, while the term of the Huayuan Lease is 60 months commencing from 1 July 2016 to 30 June 2021. An independent financial advisor has been appointed by the Company to opine on the term of the two leases, each of which is more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

The rent payable under each of the Jiayuan Lease and the Huayuan Lease shall be calculated daily at RMB0.28 per sq.m., RMB0.3 per sq.m., RMB0.32 per sq.m., RMB0.34 per sq.m., RMB0.36 per sq.m. and RMB0.36 per sq.m., for the years ended 31 December 2016, 2017, 2018 and 2019 and for the years ending 31 December 2020 and 2021 respectively, which is determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai.

The respective annual caps of the transactions contemplated under the Jiayuan Lease and the Huayuan Lease were as follows:

Financial year	Annual caps under the Jiayuan Lease	Annual caps under the Huayuan Lease
Year ended 31 December 2016	RMB2,160,000	RMB1,810,000
Year ended 31 December 2017	RMB2,850,000	RMB3,720,000
Year ended 31 December 2018	RMB3,040,000	RMB3,980,000
Year ended 31 December 2019	RMB3,230,000	RMB4,230,000
Year ending 31 December 2020	RMB3,430,000	RMB4,500,000
Year ending 31 December 2021	RMB700,000	RMB2,290,000

Each of Shanghai Shanxidi and Shanghai Zhongyue is a subsidiary of C&D Real Estate and is therefore a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as all the applicable percentage ratios in respect of the highest annual cap of the two leases exceed 0.1% but are less than 5% on an annual basis, the transactions contemplated under the two leases are subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 14 March 2016 for further details of the above continuing connected transactions.

During the Year, the rent payable to Shanghai Zhongyue under the Huayuan Lease amounted to approximately RMB4,227,000 and the rent payable to Shanghai Shanxidi under the Jiayuan Lease amounted to approximately RMB3,225,000.

2. Continuing connected transactions in relation to the consignment agreements

On 19 August 2016, Shanghai Zhaoyu entered into a consignment agreement with each of Shanghai Shanxidi and Shanghai Zhongyue respectively, pursuant to which Shanghai Zhaoyu agreed to act as the agent for Shanghai Shanxidi and Shanghai Zhongyue for the sale of certain properties under the Jiayuan Project and the Huayuan Project in consideration of consignment fees. Please refer to the Company's announcement dated 19 August 2016 for further details regarding pricing policy for the consignment fees and basis for the capital caps of the above continuing connected transactions.

The respective annual caps of the transactions contemplated under the consignment agreement with Shanghai Shanxidi (the "Jiayuan Consignment Agreement") and the consignment agreement with Shanghai Zhongyue (the "Huayuan Consignment Agreement") were as follows:

Financial year	Annual caps under the Jiayuan Consignment Agreement	Annual caps under the Huayuan Consignment Agreement
Year ended 31 December 2017	RMB8,767,000	RMB11,701,500
Year ended 31 December 2018	RMB8,767,000	RMB11,701,500
Year ended 31 December 2019	RMB8,767,000	RMB11,701,500

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement, as well as the transactions under the Jiayuan Lease and the Huayuan Lease are required to be aggregated and treated as if they were one transaction. After aggregation, as one of the applicable percentage ratios in respect of the highest annual cap exceed 5% but are less than 25%, the aggregated transactions are subject to the reporting, announcement and independent shareholders' approval requirements. At the extraordinary general meeting of the Company held on 12 October 2016, the transactions contemplated under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement and the proposed annual caps thereunder have been approved by the independent shareholders of the Company. Please refer to the Company's announcement dated 19 August 2016 and the Company's circular dated 24 September 2016 for further details of the above continuing connected transactions.

During the Year, there were no consignment fees payable to Shanghai Shanxidi and Shanghai Zhongyue under the Jiayuan Consignment Agreement and the Huayuan Consignment Agreement respectively.

3. Continuing connected transaction in relation to the lease of properties

On 18 July 2017, Shanghai Zhaoyu entered into a lease (the "Yangpu Lease") with Shanghai Zhaoyu Investment Development Company Limited* (上海兆御投資發展有限公司) ("Shanghai Zhaoyu Investment Development"), pursuant to which Shanghai Zhaoyu Investment Development agreed to lease certain properties located in Yangpu District* (楊浦區), Shanghai to Shanghai Zhaoyu.

The term of Yangpu Lease is 10 years commencing from 1 July 2017 to 30 June 2027. An independent financial advisor has been appointed by the Company to opine on the term of the Yangpu Lease, which is more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

The rent payable under the Yangpu Lease shall be calculated on a daily basis. For the two years from 1 July 2017 to 30 June 2019, the rent shall be calculated daily at RMB1.00 per sq.m.; for the year from 1 July 2019 to 30 June 2020, the rent shall be calculated daily at RMB2.00 per sq.m.; for the two years from 1 July 2020 to 30 June 2022, the rent shall be calculated daily at RMB2.10 per sq.m.; for the two years from 1 July 2022 to 30 June 2024, the rent shall be calculated daily at RMB2.21 per sq.m.; for the two years from 1 July 2024 to 30 June 2026, the rent shall be calculated daily at RMB2.32 per sq.m.; and for the year from 1 July 2026 to 30 June 2027, the rent shall be calculated daily at RMB2.44 per sq.m. The rate was determined based on arm's length basis by reference to the prevailing market rates of the rental charge of properties in Shanghai. Shanghai Zhaoyu is required to pay the quarterly rent to Shanghai Zhaoyu Investment Development at the beginning of each quarter in advance.

The annual caps of the transactions contemplated under the Yangpu Lease were as follows:

Financial Year	Annual caps under the Yangpu Lease
Year ended 31 December 2017	RMB1,700,000
Year ended 31 December 2018	RMB3,500,000
Year ended 31 December 2019	RMB5,200,000
Year ending 31 December 2020	RMB7,200,000
Year ending 31 December 2021	RMB7,300,000
Year ending 31 December 2022	RMB7,500,000
Year ending 31 December 2023	RMB7,700,000
Year ending 31 December 2024	RMB7,900,000
Year ending 31 December 2025	RMB8,100,000
Year ending 31 December 2026	RMB8,300,000
Year ending 31 December 2027	RMB4,200,000

As all the applicable percentage ratios in respect of the highest annual cap of the Yangpu Lease are less than 25% and the total consideration is less than HK\$10,000,000 on an annual basis, the transaction contemplated under the Yangpu Lease is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As Shanghai Zhaoyu Investment Development is a wholly-owned subsidiary of Xiamen C&D which is a controlling shareholder of the Company, Shanghai Zhaoyu Investment Development is considered as a connected person of the Company. The entering into of the Yangpu Lease between Shanghai Zhaoyu and Shanghai Zhaoyu Investment Development therefore constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 18 July 2017 for further details of the above continuing connected transaction.

During the Year, the rent payable of Shanghai Zhaoyu under the Yangpu Lease amounted to approximately RMB4,536,000.

4. Continuing connected transaction in relation to provision of property management service

On 13 July 2018 (after trading hours), C&D Property, a wholly-owned subsidiary of the Company, entered into the property management service agreement (the "Property Management Service Agreement") with C&D Real Estate, pursuant to which C&D Property shall provide property management services to the properties and development projects of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies.

The proposed annual caps of the property management service fees to be received by C&D Property under the Property Management Service Agreement for each of the four years ending 31 December 2021 are RMB150,000,000, RMB150,000,000, RMB150,000,000 and RMB150,000,000 respectively. In determining the proposed annual caps, the Board has based their estimates on (1) the historical fees received by Yijiyuan (Xiamen) Property Management Company Limited* (怡家園物業(廈門)物業管理有限公司) and Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) (subsidiaries of C&D Property) from C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies for providing property management services; (2) the anticipated rise in labor costs, material costs, management fees, etc.; (3) the service demand of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies for their daily operation; and (4) the relevant taxes and reasonable level of profit.

C&D Real Estate is a controlling shareholder of the Company and, therefore, a connected person of the Company. Accordingly, the entering into of the Property Management Service Agreement will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the Property Management Service Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Property Management Service Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 13 July 2018 for further details of the above continuing connected transaction.

During the Year, the property management service fees receivable from C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies under the Property Management Service Agreement approximately amounted to RMB94,225,000.

5. Continuing connected transaction in relation to the provision of entrusted construction management services

On 29 January 2019 (after trading hours), Zhaocheng Construction entered into the framework agreement (the "Framework Agreement") with C&D Real Estate for the period from 29 January 2019 to 31 December 2021, pursuant to which Zhaocheng Construction shall provide entrusted construction management services for a variety of construction and property development projects, etc. of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies. The contract period has commenced from 29 January 2019, and will end on 31 December 2021.

Entrusted construction management services to be provided by Zhaocheng Construction mainly include:

- (i) Entrusted construction: the overall construction services of a project, ranging from design and construction to completion and delivery of the project, to be provided during the period commencing from the acquisition of the project to its completion and settlement; and

- (ii) Entrusted operating construction: the overall management and sale services in respect of the development and construction of a project, ranging from plot design, operation, sale, completion and delivery of the project, to be provided during the period commencing from the acquisition of the project to its completion and settlement.

Entrusted construction management service fees for each of the abovementioned service categories include:

- (i) the basic construction management fees for entrusted construction: to be calculated as not less than 4% of the "direct development costs" (land costs, public maintenance fees and contracts managed by C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies will not be applied in the calculation of management fees) of the project. The "direct development costs" is subject to adjustment according to the actual settlement amount of all contracts under management of Zhaocheng Construction;
- (ii) the basic construction management fees for entrusted operating construction: to be calculated as not less than 5% of the "total sales" of the project. The "total sales" represent the total revenue to be obtained by C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies from the project (i.e. the amount of receivables with legal basis (including output value added tax), including the amounts received and the expected income of the relevant outstanding receivables from certain legal documents including signed sales and lease contracts and other contracts); and
- (iii) other fees: may be determined by both business parties otherwise agreed according to the actual status of the project, including but not limited to the construction incentive and the construction management bonus, etc.. The specific fees can be charged on a certain percentage of the "direct development costs", while the rate and the charging method can be determined by both business parties after negotiation.

The aforementioned entrusted construction management service fees may be adjusted according to the actual construction situation of the project upon unanimous consent by both parties after negotiation.

The proposed annual caps of the entrusted construction management service fees to be received by Zhaocheng Construction under the Framework Agreement for each of the three years ending 31 December 2021 are RMB150,000,000. In determining the proposed annual caps, the Board has considered, among other things, the following main factors: (1) the historical fees received by Zhaocheng Construction from C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies for providing entrusted construction management services; (2) the anticipated rise in labor costs, management fees, etc.; (3) the service demand of C&D Real Estate, its subsidiaries (but not including the Group (excluding connected subsidiaries)) and connected companies arising from their daily operations; and (4) the relevant taxes and a reasonable profit margin.

C&D Real Estate is a controlling shareholder of the Company and, therefore, a connected person of the Company. Accordingly, the entering into of the Framework Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Framework Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 29 January 2019 for further details of the above continuing connected transaction. The transactions contemplated under the agreements entered into by Zhaocheng Construction as stated in the Company's announcements dated 1 August 2017, 31 August 2018 and 22 October 2018 respectively are included in the Framework Agreement.

During the Year, the total entrusted construction management service fees receivable under the Framework Agreement amounted to approximately RMB30,739,000.

Review by independent non-executive Directors and the auditor of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was also engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. Based on its work, the Company's auditor of the Company has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

- a. nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have not been approved by the Company's Board of Directors;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, a summary of material related party transactions made during the Year is disclosed in note 41 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the perpetual convertible bond as set out in note 35 to the consolidated financial statements issued by the Company on 30 November 2018, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") in 2012 for the purpose of providing incentives and rewards to eligible participants who have contributed or may contribute to the success of the Group's operations. The Share Option Scheme totally complies with the requirements of Chapter 17 of the Main Board Listing Rules after the listing of the Company's Shares has been transferred from the GEM Board to the Main Board in 2014. So the Share Option Scheme is still effective after the transfer. The principal terms of the Share Option Scheme are set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for the Shares in the Company:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

DIRECTORS' REPORT

Maximum number of Shares under the Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue from the GEM Listing Date, that is 30,000,000 Shares.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates must be approved by INEDs (excluding INED who or whose associates is the proposed grantee of the options). In addition, any grant of options to a substantial shareholder or an INED or any of their respective associates in aggregate over 0.1% of the Shares in issue or with an aggregate value, based on the closing price of the Shares at the date of each offer, in excess of HK\$5 million, in the 12-month period up to and including the date of such grant, must be approved by the shareholders in general meeting of the Company.

Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option to be accompanied by the payment of consideration of HK\$1, being acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14 December 2012, being the adoption date of the Share Option Scheme.

No share options were granted, exercised or cancelled by the Company or lapsed under the Share Option Scheme during the Year and there were no outstanding share options under the Share Option Scheme as at 31 December 2019.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. Please refer to note 2.20 to the consolidated financial statements for the Year for more information.

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

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 53 to 65 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules (as appropriate).

ADDITIONAL DISCLOSURES

Registration of lease agreements in the PRC

As disclosed in the Prospectus some lease agreements in respect of certain investment properties in the PRC held or leased by the Group, which are required to be registered under the PRC laws, were not registered nor registrable.

As at 31 December 2019, there were still 65 lease agreements pending to be registered due to the fact that the merchants shall bring their ID cards and go to the competent Real Estate Bureau together with relevant staff of the Group to complete the registration. However, the merchants did not actively assist the Company in completing such registration.

The Company will keep monitoring the registration status of these lease agreements with the aim of completing their registration as early as practicable.

DIRECTORS' REPORT

Property ownership certificate of Yu Feng High Street

As disclosed in the Prospectus, following the refurbishment and renovation of Wan Guo Plaza* (萬國廣場) (formerly known as Yu Feng High Street), the property ownership certificate was issued on 11 May 2012 in respect of the refurbished Wan Guo Plaza and covered a GFA of 7,484 sq.m. It was later transpired that there was a shortfall in GFA of approximately 770 sq.m., which was yet to be covered under the property ownership certificate. The Group has delegated a senior management staff to keep liaising with the relevant PRC authorities and following up on the application procedure for a new property ownership certificate of Wan Guo Plaza.

As at 31 December 2019, the application process for the new property ownership certificate was still ongoing. Given that the application for a new property ownership certificate under the above special circumstance is not one which is usually taken out before the relevant PRC authorities, the Group expects that the processing time would be longer than is normally required. There was no indication from the PRC authorities as to how long such process would take. The Group will maintain its communication with the relevant PRC authorities closely so as to obtain the up-to-date status of the application progress until the new property ownership certificate covering the shortfall in GFA is issued.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company (comprising all the three INEDs, namely Mr. Wong Chi Wai (committee chairman), Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee) has reviewed with the management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITOR

The Group's consolidated financial statements for the Year have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the AGM.

On behalf of the Board

ZHUANG Yuekai

Chairman

Hong Kong, 20 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the Year.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the Year, the Company has complied with all the code provisions as set out in the CG Code.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Year.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the Year.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

During the Year and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors

Mr. Zhuang Yuekai (*Chairman*)

Mr. Shi Zhen (*resigned on 21 March 2019*)

Ms. Zhao Chengmin

Mr. Lin Weiguo (*appointed on 21 March 2019*)

CORPORATE GOVERNANCE REPORT

Non-executive Directors

Ms. Wang Xianrong (*resigned on 21 March 2019*)

Ms. Wu Xiaomin

Mr. Huang Wenzhou

Ms. Ye Yanliu (*appointed on 21 March 2019*)

Independent Non-executive Directors

Mr. Wong Chi Wai

Mr. Wong Tat Yan, Paul

Mr. Chan Chun Yee

Mr. Shi Zhen resigned as an executive Director on 21 March 2019, and Mr. Lin Weiguo has been appointed as an executive Director and the chief executive officer on 21 March 2019. Ms. Wang Xianrong resigned as a non-executive Director on 21 March 2019, and Ms. Ye Yanliu has been appointed as a non-executive Director on 21 March 2019. Ms. Wu Xiaomin resigned as a non-executive Director on 30 March 2020.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 32 of this annual report.

None of the members of the Board is related to one another.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meeting with the independent non-executive Directors without the presence of other directors for compliance with the code provision A.2.7.

During the Year, four Board meetings, one annual general meeting and one extraordinary general meeting (the "EGM") were held. Details of the attendance of the Directors are as follows:

Name of Directors	Attendance of Board Meeting	Attendance of annual general meeting	Attendance of EGM
Mr. Zhuang Yuekai	4/4	1/1	0/1
Mr. Shi Zhen ⁽¹⁾	1/1	0/0	0/0
Ms. Zhao Chengmin	4/4	1/1	0/1
Mr. Lin Weiguo ⁽²⁾	3/3	1/1	1/1
Ms. Wang Xianrong ⁽³⁾	1/1	0/0	0/0
Ms. Wu Xiaomin ⁽⁴⁾	4/4	0/1	0/1
Mr. Huang Wenzhou	4/4	0/1	0/1
Ms. Ye Yanliu ⁽⁵⁾	3/3	0/1	0/1
Mr. Wong Chi Wai	4/4	1/1	1/1
Mr. Wong Tat Yan, Paul	4/4	1/1	0/1
Mr. Chan Chun Yee	4/4	1/1	1/1

- (1) Mr. Shi Zhen resigned as an executive Director on 21 March 2019.
- (2) Mr. Lin Weiguo was appointed as an executive Director on 21 March 2019.
- (3) Ms. Wang Xianrong resigned as a non-executive Director on 21 March 2019.
- (4) Ms. Wu Xiaomin resigned as a non-executive Director on 30 March 2020.
- (5) Ms. Ye Yanliu was appointed as a non-executive Director on 21 March 2019.

Chairman and Chief Executive Officer

The position of chairman of the Board (“Chairman”) is held by Mr. Zhuang Yuekai. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. From 1 January 2019 to 20 March 2019, there is no chief executive officer appointed by the Company. During the above period, Mr. Lin Weiguo was the chief operating officer of the Company who is responsible for the Company’s business development and daily management and operations, performing the main duties of the chief executive officer. Mr. Lin Weiguo was appointed as the chief executive officer of the Company on 21 March 2019 to continue to perform the duties mentioned above.

Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors of the Company are appointed for a specific term of three years from their respective date of appointment, subject to renewal after the expiry of the then current term and retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Each of the independent non-executive Directors has been appointed for an initial term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders of the Company at the first general meeting after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Moreover, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company. Accordingly, Mr. Zhuang Yukai, Mr. Huang Wenzhou and Mr. Chan Chun Yee will retire from office by rotation at the AGM, and being eligible, have offered themselves for re-election. None of the Directors who is proposed for re-election or any other Directors has a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development ("CPD") to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

CORPORATE GOVERNANCE REPORT

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2019 are summarized as follows:

Name of Directors	Types of Training ^{Note}
Executive Directors	
Mr. Zhuang Yuekai (<i>Chairman</i>)	A/B
Mr. Shi Zhen ⁽¹⁾	N/A
Ms. Zhao Chengmin	A/B
Mr. Lin Weiguo ⁽²⁾	A/B
Non-executive Directors	
Ms. Wang Xianrong ⁽³⁾	N/A
Ms. Wu Xiaomin ⁽⁴⁾	A/B
Mr. Huang Wenzhou	A/B
Ms. Ye Yanliu ⁽⁵⁾	A/B
Independent Non-executive Directors	
Mr. Wong Chi Wai	B
Mr. Wong Tat Yan, Paul	A/B
Mr. Chan Chun Yee	A/B

(1) Mr. Shi Zhen resigned as an executive Director on 21 March 2019.

(2) Mr. Lin Weiguo was appointed as an executive Director on 21 March 2019.

(3) Ms. Wang Xianrong resigned as a non-executive Director on 21 March 2019.

(4) Ms. Wu Xiaomin resigned as a non-executive Director on 30 March 2020.

(5) Ms. Ye Yanliu was appointed as a non-executive Director on 21 March 2019.

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the Chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held two meetings to review the annual financial results and report in respect of the year ended 31 December 2018, the interim results and report for the six months ended 30 June 2019, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Wong Chi Wai (<i>Chairman</i>)	2/2
Mr. Wong Tat Yan, Paul	2/2
Mr. Chan Chun Yee	2/2

Remuneration Committee

The Remuneration Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr. Wong Tat Yan, Paul is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Year, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wong Tat Yan, Paul (<i>Chairman</i>)	1/1
Mr. Zhuang Yuekai	1/1
Mr. Wong Chi Wai	1/1
Mr. Chan Chun Yee	1/1

Details of the remuneration of the Directors and the senior management of the Company by band are set out in the note 14 to the Financial Statements for the year ended 31 December 2019.

Nomination Committee

The Nomination Committee consists of four members, namely Mr. Zhuang Yuekai, executive Director, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, independent non-executive Directors. Mr. Zhuang Yuekai is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Zhuang Yuekai (<i>Chairman</i>)	1/1
Mr. Chan Chun Yee	1/1
Mr. Wong Chi Wai	1/1
Mr. Wong Tat Yan, Paul	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as below:

(i) Appointment of New Director

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(ii) Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

During the Year, Mr. Shi Zhen and Ms. Wang Xianrong resigned as executive Director and non-executive Director respectively, while Mr. Lin Weiguo and Ms. Ye Yanliu was appointed as an executive Director and chief executive officer and a non-executive Director respectively.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including risk identification, risk analysis, risk response, risk monitoring and risk reporting processes.

The objectives of the Company's risk management systems are to ensure that the Company operates an effective risk management system, to introduce the established risk management policy into the daily operations of the Company's business units, to cultivate and encourage awareness of risk management within the Group and to measure different risks, to monitor and control risks effectively and to ensure effective mitigation of risks, and the reduction of impact of risks.

The Company encourages employees to adopt a proactive risk management approach to further strengthen the Group's risk awareness culture. The risk management system is incorporated into the business processes of our business units within the Group in order to mitigate the impact of risks with effective risk management policies. Evaluation has been conducted at least annually to confirm that risk management procedures and control policies are properly complied with. The Company also has engaged external professional firm for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Company has an internal audit function to focus on the adequacy and effectiveness of its risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The management assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 111 to 114.

AUDITOR'S REMUNERATION

The remuneration paid and payable to the Company's external auditor in respect of non-audit services and audit services for the year ended 31 December 2019 amounted to approximately HK\$400,000 and HK\$1,300,000 respectively.

An analysis of the remuneration paid and payable to the external auditor of the Company, Grant Thornton Hong Kong Limited, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable
Audit Services	0/HK\$1,300,000
Non-audit Services	
— risk management review and internal control review services (Paid to Grant Thornton Advisory Services Limited)	HK\$100,000/HK\$90,000
— professional services for acquisition	HK\$300,000/Nil
	<hr/>
	HK\$400,000/HK\$1,390,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Miss Leung Ching Ching has been appointed as the Company's company secretary. Miss Leung Ching Ching is a senior manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Lu Jinwen, the deputy general manager of the Company has been designated as the primary contact person at the Company which would work and communicate with Miss Leung Ching Ching on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2019, Miss Leung Ching Ching has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Shareholders are encouraged to attend all general meetings of the Company. According to Article 64 of the Articles of Association, shareholders holding not less than 10% of the paid up capital of the Company having the right of voting at general meetings can request to convene an EGM by depositing a requisition in writing to the Directors or the Company Secretary for such purpose. The written requisition shall be deposited to the Company's office located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposal at general meetings may make a requisition to convene an EGM following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong
(For the attention of the Board of Directors)
Fax: (852) 2525 7890
Tel: (852) 2525 7922

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director at that meeting, he/she/it can deposit a written notice at either of the following addresses:

Head office and principal place of business of the Company in Hong Kong

Office No. 3517
35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Hong Kong branch share registrar and transfer office of the Company

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

In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned together with a written notice of the person proposed for election as a director indicating his/her willingness to be elected.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

I. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Introduction of the Report

C&D International Investment Group Limited (“the Group” or “C&D International Group”) is pleased to release its 2019 Environmental, Social and Governance Report (“the Report”) to disclose its vision and practice of sustainable development with an aim to enhance the community’s understanding of the Group fulfilling its social responsibility and their confidence in the Group on sustainable development.

2. Scope of the Report

The Report covers the business of property development, real estate industrial chain investment services and investment in emerging industries of the Group from 1 January 2019 to 31 December 2019.

3. Preparation basis of the Report

The Report was prepared by the Group in accordance with Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) issued by the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), to provide a full and objective presentation of the efforts and performance of the C&D International Group in terms of environment, social and governance (“ESG”) in 2019. The content index of the ESG Reporting Guide is detailed in below for users’ quick reference.

4. Source of reporting data

The information disclosed in the Report is derived from the Group’s formal documents, reports or relevant public information. All information used in the Report comes from relevant functional departments of C&D International Group and its selected subsidiaries. Unless otherwise stated, the financial data in the Report has been presented in RMB.

5. Publication of the Report

The Report is available in both Chinese and English, and is distributed in electronic form. If there is any discrepancy between the English and Chinese versions of the Report, the Chinese version shall prevail. Electronic version of the Report can be accessed on the official website of the Group (<http://cndintl.com>) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

II. CONCEPT AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

The Group adheres to the corporate mission of “exploiting new values and enabling more people to live a quality life”, shoulders environmental and social responsibilities and listens and responds to the expectations and demands of stakeholders. The Group continues to integrate the concept of sustainable development into corporate strategy, decision-making in operations, conducts timely reviews of the impact of business development on the environment and society, and strives to promote a balanced development among the economic, environmental and social benefits.

The Board of Directors of the Group is fully responsible for the ESG strategies and reporting of the Group and is responsible for reviewing and approving its annual ESG Report. The Board of Directors acknowledges and discusses the ESG related work at general meetings and board meetings, and gives instructions on related matters according to the specific circumstances. The Group attaches great importance to ESG risk management related work, and monitors ESG related risks based on the current risk management and internal control systems to ensure its sustainable development. For more details on the Group’s risk management and internal control, please refer to the information disclosed in the section headed Corporate Governance Report of the 2019 Annual Report of C&D International Investment Group Limited.

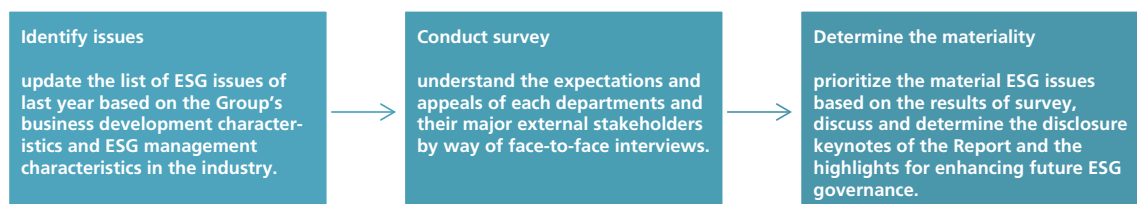
III. COMMUNICATION MECHANISM WITH STAKEHOLDERS

The Group adheres to the core values of “proactive and cooperative operation”, and pays close attention and responds to the appeals and expectations of the stakeholders. The Group will continue to improve the communication mechanism with stakeholders, with an aim to work together with all stakeholders to explore the ways of sustainable development of enterprises.

Stakeholders	Expectations and Appeals	Communication and Response
Shareholders and investors	Investment returns Interests protection Corporate transparency Risk control	Enhance profitability Convene general meetings Disclosure of day-to-day information Optimize internal control and risk management
Government and regulators	Operation in compliance with the laws Response to the national call Support local development	Pay taxes in full on time, implement anti-corruption management Actively implement relevant policies Actively assume social responsibilities
Employees	Career development platform Remuneration and benefits Healthy and safe working environment Listening to the voice of employees	Optimize career promotion mechanism Competitive salary and benefits Implement management system for health and safety Equal communication and complaint mechanism
Customers	Product quality and price/performance ratio Customer service quality Customer information security Customer rights protection	Implement the “Diamond” brand concept Comprehensive and considerate services Improve the relevant system for confidentiality of customer information Marketing compliance
Suppliers and partners	Integrity cooperation Experience sharing Win-win cooperation Business ethics and reputation	Create supplier management system Promote daily communication Carry out project cooperation Perform contracts under the laws and perform assessment of suppliers
Society and the public	Support social welfare Protect natural environment Promote social advancement	Take part in charity Adhere to green operations Share development achievements

IV. MATERIALITY ASSESSMENT OF ESG ISSUES

The Group determines the priority of material ESG issues through comprehensive assessment of the importance of each ESG issue to business development of the Group and to the stakeholders, so as to determine the disclosure keynotes for the Report, and hence expectations and demands of all stakeholders are actively responded. The materiality assessment of ESG issues for the year covers the following steps:



Set out below are the materiality assessment results of ESG issues in 2019:

Aspect	Name of Issue	Priority
●	Product quality control	1
●	Service quality and customer satisfaction	2
●	Safe and civilized construction	3
●	Employee training and development	4
●	Customer information security and privacy protection	5
●	Compliance management and integrity construction	6
●	Assessment and supervision of suppliers	7
●	Occupational health and safety	8
●	Rights and interest protection and care for employees	9
●	Green construction	10
●	Intellectual property protection	11
●	Compliant marketing and promotion	12
●	Community development and communication	13
●	Energy saving, emission reduction and green operation	14
●	Waste disposal and recycling	15
●	Charity and social services	16

Diagram

- Product responsibility
- Supply chain management
- Construction of integrity
- Employee management
- Environmental management
- Community involvement

The assessment results of material ESG issues this year are basically the same as those in 2018, while quality management of products and services, customer satisfaction and construction safety remain the major concerns of all stakeholders. The Group will disclose each issue in the subsequent chapters of the Report to respond to the concerns of stakeholders. Meanwhile, the Group will determine the focus areas of its ESG work for 2020 according to the assessment results, so as to improve the performance of ESG, and share the value created in economic, social and environmental areas with stakeholders.

V. PERFECTION AND CRAFTSMANSHIP

Craftsmanship and quality service are the keys to build a long-lasting foundation. The Group has always paid attention to the sophisticated design and construction of every building with focuses on city cultures, product details and living needs of our customers, and dedicated itself to providing customers with a “Diamond” living environment.

1. Product Design Concept

The Group has thoroughly studied traditional Chinese culture, urban characteristics, living needs and architecture crafts, and refined the core concepts of the new Chinese-style architecture of “Confucius door design, Taoist temple design, Tang Dynasty architectural style and Chinese decorative patterns” (儒門道園、唐風華紋). The Group has developed a new Chinese-style product model called “1+3” that comprised 1 flagship brand, the essence, and 3 major brands, the city, the visionary, the nature, as the Group is committed to creating new Chinese-style products for property owners in different cities in line with local living habits.

During the reporting period, a total of 16 projects of the Group won architectural design awards. For details, please refer to “Awards for architectural design” in “Appendix 1: Honors of the Year”.



The essence: represented by Guangzhou Jianfa • Yangxi

Combining the traditional thoughts of “living among mountains and rivers” and modern living requirement of “quiet living environment in downtown”.



The city: represented by Changsha Jianfa • Yangzhu

Inheriting the courtyard culture of Yuelu Academy with the structure of “one major landscape, two halls, three courtyards, and eight gardens”, so that every household can enjoy the gardenview.



The visionary: represented by Putian Jianfa • Panlongfu

Integrating multiple garden elements such as covered bridges, gazebos, stacked stone and trees based on the landscape principle of “three islands in one lake”.



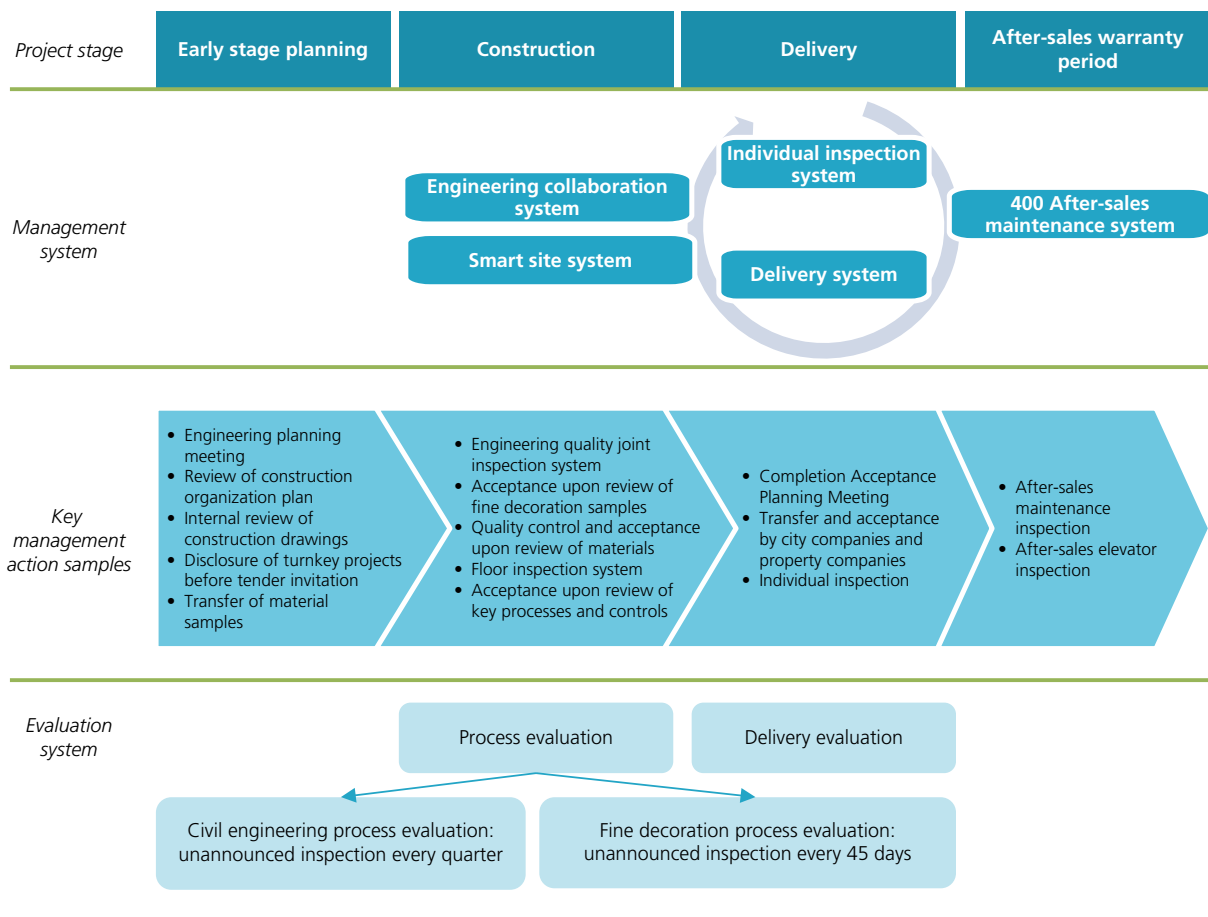
The nature: represented by Changtai Jianfa • Shanwaishan

Inheriting the aesthetics of classical gardens, integrating the four forward-looking concepts of “living, strolling, learning, and good health”.

2. Quality Management of Project Construction

The Group strictly abides by the “Construction Law of the People’s Republic of China” and other laws and regulations in relation to the requirements for the quality and safety of construction projects to ensure the quality of construction projects. In 2019, the Group implemented the new version of the Administrative Measures on Construction and implementation manual and technical specifications for each engineering, to further clarify and refine the requirements of engineering quality management, engineering professional training, engineering management and control informationization, and reporting of major engineering accidents.

The Group has established a whole-process quality supervision mechanism covering early stage planning to delivery and after-sales services of projects. The Group continues to improve project quality in terms of management system, management action and evaluation system. Key measures include:



Among those measures, for quality control of construction materials, the Group implemented a three-level process control at the project, regional and group level. The project department must submit the main construction materials for inspection separately before the commencement of each key process, and massive construction can be performed only after passing the inspection. Material sampling is undergone from time to time for each project at regional and group level. In response to the issues found in the project quality assessment and inspection, the Group requires regional engineering inspectors to rectify in a timely manner, urge rectification and implementation, and provide timely feedback at group and regional level based on the project risk.

In addition, the Group conducts quarterly quality evaluations of civil engineering, fine decoration and after-sales services, and links the evaluation results to the year-end performance evaluation of various units and related personnel to urge related personnel to strengthen the project quality management level.

3. Project Construction Safety Control

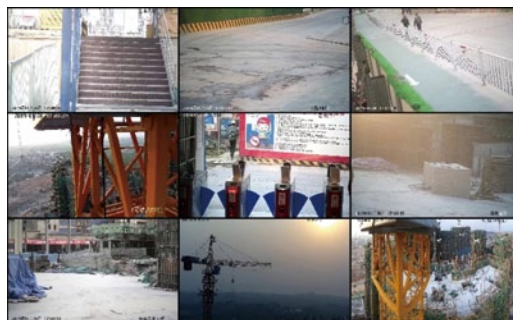
The Group strictly abides by the Law of the People's Republic of China on Work Safety and other laws and regulations, and implements internal rules including "Safe and Civilized Construction Standards". A three-level management system, covering "Safety Production Management Committee at Group Level — Safety Leading Group at Regional Level — Safety Working Group at City Level", is in place. The Group has specified safety management requirements and assessment systems, and has paid close attention to the safety education of operators and managers to ensure the safety of construction environment.

There are safety supervisors of Party A at each project site to implement the production safety technical disclosure and preventive measures of the project department to ensure construction safety. The Group strictly implements the internal safety inspection system, and requires each project to conduct safety self-inspection and third-party inspection to identify potential safety hazards. Meanwhile, the Group gradually promoted smart site construction across the group to achieve real-time inspection of construction sites and personnel safety management with the use of video surveillance, face recognition and other technical means.

Case: Smart site safety management

The Group has implemented smart site construction since December 2018 to improve project management efficiency and safety:

- Use face recognition technology for attendance records of workers, and promptly alert workers who stay overtime at construction sites to reduce potential safety hazards;
- Use smart cameras to identify irregularities such as workers not wearing safety helmets and smoking, and promptly notify managers to take appropriate actions;
- Use face recognition system at elevators to ensure that the operators can only operate the elevators after requirements are met.



Real-time video wall at smart construction site

In addition to daily measures such as posting safety warning signs and organizing fire drills, the Group has established the “Safety Warning Room” management system in 2019 and promoted the pilot work of the “Safety Warning Room” to further strengthen employee’s safety education. Among them, the “Safety Warning Room” ensures effective communication of safety and technical information to front-line operators through diversified education methods such as one-to-one phone calls from family members.

During the three years from 2017 to 2019, both of the number of deaths for business of the Group and the lost days due to work injury were zero.



Safety Dark House

Case: Safety Education and Pilot Promotion of Dark House

The Group held the first special training for regional engineering inspectors (safety instructors) on 17 September 2019.

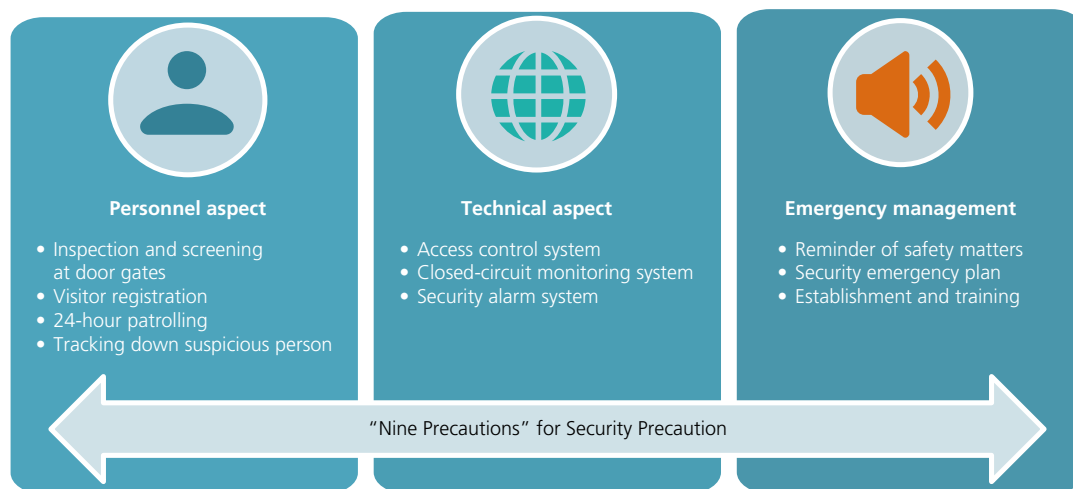
At the training, an overall introduction of the purpose, setting standards, conditions of use, and precautions of the Safety Dark House (i.e. the “Safety Warning Room”) was given. Participants were invited to visit the “Safety Warning Room” of the Yangtang Phase III project, which is one of the pilot projects of safety education of C&D International Group. The training was intended to cultivate a group of safety education instructors and lay a good foundation for the subsequent promotion of the “Safety Warning Room”.

4. Enhancement of the Property Services Quality

The Group strictly abides by the State Property Management Rules and other laws and regulations, revises and implements internal policies such as “Administrative Measures on Performance Evaluation of Yijiayuan Property”. The Group has used mobile Internet, Internet of Things, big data and other technological means to achieve efficient and quality customer service standards, and has strived to serve each property owner with care.

Currently, each of the Group’s subsidiaries, Xiamen C&D Property Management Service Company Limited* (廈門建發物業管理服務有限公司) (“C&D Property”), Yijiayuan (Xiamen) Property Management Company Limited* (怡家園物業(廈門)物業管理有限公司) (“Yijiayuan Property”) and Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) (“Huijia Property”) has obtained the national Class 1 Qualifications of Property Service Enterprise, and has obtained three management system certifications including the ISO 9001 Quality Control System Certification, ISO 14001 Environmental Management System Certification and OHSAS 18001 Occupational Health And Safety Management System Certification. In addition, during the reporting period, the Group’s property management service companies have received a lot of praise for their quality services. For details, please refer to “Awards for Property Service” in “Appendix 1: Honors of the Year”.

In terms of safety and order management, the Group adopts a security precaution management model of “comprehensive precaution based on personnel precaution with technical support”. “Five guarantees” for all-rounded safety management and “nine precautions” based on scientific perspective are in place to ensure zero security incidents. Meanwhile, in 2019, the Group improved and revised 33 safety management rules, operating procedures and emergency plans to further improve the community safety emergency management mechanism.



The Group pays attention to and continues to promote the specialization and intelligence of property services. In 2019, the Group’s work results were as follows:

Professional Services

Introducing the mobile learning platform “Execution” to strengthen customer service training and improve professional services:

- an online library comprised of over 47 lecturers and an internal and external library with over 470 advanced courses were established;
- 35 micro-lectures for advanced business level were developed;
- an accumulated total online learning time of over 2,773,000 minutes was recorded, with an average of 979 minutes learning time per trainee.

Smart Services

<p>Smart access</p> <ul style="list-style-type: none"> • Addition of 1,143 smart access control devices for smart access control with “Smart Life App”; • Self-developed smart walkways control system is applied in some communities with no security guard booths; • Face recognition equipment is installed in some communities to achieve barrier-free access. 	<p>Smart car park</p> <ul style="list-style-type: none"> • Continue to promote the transformation of smart car parks. Mobile payment functions are available at 30 car parks, of which 17 car parks are without security guard booths; • Transformation of car parks of Shanghai Jianfa International Office Building* (上海建發國際大廈) was completed and trial run cloud-based smart-parking system was commenced for centralized remote exception handling.
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Case: The “Smart Life” App

The “Smart Life” App is a one-stop community service platform which offers various functions such as online payment, smart access control with mobile phone, online customer services, online repair request and social networking to meet the increasing needs of users. As at 31 December 2019, the total number of registered users of the “Smart Life” App reached more than 54,000.



Considerate services

Efficient services

Caring services

The “Smart Life” App will include functions such as notice board, repair request, complaints, commendations, renovations, housing agencies, online payment, smart access control with mobile phone and other functions, so that residential owners are offered considerate services in every aspect at their own home.

The residential owners can contact their exclusive housekeeper online by sending text, voice and picture messages through the “Smart Life” App instant messaging function. The housekeeper can then communicate with the residential owners online immediately to improve service efficiency.

With the “Smart Life” App, online and offline communication and collaboration helps to integrate multi-functional experiences such as community lectures, parent-child interaction, neighborhood entertainment, and domestic services, and strives to build a new neighborhood with love, sharing and growth.

In addition, the Group has organized a number of community cultural activities and warm-hearted caring activities during holidays and festivals to build a close knit community and make the owners feel warm and kindness, with an aim to build a harmonious and loving living environment.

Case: “Send Warmth to Community” (送温暖进小区) Event

In January 2019, Huijia Property, a subsidiary of the Group, organized the “Send Warmth to Community” event in the Land Plot A of Dongfang Xincheng* (東方新城) Phase II and Yangtang residential area for people with special needs. Huijia Property would continue to have a series of relief programs in place to relieve, benefit and help residents on the site and in-depth.



Photo of “Send Warmth to Community” Event

Case: Community cultural activity with the theme “Celebrating the Mid-Autumn Festival with Family and Friends” (悦滿中秋歡樂怡家人)

In September 2019, Yijiyuan Property, a subsidiary of the Group, organized a series of community cultural activity with the theme “Celebrating the Mid-Autumn Festival with Family and Friends” to promote harmony in the neighborhood and community. The activity was held in all property projects in Xiamen, Zhangzhou, Quanzhou, Fuzhou, Nanping, Longyan, Sanming, Wuhan, Changsha, Chengdu, Shanghai, Jiangsu, and attracted more than 10,000 homeowners to participate.



Photo of Bo Bing game at the Mid-Autumn Festival at Jianyang Yuecheng* (建陽悦城)



Photo of Mid-Autumn lantern DIY Event at Dushuwan Yayuan, Suzhou* (蘇州獨墅灣雅苑)

5. Customer Rights Protection

The Group strictly abides by the regulations of consumer rights and the obligations of business operators involving quality protection, customer information security and privacy protection, consumers’ right to know and fair trade as set out in the laws and regulations including the Law of the People’s Republic of China on Protection of Consumer Rights and Interest, Network Security Law of the People’s Republic of China and the Advertising Law of the People’s Republic of China. The Group continues to strengthen the ability of customer relationship management, information management and compliance marketing management to effectively protect customers’ legitimate rights and interests from being infringed.

Customer Satisfaction and Complaint Handling

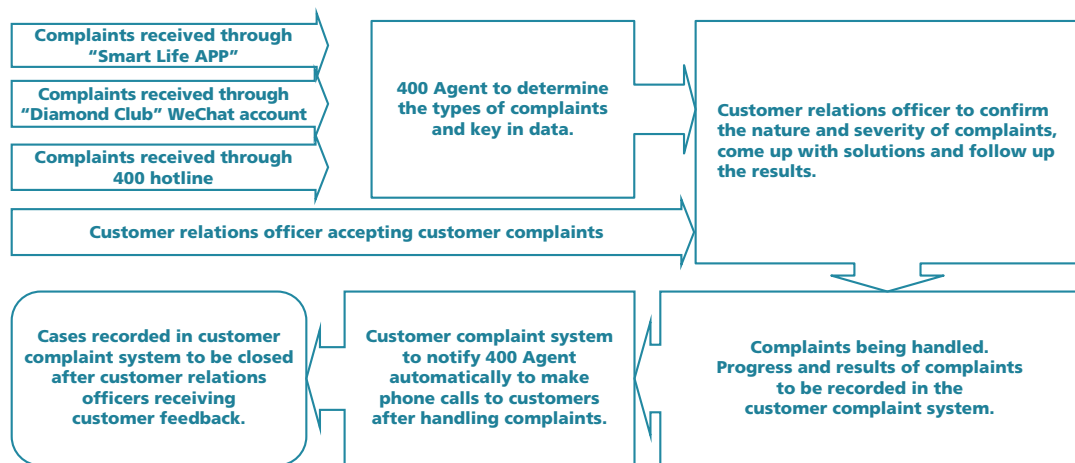
The Group adopted the following measures in 2019 to monitor the implementation of relevant standards for customer services, gain timely insights of customer needs and increase customer adhesion:

<p>Secret Quality Inspections Performed by Third Party</p> <p>To monitor the implementation of service standards by secret quality inspections.</p>	<p>Early Intervention in Risk Control</p> <p>To commence risk screening at marketing and delivery phases to reduce the risk of customer complaints after delivery.</p>	<p>Conduct Research Activities</p> <p>To carry out “Longing for Life” customer surveys on products and services and surveys on Chinese-style projects to understand the actual housing needs of different types of customers to refine product portfolio according to customer needs in the future and improve product satisfaction.</p>
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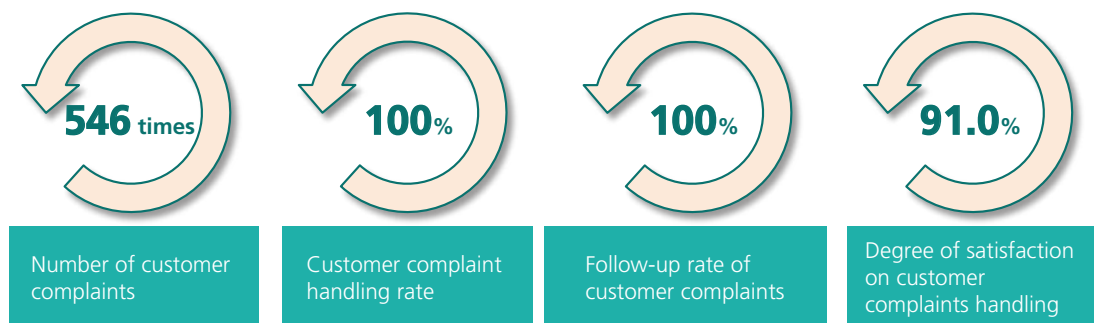
In addition, in 2019, the Group continued to engage Beijing Saiwei Consulting Co., Ltd.* (北京賽惟諮詢有限公司) (“Saiwei”), a third-party agency to conduct a year-round customer satisfaction survey to follow up on the pain points and difficulties in customer service, develop and implement improvement plans, and effectively improve customer experience. In 2019, the Group ranked first in the satisfaction survey of residential owners in real estate industry conducted by Saiwei.

The Group has established various online and offline complaint channels such as “Smart Life” App, “Diamond Club” WeChat account, 400 national service hotline and customer relations officer. In 2019, the Group gradually promoted “Cloud Agent” (雲坐席) (i.e. call center based on cloud technology) for residential owners’ call pop-up, quick recording, categorization of residential owners’ requests, uniform processing standards and procedures, transparent and traceable processing procedures.

The details of processing procedure when receiving customer complaints are as follows:



In 2019, customer complaints received and handled by the Group’s 400 national service hotline are set out as below:



Customer Information and Privacy Protection

The Group implements the Administrative Measures on Informatization and puts forward specific security management requirements on personnel security, limits of authority security, network security, computer security, documentation security, information release and other aspects to ensure standardization of information security management.

Employees are required to comply with the confidentiality contract with the Company when they join the Group. The contract specifies the information security responsibilities according to employees' job duties. Each operating unit is required to cooperate with the network information center to carry out regular review and confirmation on system authorization to ensure accurate assignment of system authorization to employees.

The Group attaches great importance to the protection of customer information and privacy. It is stipulated that operating units and individuals who violate the Group's information security regulations are subject to penalties as well as dismissal, economic compensation and legal actions for severe cases.

Integrity Promotion and Marketing

In order to strengthen the standardization and systematization of internal marketing management, the Group has set up a compliance department under the marketing center in 2019, and implements rules and implementation manuals including Administrative Measures on Market. The completeness, approval and compliance of reporting of marketing information are strengthened by internal inspection and other measures.

The Group strictly implements the Administrative Measures on Brand and other related rules. The Group evaluates and controls the legality and authenticity of information and materials used for advertising, marketing promotion and publicity. The release of deceptive and misleading information and materials is prohibited to ensure customers' right to know, fair trading rights and other legitimate rights and interests not being infringed.

6. Intellectual Property Rights Protection

The Group strictly abides by the Patent Laws of the People's Republic of China, Copyright Laws of the People's Republic of China, Trademark Laws of the People's Republic of China and other laws and regulations, and implements the regulations on management of intellectual property rights as set out in Administrative Measures on Legal Affairs to standardize the intellectual property management of the Group's registered trademarks, business names, patents and proprietary technologies. Meanwhile, the Group has established a branding department, which specializes in the management of the Group's trademarks, brand names of commercial housing projects, brands and other intellectual property rights.

The Group has organized relevant employees to participate in the "2019 Intellectual Property Rights Promotion Week" to enhance their awareness and understanding of the protection and management of intellectual property rights. Meanwhile, the Group has organized "Intellectual Property Rights Issues and Dispute Resolution" seminars to enhance our internal staff's recognition to the protection of intellectual property rights and further improve their management skills on such issues.

In addition, the Group also pays attention to avoid infringement of intellectual property rights of third parties. Each operating units are required to strictly monitor the copyright ownership of materials used in daily operations and publicity. The use of materials without copyright or unknown ownership is prohibited. Intellectual property liability and protection clauses are incorporated in the sample contract of the Company.

VI. TRANSPARENT AND WIN-WIN COOPERATION

The Group attaches great importance to creating a working atmosphere filled with transparency, openness and fairness, and is committed to building a cooperation platform with honest, self-discipline, standards and order to promote compliance operations. The Group further strengthens its relationship with business partners based on mutual trust and benefits to maintain a stable business development.

1. Construction of Integrity

The Group strictly adheres to the relevant laws and regulations including the Supervision Law of the People's Republic of China. Employees are required to comply with internal regulations in relation to prevention of employees from bribery, extortion, fraud and money laundering, including Administrative Measures for Human Resources Management, Provisions on Integrity and Self-discipline of Employees, and Responsibility Rule for Integrity Construction of Party Building and Party Conduct. The Group has put more efforts in internal integrity education and promotion to create a working atmosphere of integrity.

The Group adheres to the integrity construction concept of "education and prevention", and distributes books or promotional materials on integrity education through operating units. All of our employees received integrity education by watching educational films on anti-corruption and attending seminars on related topics. In 2019, the promotion and education measures on integrity adopted by the Group included:

Strengthen control from time to time

Notices on requirements on integrity including the "8 Requirements" and "10 Prohibitions" are issued through channels such as announcements and WeChat group chats during major holidays. The newly-appointed cadres must attend talks on integrity education, do an integrity knowledge test and submit integrity inspection report before they assume duties.

Setting up of a promotional column

The Discipline Inspection and Supervision" column had been set up in the intranet. A new column "Tips on Integrity" was incorporated into "Yue Life" WeChat Official Account.

Distributing handbooks

The Group implements to the Handbook on Integrity and Self-discipline and requires employees to study the handbook to enhance the awareness of integrity in operation.

Studies with specific themes

In May 2019, the Group organized management cadres to participate in the visit activity of education base on integrity in Xiamen; in January and July 2019, employees were successively organized to participate in the special lecture on integrity in operation at the cadre meeting.



Photo showing visits to education base on integrity in Xiamen in May 2019

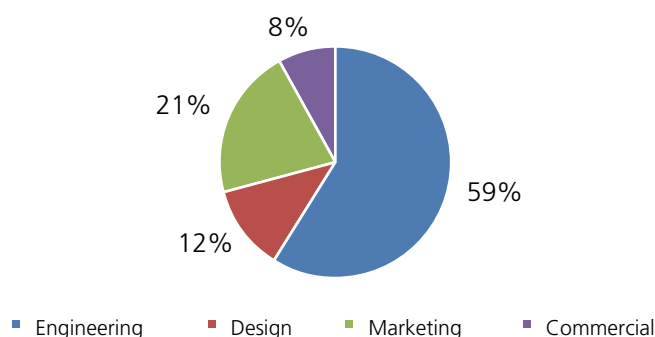
The Group has set up anonymous reporting mailboxes and other whistleblowing measures. The identity of complainants and contents of complaints are kept in confidence and the informed scope of reported incidents are strictly controlled. The Group will investigate and properly handle the reports received based on the nature and severity in accordance with internal requirements as set out in the Petition work Practice Manual and Practice Manual For Party Disciplinary Action.

In 2019, there were no concluded legal cases regarding corrupt practice brought against the Group or its employees.

2. Supply Chain Management

The Group strictly abides by the laws and regulations including the Tendering and Bidding Law of the People's Republic of China and implements internal policies such as Administrative Measures on Tenders and Bids to ensure the selection of suppliers to be just and fair. The Group maintains close communication with suppliers and encourages them to undertake their corporate social responsibility, with an aim to promote sustainable development of the industry.

As at 31 December 2019, the Group had a total of 7,409 suppliers. The proportion of various types of suppliers of the Group is as follows:



Selection of suppliers includes public tender, invitation to tender, quotation and direct entrusted projects. In order to ensure the fairness and openness of supplier selection, tender management committees at group, regional and city levels have been set up to monitor tender works in all aspects. Tender work groups and evaluation committees are formed for each projects to complete tender exercise in according to prescribed procedures. Details of supplier selection process are set out as follows:



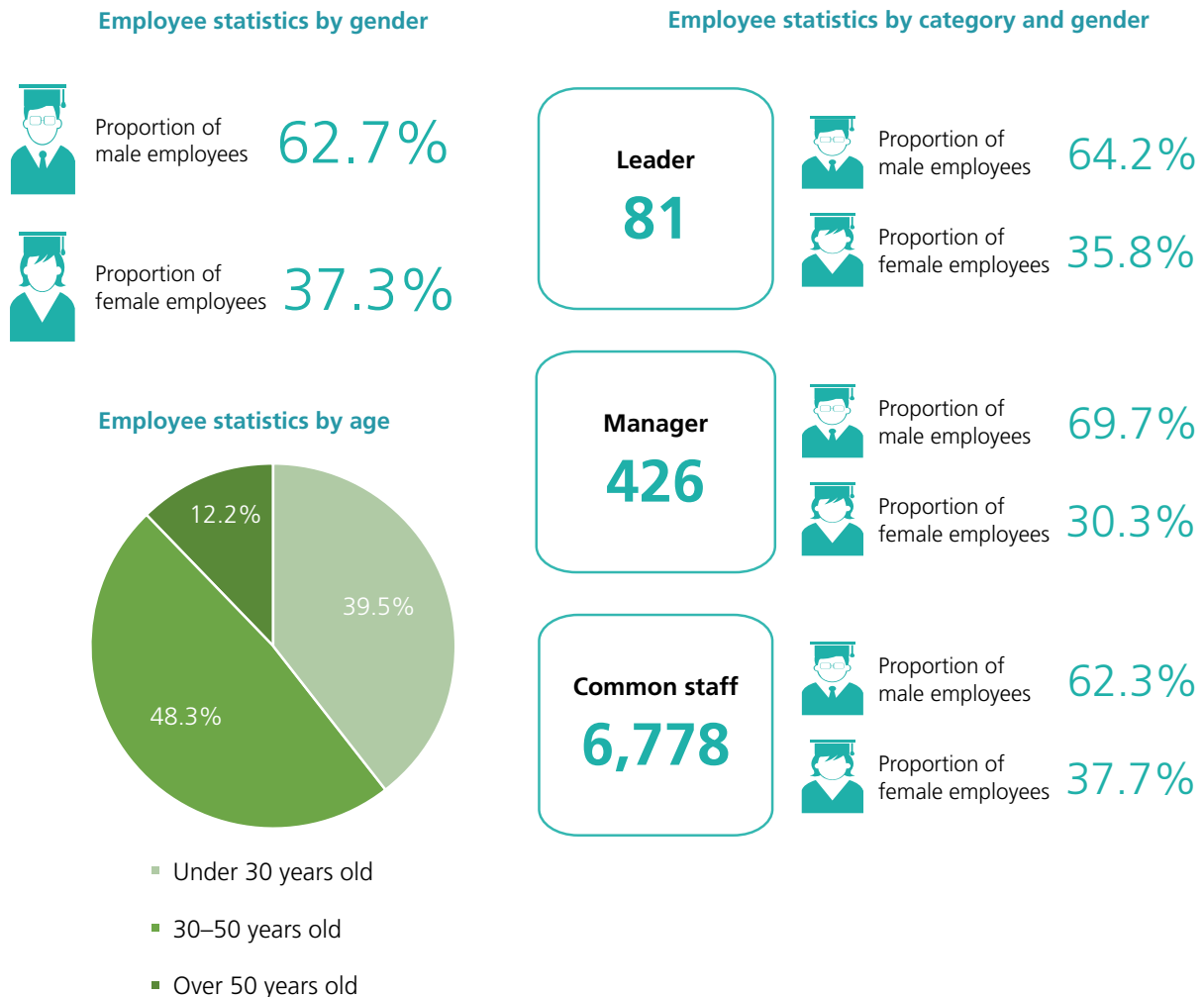
In addition to promoting the establishment of a fair and just industry order, the Group is concerned about the social responsibility risk management of the supply chain, and actively urges suppliers to fulfill their social responsibilities in anti-corruption, housing quality, and safe construction. The followings are the requirements of the Group:

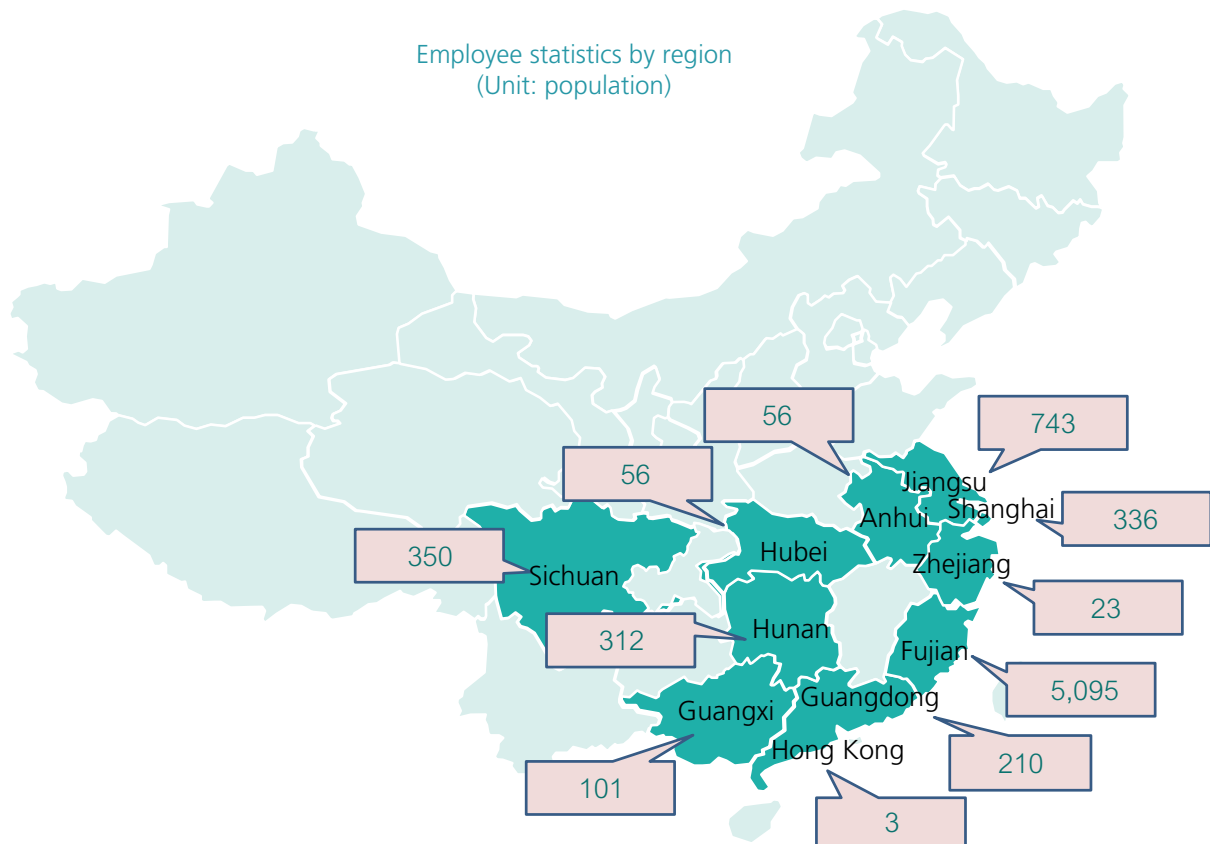
- Suppliers are required to sign a letter of commitment to integrity and compliance during the bidding stage. It is strictly forbidden to offer any financial benefits or nominal rebates and handling fees to any operating unit or personnel;
- Before commencement of construction works, suppliers are required to provide insurance and all project risks insurance for the life and property of its own and third party personnel in the construction site;
- Materials provided by suppliers are subject to relevant national technical regulations and environmental protection requirements. Product certifications and test reports should be provided. The supervision and project departments are required to carry out sampling inspection of construction materials. Unqualified materials shall be rejected and suppliers shall be subject to penalty;
- Unannounced inspection of projects are carried out. Inspection and evaluation on master contracting units are carried out in multiple aspects in terms of construction quality, protective measures for finished products, safe and civilized construction. Results of inspection and evaluation and ranking of contractors shall be reported to the entire group, while suppliers with the highest and lowest ranking are subject to rewards and penalties respectively.

VII. TOGETHER WE ACHIEVE THE EXTRAORDINARY

Employees are regarded as the core driving force behind corporate sustainable development. The Group strictly complies with the requirements of rights to equal employment opportunities, remuneration, rest breaks and leaves as set out in the Labour Law of the People’s Republic of China and the Labour Contract Law of the People’s Republic of China. The Group strives to strengthen the construction of labor contract management and internal human resources management system, and continues to improve the training system as well as the appraisal and promotion mechanism. The Group is committed to conduct proactive communication with employees and keeps abreast of the their views to offer compassion, and to enhance employees’ job satisfaction and sense of belonging, which in turn will assist the Group to achieve long-term development.

As at 31 December 2019, the Group has a total of 7,285 employees. Details of employees by gender, age and region are as follows:





1. Compliant Employment Management

The Group abides by the requirements regarding recruitment and employment, employee turnover management, labour contract management, salary and benefit management, employee performance management as set out in the Administrative Measures on Human Resources Management. The Group has made efforts in employment compliance management to ensure employees having equal opportunities and not being discriminated against in terms of employment and promotion.

The Group adheres to the employment principles of “suitable positions for qualified employees” and “recruiting talents and avoiding recruitment of persons with specific family relationships with employees of the company”. The Group conducts talent selection through open recruitment and internal competition to guarantee equal employment opportunities and strictly implements the provisions of the Guidance on Standardizing Labour Relations Management. No information on gender, ethnicity and physical health required for posts is disclosed in the recruitment advertisement to avoid employment discrimination. Employment contracts or agreements are entered into by the Group and employees on mutual voluntary basis, which fully specify the necessary information including working location, working time and salary to avoid forced labour.

Meanwhile, the Group has set up a strict approval procedure for labour employment. Identification documents, academic certificates and other documents and information of applicants should undergo strict inspection. Approval from cadres of all levels shall be obtained before employees assume office to avoid any irregularities such as employment of child labour. In 2019, the Group has not identified any employment of child or forced labour.

The Group pays great attention to the fairness, reasonableness and competitiveness of employees' remuneration. Employees are entitled to fixed salaries based on job duties and prevailing market levels, and performance-related salaries and bonuses based on their actual performance. The Group has made efforts in protecting the employees' rights of receiving remuneration for their services. Meanwhile, the Group pays social security and provident fund in full for all employees in accordance with laws and regulations, and provides a number of benefits such as paid annual leave, rent subsidies, transportation subsidies, heatstroke prevention and cooling fees to improve employees' happiness and job satisfaction.

The Group keeps abreast of employees' views. Department heads and human resources officers shall communicate with and retain employees who have intentions to resign. Termination procedures such as job handover and transfer of household register shall be completed in accordance with the Administrative Measures on Human Resources Management. A certificate of termination of labor contract shall be issued, and official released notice, filing and transfer of social security funds shall be completed according to laws and regulations on employees' last day of work.

2. Training and Development

The Group attaches great importance to building its talent pool and strictly implements the Administrative Measures on Training. The Group has established an online learning platform and improved various training courses to help employees enhance their work skills and competencies and to accelerate employee growth and development.

Details of training received by our employees in 2019 are as follows:

Gender	Employee category	Percentage of employees trained (%)	Average hours of trainings received (hour per person)
Male	Common staff	96.7%	18.2
	Manager	98.7%	17.3
	Leader	90.4%	19.4
Female	Common staff	98.3%	18.2
	Manager	98.5%	16.4
	Leader	96.6%	22.1

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2019, the Group has established a business value-oriented internal talent pool chain “3-1-5-2” step by step based on business development needs, which includes 3 skills (i.e. leadership, professional and general skills), 1 program (i.e. new staff program), 5 systems (i.e. curriculum system, tutor/mentor system, training operation system, qualification and evaluation system, and intellectual operation system) and 2 platforms (i.e. learning and examination platform, training base). See below chart for details:

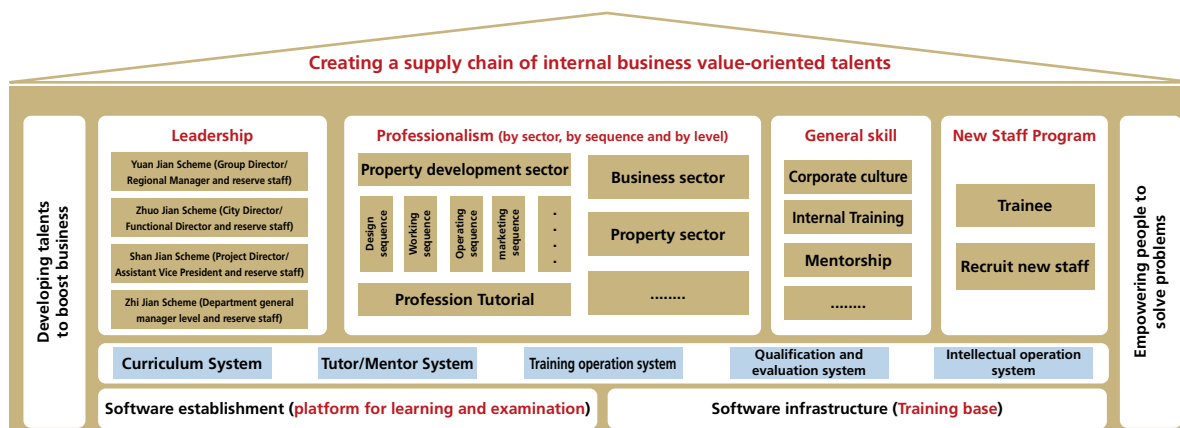
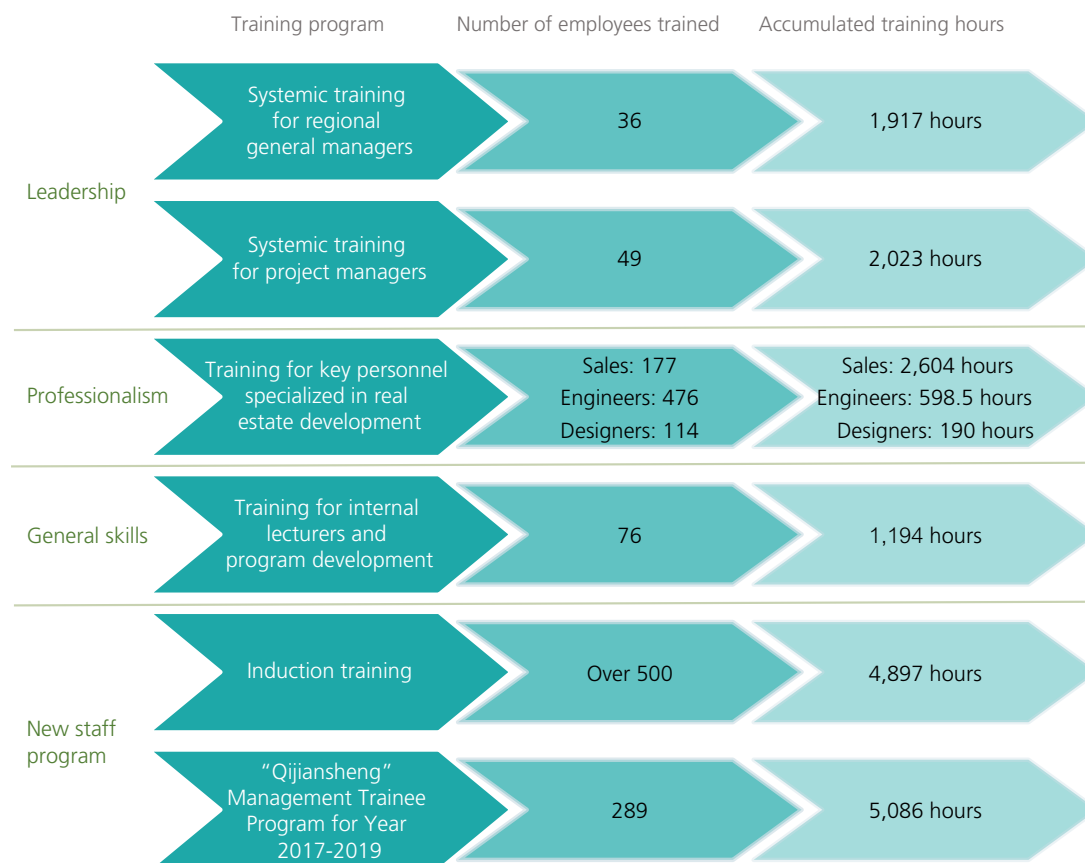


Diagram of internal talent pool chain “3-1-5-2”

In 2019, the implementation of the Group’s internal talent pool chain “3-1-5-2” is set out as below:



Note: accumulated training hours refer to the accumulated number of employees trained multiplied by training hours of each training.



Photo of training for regional managers



Photo of third training session for sales



Photo of training for internal trainers



Photo of induction training for Qijiansheng management trainee for Year 2019

Case: 'Zhangjianshi' learning platform and live online training

The Group's training center has commenced the establishment of an online learning platform 'Zhangjianshi' in 2019 to promote a diversified training system and to enhance accessibility as well as learning experience. As at 12 February 2020, there are approximately 3,260 platform users.

On 1 August 2019, the Group provided training of "Project Management Review of Shanghai Yangxi Prefabricated Building" through the "Zhangjianshi" live broadcast, which aimed to provide employees with a systematic, convenient and interesting learning method and interactive space. The live broadcast attracted 167 viewers with 1,023 views, and 260 cumulative viewers with 1,230 cumulative views, receiving a total of 3,741 likes and 99 in-stream comments.



Interface diagram of online learning platform 'Zhangjianshi'

3. Appraisals and Promotion

In order to protect the career development rights of employees, the Group evaluates employees' performance on a quarterly and annual basis in accordance with the internal regulations on employees' performance assessment including the Administrative Measures on Human Resources Management and relevant administrative measures on performance assessment of each operating unit. The appraisal results serve as an important basis for recognition, appointments, salary adjustment, and subsequent training.

The Group provides two development paths, including management path and professional technical path for cadres (i.e. management staff). Management and professional career development paths are also available for common staff. Meanwhile, the Group conducts annual recruitment for posts and provides promotion opportunities based on the employees' performance in the previous year and the Company's business needs. The promotion list is determined as follows:

- Promotion of cadres: promotion list shall be determined according to the results of cadre assessment and business needs of the Company;
- Promotion of common staff: employees with outstanding appraisal results will be considered for promotion and their promotion shall be confirmed by their operating units.

Meanwhile, in order to ensure the mobility of internal staff and provide rapid promotion opportunities for employees, the Group implements an internal mechanism for competition and self-recommendation for posts, which requires all operating units to support employees to go for internal recruitment. Candidates are assessed based on the principle of suitability and development potential.

4. Health and Care

The Group strictly complies with the requirements of the laws and regulations including the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" for strengthening the safety management of the office premises. We highly emphasise the physical and mental health of employees and take diverse preventive measures with an aim to provide employees with a comfortable and safe working environment.

In order to ensure the safety of the office premises, the office building where the Group's headquarters located is designed with two-story refuge floors in compliance with relevant safety design regulations. Meanwhile, the Group enhances the employees' awareness of safety and capacity of security emergencies by taking diverse activities such as propaganda of fire control safety and fire drills.

The Group arranges the regular physical examinations for all employees every year, of which the employees may choose their own medical institutions and inspection items on physical examination checklist; and provides health care services for employees and their immediate family members to facilitate their medical treatment. In 2019, the Group has optimised the physical examination plan in two directions, i.e. strengthening pre-examination project consultation and conducting the post-examination report analysis to assist the employees in understanding their physical conditions.

Meanwhile, in 2019, the Group arranged employees to participate in various cultural and sportive events, which further strengthen the team cohesiveness and ability to work, as well as enhance employees' happiness. It mainly includes:

- Employee Care: Carrying out unique and playful activities of "Happy Family Day" to create warm moments in parent-child relationships and promote harmonious family relationships among employees;
- Fitness For ALL: With the theme of "Challenge New Difficulties", encouraging the teams to actively participate in fitness activities such as vertical marathons, and arranging the teams throughout the country to carry out different exercise such as running, climbing, ball and physical fitness etc.;
- Thematic Activities: Organising talent shows to discover the talents of employees, and provide the stage for employees to show their aptitude; carrying out a series of corporate culture learning activities such as online quiz competitions, offline reading sharing sessions, thematic contest of argumentation etc. to improve employees' corporate culture identity.

Case: Vertical Marathon Ascent Challenge

On 21 July, the Group arranged employees to participate in the vertical marathon ascent challenge with the aim of giving players the way to experience the delights of climbing stairs and completing tasks so as to motivate employees to challenge new difficulties and embrace the health-oriented lifestyle.

Such event was held in four office buildings in four cities simultaneously, and related performances and fun activities were carried out at the main venue in Xiamen.



Picture of Vertical Marathon Ascent Challenge



Poster of 2019 Diamond Volunteer League Launch Ceremony and Talent Show Finals

Case: 2019 Diamond Volunteer League Launch Ceremony and Talent Show Finals

On 5 July, the Group arranged the employees to participate 2019 Diamond Volunteer League Launch Ceremony and Talent Show Finals.

In the course of months-long competition, the staff showed the vigorous spirit and versatile style, which effectively demonstrated the theme of the "GO & UP" event, i.e. Go forward to keep walking; Go upward to scale new heights.

5. Communication and exchange

The Group attaches great importance to strengthening communication with employees by constructing the corporate culture, and constantly improves the employees' communication mechanism between subordinates and peers in daily management to create a united, dedicated, simple and equal working environment.

The media and channel of communication for employees of the Group mainly include:

Focusing on communication driven by corporate culture	Focusing on establishing a daily communication feedback mechanism
<ul style="list-style-type: none"> • Publications: "Hit it off well right from the beginning • Story", "New Force" • Online Media: "Yue Life" WeChat Official Account • Culture wall and cultural exhibition board • Corporate culture training for new staff 	<ul style="list-style-type: none"> • Communication and exchange by the way of conference, seminar and assessment • Suggestion Box for operating management and innovation • Quarterly employee ideological survey • Annual employee satisfaction survey

Case: Reading sharing sessions of "Hit it off well right from the beginning • Story"

In 2019, the book "Hit it off well right from the beginning • story" was published, which was based on the story from grassroots staff and received enthusiastic response within the Group. Therefore, each unit of the Group actively organised different offline reading and sharing sessions and online message board in order to inspire the good spirit of unity, dedication, integrity, and enterprising of employees, and promote communication between employees, which is beneficial for the Group to actively understand the ideas and needs of employees.



Reading sharing sessions of "Hit it off well right from the beginning • Story" in Nanjing City Company



Reading sharing sessions of "Hit it off well right from the beginning • Story" in Chengdu City Company

Case: Annual employee satisfaction survey




In 2019, the Group conducted an anonymous survey of job satisfaction for all employees by online assessment. The actual employee participation rate in this survey reached 98% with the overall employee satisfaction rate of approximately 92%. Through this survey, the Group conducted special analysis on projects with low employee satisfaction and gave feedback to the person in charge, and procured relevant functional departments to continuously optimise staff assessment, training, career path setting as well as salary and benefit planning, so as to constantly improve employees' happiness and internal management.

VIII. GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING

The Group strictly complies with the requirements of the laws and regulations including the "the Environment Protection Law of the People's Republic of China" for continuously improving the efficiency of resource and energy use in daily office and operations and reducing the impact of building construction on the local ecological environment. By constantly carrying out building energy conservation and green building promotion, it would actively fulfill corporate environmental protection responsibilities.

1. Green operation

The Group actively advocates the concept of green office and green operations, and encourages each employee to contribute to the creation of a green and low-carbon society. The Group's daily office and property management services mainly involve the use of paper, water resources and electricity, as well as pollutant emissions and greenhouse gas emissions from vehicle fuel consumption. In order to reduce the impact of daily office and operations on the environment, the measures adopted by the Group mainly include the following:

 Promoting paperless office	 Advocating water and electricity saving	 Advocating green travel
<ul style="list-style-type: none">• reducing paper document issuance by using OA system;• Advocating double-sided use of paper;• Centralising the collections of waste paper and shredded paper by recycling company.	<ul style="list-style-type: none">• Requiring employees to switch off office electrical equipment immediately after work;• Posting a label of "Save Water".	<ul style="list-style-type: none">• Encouraging employees to travel by public transportation;• Standardising the official vehicle application process and strictly controlling the use of official vehicles.

At the stage of project marketing, the Group, based on the actual conditions, actively explores measures such as the application of permanent entities as sales offices to avoid waste of resources caused by demolition.



Combining the characteristics of the natural ecological environment of Jiangbin Park, the Guangzhou Yangxi Project established a marketing exhibition hall on the basis of greening the original site, and improved leisure facilities such as parks and runways, so that the project display is organically combined with citizens' green travel. The marketing exhibition hall can be subsequently transformed into a government urban planning exhibition hall or other functions for effectively avoiding waste of resources.

As for property management services, the Group gradually promoted energy consumption management modules for building projects in 2019 to achieve real-time display and analysis of energy consumption data in order to enhance the granularity of building energy management. Meanwhile, for promoting energy saving in residential projects, Yijiayuan Property, the Group's subsidiaries, began to implement the "Energy-saving Management and Control Standards in Public Areas" in 2019, requiring strict control of garage lighting, entrance and lobby lighting, landscape lighting, running and opening hours of the generator room and air-conditioner etc..

Case: Implementing energy-saving renovation in Minsheng Bank Building by Huijia Real Estate

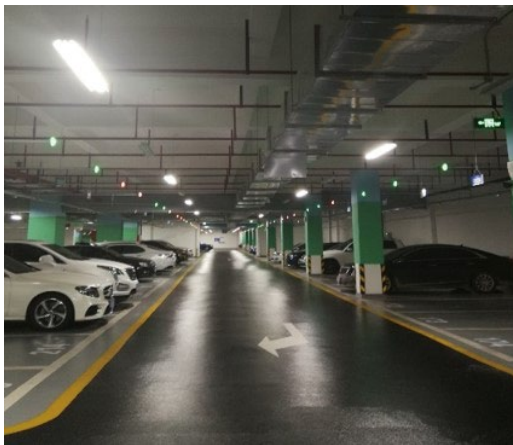
In 2019, Huijia Property, a company under the Group, implemented a number of energy-saving renovation measures for the Minsheng Bank Building project from the lighting to air conditioning, specifically include the following:

Lighting energy saving measures:

- Changing the light control from constant light mode to time setting mode
- Turning off the light at close range in garage and down light in elevator halls
- Removing one tube from each of bi-pin fluorescent lamp apparatus in the basement

Central air-conditioning energy saving measures:

- Reducing the energy consumption by adjusting the temperature of the central air-conditioning outlet water (from 7 to 10 degrees);
- Reprocessing wastewater derived from direct drinking water, and conducting wastewater derived from direct drinking water into central air-conditioning cooling tower for recycling.



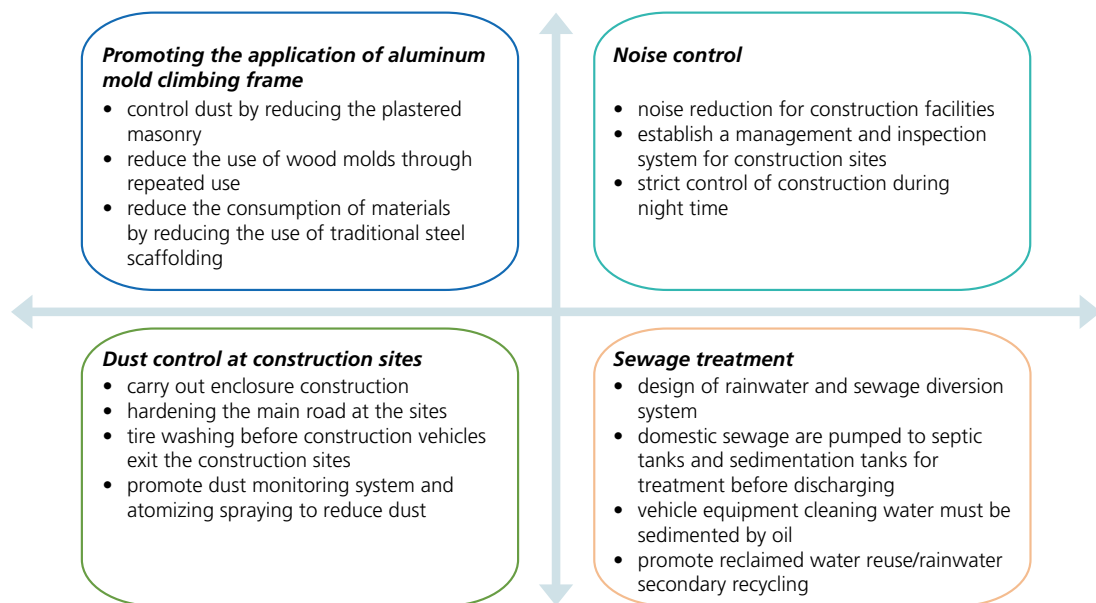
Effect resulted from turning off the light at close range in garage

With the number of workers in the building increasing by 1.5 times, and increase in use of meeting rooms and central air conditioning in 2019, through the implementation of the above-mentioned energy-saving and consumption-reduction measures, the building's monthly power consumption has been saved by more than 20,000 degrees on average compared with that before the renovation.

2. Civilised and environmentally friendly construction

The Group complies with the requirements of the laws and regulations including the “Environmental Protection Law of the People’s Republic of China”, Regulations on Environmental Protection Management of Construction Projects”, and implements the “Safe and Civilized Construction Standards” and relevant rules with an aim to reduce the impact of building construction projects on the local ecological environment and natural resources. The water used in the Groups’ construction sites mainly comes from the water supply of the municipal pipe network. Consumption of water and the impact of operational activities on water environment are minimized by the means of renovating the green irrigation system, design of rainwater and sewage diversion, configurating grey water recycling system.

In 2019, the Group’s main initiatives in reducing materials, controlling dust and noise, saving water and sewage treatment are as follows:



3. Promoting green buildings

The Group actively responds to the state’s call for promoting green buildings and building energy efficiency, and strives to reduce the energy consumption of building resources and achieve a green and low-carbon lifestyle as much as possible without affecting the comfort of human living.

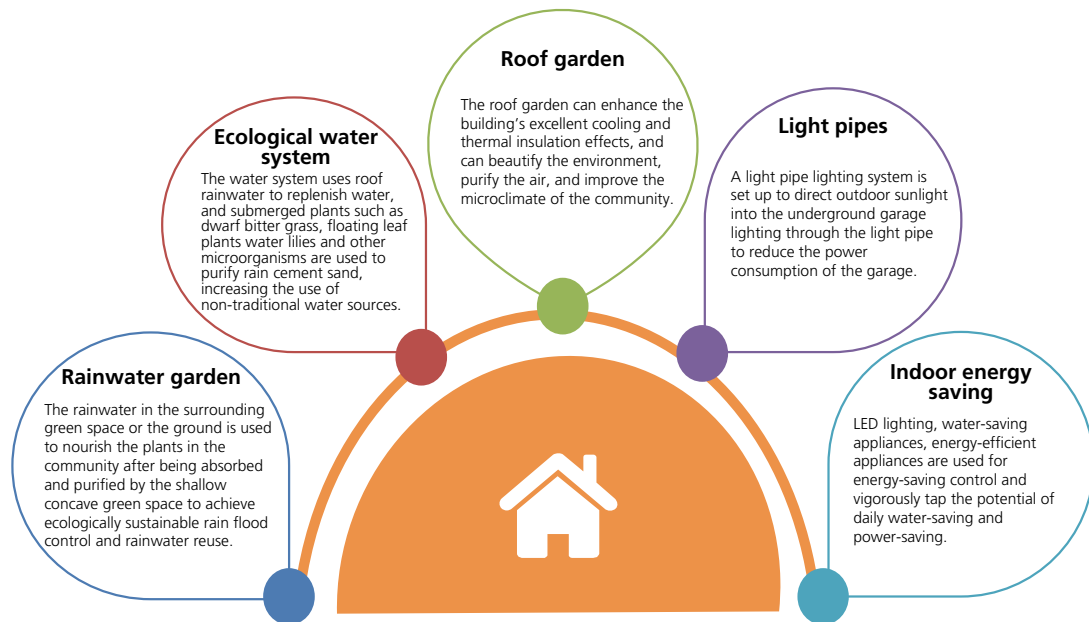
In 2019, 44 projects of the group met the requirements of the national green building evaluation standard GB/T 50378-2014 (hereinafter referred to as “green building national standard”) for green building in the design phase and obtained certification. Furthermore, the Group’s Li Yuan Project in Nanning, Guangxi, was awarded a three-star green building identification certificate during the operation phase in February 2019 after being evaluated by the China Urban Scientific Research Association based on the National Green Building Standard.



Three-star green building identification certificate during the operation phase of Li Yuan Project in Nanning, Guangxi

Case: Three-star green building identification during the operation phase of Li Yuan Project in Nanning, Guangxi

This project was awarded the “Three-star green building identification certificate during the design phase” in 2013. On this basis, the Group began to promote the three-star green building identification related transformation and improvement works during the operation phase of the project in early 2018, which mainly include many renovations and upgrade actions such as improvement of ecological water system, construction of rainwater garden and roof garden:



Rainwater garden



Ecological water system



Roof garden

4. Environmental Key Performance Indicators (KPI)

The 2019 Environmental Key Performance Indicators calculated by the Group in accordance with the ESG Reporting Guide are shown in table below:

No.	Environmental Key Performance Indicators	Unit	Consumption/emission
A1.1	Sulfur dioxide	kilogram	0.60
	Nitrogen oxides	kilogram	21.60
	Particulate matter	kilogram	1.48
A1.2	Greenhouse gas emissions (Scope 1)	tonnes	88.01
	Greenhouse gas removals (Scope 1)	tonnes	42.44
	Greenhouse gas emissions (Scope 2)	tonnes	5,025.53
	Total net greenhouse gas emissions (Scope 1 and 2)	tonnes	5,071.11
A1.3	Hazardous wastes	tonnes	0.17
A1.4	Non-hazardous wastes	tonnes	9,849.56
A2.1	Petrol	litre	30,000.59
	Pipeline natural gas	m ³	1,576.00
	Liquefied petroleum gas	kilogram	1,200.00
	Electricity consumption	kilowatt hour	6,246,003.25
	Direct energy consumption	GJ	1,053.02
	Indirect energy consumption	GJ	22,485.61
	Total energy consumption	GJ	23,538.63
	Energy intensity	GJ/revenue of RMB10,000	0.031
—	Office paper consumption	kilogram	10,986.00
A2.2	Water consumption	m ³	201,471.91
	Water consumption intensity	m ³ /revenue of RMB10,000	0.264

Notes to 2019 Environmental Data:

- (1) Time scope of the data: 1 January 2019 to 31 December 2019.
- (2) Scope of data: this report discloses the energy and resources consumption of the Group's 5 projects of Zhangzhou Fanhua, Suzhou Zhaoxiang, Fujian Zhaohe, Suzhou Zhaokun and Zhangjiagang Jianfeng in terms of office areas, sales offices, non-outsourced staff canteens and project construction process; compared with 2018, this report added the environmental data of two new projects of Suzhou Zhaokun and Zhangjiagang Jianfeng for this year and excludes the environmental data of Changsha Zhaoyue Project (which has been basically completed and delivered in December 2018).
- (3) Non-hazardous wastes were mainly construction wastes. Hazardous wastes were mainly waste ink cartridges and toner cartridges. Emission was the result of the use of vehicles. Greenhouse gas emissions (Scope 1) were mainly due to energy consumption such as fuel from non-outsourced staff canteens and moving vehicles. Greenhouse gas emissions (Scope 2) were generated from purchased electricity, and greenhouse gas removals (Scope 1) refers to the greenhouse gas removals in respect of additional trees planted since the construction of the relevant building.

- (4) Emission factors of greenhouse gas of purchased electricity are based on the Ministry of Ecology and Environment's "China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017". Other emission factors are based on the "ESG Reporting Guide" of the Hong Kong Stock Exchange.
- (5) The types of energy consumed by the Group included liquefied petroleum gas and pipeline natural gas used by non-outsourced staff canteens, purchased electricity and petrol used by vehicles; Energy consumption coefficient refers to the national GB2589-2008T General Principles of Comprehensive Energy Consumption Calculation (GB2589-2008T綜合能耗計算通則).
- (6) Energy intensity = Total energy consumption/operating revenue; water intensity = water consumption/operating revenue; of which, scope of statistics of operating revenue is line with the scope of environmental data collection.

IX. REMAINING TRUE TO THE ORIGINAL ASPIRATION AND CREATING A BEAUTIFUL LIFE

The Group regards welfare as its mission, actively supports public welfare activities such as sports competition, green environmental protection, donation to aid education, poverty alleviation, protection of traditional crafts and culture, etc., and sincerely contributes to the society, and strives to make the brand shining bright like a diamond.

1. Sports Competition

The Group focuses on delivering green and healthy living concepts to employees and the owners, and regularly organises owners, volunteers, and employees to participate in the Xiamen International Marathon and the charity event of "C&D • Green Run in Action" every year, so as to promote healthy and happy positive energy to the public through sports and competition activities, and advocate the environmental protection concept of "zero-waste beauty".

The "C&D Xiamen Marathon" and the charity event of "C&D • Green Run in Action (建發 • 綠跑在行動)" held simultaneously on 6 January 2019. The events attracted 300 green running volunteer families to participate in the track garbage collection activities with an aim to pick up trash and convey the green environmental protection spirit to the public.



Photo of the charity event of "C&D • Green Run in Action (建發 • 綠跑在行動)"

2. Waste separation event

Waste separation, recycling and disposal, having a direct bearing on owners' vital interests, is one of the important manifestations of social civilization. The Group actively responds to the call of national and local domestic waste separation policies, and always regards propaganda of waste separation as an important part of community cultural activities.

In 2019, the Group continued to carry out promotion and supervision activities in respect of waste separation in various communities such as Banshan Yujing Project of Yijiayuan Property and Jinshan International project of Huijia Real Estate, in order to actively enhance the enthusiasm and participation of residents in waste separation.

Case: Waste separation in Banshan Yujing Project of Yijiayuan Property

As a benchmarking project for property service, Banshan Yujing Project of Yijiayuan Property promotes the owners' awareness, recognition and participation in the separation and reduction of domestic waste through educational and entertaining activities. The main activities in 2019 include:

On 21 April, experts from Xiamen Haomao Ecological Promotion Center were invited to conduct the seminar for introducing the spirit of domestic waste separation, conducting lectures on waste separation and exchanging the opinions with the participants.

On 10 August, the activity "Building the dream home by the means of environmental protection (築夢御家園 環保我先行)" was launched to raise awareness of residents' waste separation through the promotional booths, thematic photography exhibitions and interactive games, etc.

On 31 August, the activity "Beginning of a school semester with fun" was held, which the waste separation event presented in a way of breaking through the game, attracting many owners to participate in the game for learning and experiencing waste separation.

In addition, in order to improve the employees' awareness and practice in respect of waste separation, and to play the pioneering and exemplary role of Party members in waste classification, the Group gathered with 90 party members, league members, and union members and launched the volunteer service event of "Building a Green Ludao Dream • Fighting for Environmental Action (共築綠色鷺島夢 • 爭做環保行動者)" for party's thematic day on 3 June 2019, which was carried out in the form of games such as "Big Bang", "Waste Separation Contest", "Garbage Conveyor Belt", "Waste Separation, I Spread", etc. to allow participants to learn and understand the knowledge of waste separation and disseminate such knowledge to the people nearby.



Photo of "Building the dream home by the means of environmental protection (築夢御家園 環保我先行)"



Volunteer service event of “Building a Green Ludao Dream • Fighting for Environmental Action (共築綠色鷺島夢 • 爭做環保行動者)” for party’s thematic day

3. Charitable donation activities

In 2019, the Group continuously participates in the relief work initiated by C&D Real Estate Charity Fund (the “Fund”), for providing assistance to families with difficulties, underprivileged students and orphans. Meanwhile, the city companies under the Group also held various donation activities in Xiamen, Suzhou, Nanning, Yongtai and other cities to assist underprivileged students in completing their studies and creating better life.

On 19 July 2019, the Group participated in the granting ceremony for the “Yulu Yu Qingmiao (雨露育青苗)” pairing project in 2019 jointly organized by the Fund and Xiamen Charity Federation, and provided financial aid to underprivileged students.



Photo of “Yulu Yu Qingmiao (雨露育青苗)” pairing project in 2019

On August 26, 2019, the Group participated in the 2019 Charity Donation Ceremony for “Let Dreams Ahead (讓夢前行)” jointly held by the Fund and Xiamen Charity Federation. The Fund granted RMB 6,000 per person to 100 freshers from underprivileged families, and granted RMB 5,000 per person to 100 previous poor university students.



Photo of 2019 Charity Student Donation Ceremony for “Let Dreams Ahead (讓夢前行)”

4. Protecting traditional crafts and culture

In the process of research and creation of new Chinese products, the Group actively exchanges and cooperates with traditional construction artisans and builders, and is committed to promoting, protecting and inheriting traditional Chinese culture and construction techniques.

In Jianfa & Jiulongcang Yangxi Project of Guangzhou, the Group invited Shao Chengcun (邵成村), the inheritor of National Intangible Cultural Heritage, to create the plaster moulding of “Hundreds Of Birds Worshipping The Phoenix (百鳥朝鳳)” measuring 15 meters in width by 2 meters in height for the project’s atrium, which integrated the three religious cultures of Lingnan, i.e. “Confucianism, Buddhism, and Taoism”, in the project, and added Lingnan’s most distinctive elements such as dancing lion, wood carving, Lingnan window, drink water from a winding canal with one wine cup (曲水流觴), an ancient copper clepsydra (銅壺滴漏), rain drops to banana leaf (雨打芭蕉), with the aim to integrate traditional building technology with Lingnan culture into modern life. The plaster moulding is a traditional Lingnan characteristic craftsmanship, which was included in the list of National Intangible Cultural Heritage in 2008. It risks distinction due to different factors, such as high-skilled requirement, lack of artisans performed with real mastery and long production process.



Panorama of “Hundreds Of Birds Worshipping The Phoenix (百鳥朝鳳)” in Jianfa & Jiulongcang Yangxi Project of Guangzhou

APPENDIX 1: HONORS OF THE YEAR

In 2019, The Company won “Best Growth Award for Hong Kong Listed Company (港股上市公司最具成長獎)” in the activity of “Gelonghui-1st Best Listed Company in Greater China” (格隆匯•首屆大中華區最佳上市公司) and the following awards and recognition in terms of architectural design and property services:

Awards for architectural design

Serial no.	Award-winning project & Award	Awarding unit
1	Xiamen Yangzhu: 2019 World Landscape Award of World Landscape Architecture (WLA) (WLA世界景觀協會2019年居住類一等獎)	World Landscape Architecture (WLA)
2	Xiamen Xiyue: Kinpan Award-Fushen District Best Interior Space Award (金盤獎福深賽區最佳室內空間獎)	“Time Property” Magazine
3	Xiamen Yangzhu Phase I: First Prize (Education) for 2019 Global Excellence Awards (GEA) (2019年全球卓越設計獎(GEA)(教育類大獎))	International Interior Design Association(IIDA)
4	Xiamen Yangzhu: Real Estate Design Award 2018-2019 National Award of Excellence (地產設計大獎2018-2019展示區全國區優秀獎)	Real Estate Architect Organizing Committee
5	Jiangyang Yangzhu: The 4th REARD Global Real Estate Design Award (第四屆REARD全球地產設計大獎居住類佳作獎)	REARDatChina.com (REARD@中國地產設計網)
6	Jian'ou Xiyuan: The 4th REARD Global Real Estate Design Award (第四屆REARD全球地產設計大獎居住類佳作獎)	REARDatChina.com (REARD@中國地產設計網)
7	Jian'ou Xiyuan: Real Estate Design Award Landscape Special Design Excellence Award (地產設計大獎景觀專項設計優秀獎)	Real Estate Architect Organizing Committee
8	Jian'ou Xiyuan: The 10th Yuan Ye Cup Professional Award Gold Award of Real Estate Garden Demonstration Zone (第十屆園冶杯專業獎地產園林示範區金獎)	Yuan Ye Award International Competition Organizing Committee
9	Ningde Jianfa • Tianxing Yangzhu: The 10th Yuan Ye Cup Real Estate Garden Demonstration Zone Professional Award Silver Award (第十屆園冶杯地產園林示範區專業獎銀獎)	Yuan Ye Award International Competition Organizing Committee
10	Fuzhou Yangzhu: 2019 Real Estate Design Award Outstanding Presale Property Award (2019地產設計大獎優秀預售樓盤獎)	Real Estate Architect Organizing Committee
11	Suzhou Dushuwan District: Kinpan Award — Best Villa Award in Jiangsu (金盤獎—江蘇賽區最佳別墅獎)	“Time Property” Magazine
12	Taicang Yangzhu: Kinpan Award — Best Residential Award in Jiangsu (金盤獎—江蘇賽區最佳住宅獎)	“Time Property” Magazine
13	Nanjing Yangyu Exhibition Area: Kinpan Award -Best Pre-sale Property Award in Jiangsu (金盤獎—江蘇賽區最佳預售樓盤獎)	“Time Property” Magazine
14	Zhangjiagang Yangyu Exhibition Area: Yuan Ye Cup-Gold Award for Professional Real Estate Garden Demonstration Zone (園冶杯—專業類地產園林示範區金獎)	chla.com.cn (中國風景園林網)
15	Wuhan Jianfa & Jinmao • Xiyue: 2019 Kinpan Award “ Best Presale Property of the Year”(2019年金盤獎兩湖賽區「年度最佳預售樓盤」)	“Time Property” Magazine
16	Wuhan Jianfa • Xiyuan: 2019 Kinpan Award “ Best Presale Property of the Year”(2019年金盤獎兩湖賽區「年度最佳預售樓盤」)	“Time Property” Magazine

Serial no.	Award-winning project & Award	Awarding unit
17	Wuhan Jianfa • Xiyuan: The 10th Yuan Ye Cup Real Estate Garden Demonstration Zone Category Gold Award (第十屆園冶杯地產園林示範區類金獎)	Yuan Ye Award International Competition Organizing Committee
18	Changsha Jianfa • Yangxi: 2019 Idea-Tops Award Silver Award in Shenzhen Division (2019年艾特獎深圳賽區銀獎)	Idea-Tops Organizing Committee
19	Changsha Jianfa • Yangzhu: 2019 Idea-Tops Award “Excellent Club Design Award” (2019年艾特獎「會所設計優秀獎」)	Idea-Tops Organizing Committee
20	Changsha Jianfa • Yangzhu: 2018-2019 “Outstanding Real Estate Design Award” (2018-2019「地產設計大獎優秀獎」)	Real Estate Architect Organizing Committee
21	Zhuhai Yangjing: Finalist of the 6th Real Estate Design Award (Residential Project) 2019-2020 (Excellent Award) (2019-2020第六屆地產設計大獎(居住項目)入圍(優秀獎))	Real Estate Architect Organizing Committee
22	Guangzhou Yangxi: The 14th Kinpan Award Guangdong Best Presale Property Award (第十四屆金盤獎廣東賽區最佳預售樓盤獎)	“Time Property” Magazine
23	Guangzhou Yangxi: Zhu Rong Award Urban Landscape Gold Award in the National Finals of the 11th China Lighting Design Application Competition (祝融獎2019第十一屆中國照明設計應用大賽全國總決賽城市景觀金獎)	China Building Decoration Association
24	Guangzhou Yangxi: Zhu Rong Award Third Prize of Guangzhou Division of the 11th China Lighting Design Application Competition 2019 (祝融獎2019第十一屆中國照明設計應用大賽廣州賽區三等獎)	China Building Decoration Association
25	Guangzhou Yangxi: EU-China Culture and Art Exchange and CREDAWARD @ BARCELONA Award (中歐文化藝術交流暨 CREDAWARD@ BARCELONA優秀項目獎)	Real Estate Architect Organizing Committee

Awards for property services

Serial no.	Award-winning unit	Honors	Awarding unit
1	C&D Property	2019 China Top 100 Real Estate Services Enterprises (2019中國物業服務百強企業)	China Index Academy
2		2019 China Property Service Industry Demonstration Base — Jianfa • Jinshali (2019中國物業服務行業示範基地 — 建發 • 金沙裏)	
3		2019 China Property Service Industry Demonstration Base — China Exim Bank Fujian Branch Building (2019中國物業服務行業示範基地 — 中國進出口銀行福建省分行大廈)	
4		2019Blue-Chip Property Enterprises (2019藍籌物業企業)	The Economic Observer
5		2019 Haixi Brand Property Gold Butler (2019海西品牌物業金牌管家)	Strait Herald
6		Leading companies in Fujian property services market in 2019 (2019福建物業服務市場地位領先企業)	China Index Academy

Serial no.	Award-winning unit	Honors	Awarding unit
7	Huijia Property	Free Blood Donation Award (無償獻血優秀組織單位獎)	Xiamen Property Management Association, Xiamen City Blood Station, Xiamen Free Blood Donor Association
8		Large taxpayers with over RMB10 million in 2018 (2018年度超1千萬元納稅特大戶)	People's Government of Siming District, Xiamen
9		Huijia Property Guomao Sunshine Project-Honor of "Double Top Ten" (Top Ten Community Committee, Top Ten Community Property) (匯嘉物業國貿陽光項目「雙十佳」(十佳小區業委會、十佳小區物業)榮譽稱號)	Huli District Community Office, Huli District Construction Bureau, Huli District Civil Affairs Bureau
10	Yijiayuan (Shanghai)	2018 Shanghai Ping An Demonstration Unit (2018年度上海市平安示範單位)	CPC Shanghai Municipal Committee of Politics and Law
11		Integrity Commitment Enterprise in Shanghai Property Management Industry (2019-2020) (上海市物業管理行業誠信承諾企業(2019-2020年度))	The Trade Association of Shanghai Property Management
12	Yijiayuan (Quanzhou)	2018 Licheng District Advanced Property Service Enterprise (鯉城區2018年度先進物業服務企業)	Housing and Construction Bureau of Licheng District, Quanzhou
13		Outstanding Performance Award of Licheng District Property Management Industry Federation (鯉城區物業管理行業工會聯合會籌備工作表現突出獎)	

APPENDIX 2: CONTENT INDEX OF THE ESG REPORTING GUIDE

ESG Indicators		Disclosure	Corresponding Chapters
A1 General Disclosure	Information on the policies, compliance with relevant laws and regulations that have a significant impact on the issuer relating to waste air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.1	Types of emissions and respective emissions data.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A2 General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	–
A3 General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Disclosed	GREEN ENVIRONMENTAL PROTECTION WITH CO-CONSTRUCTION AND SHARING
B1 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
B1.2	Employee turnover rate by gender, age group and geographical region.	Not yet disclosed, considering to be disclosed in subsequent years	–
B2 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B2.1	Number and rate of work-related fatalities.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B2.2	Lost days due to work injury.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B4 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	TOGETHER WE ACHIEVE THE EXTRAORDINARY
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	TRANSPARENT AND WIN-WIN COOPERATION

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
B5.1	Number of suppliers by geographical region.	Not yet disclosed, considering to be disclosed in subsequent years	–
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	TRANSPARENT AND WIN-WIN COOPERATION
B6 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	–
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B6.4	Description of quality assurance process and recall procedures.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	PERFECTION AND CRAFTSMANSHIP
B7 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	Disclosed	TRANSPARENT AND WIN-WIN COOPERATION
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	TRANSPARENT AND WIN-WIN COOPERATION
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	TRANSPARENT AND WIN-WIN COOPERATION
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	REMAINING TRUE TO THE ORIGINAL ASPIRATION AND CREATING A BEAUTIFUL LIFE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	REMAINING TRUE TO THE ORIGINAL ASPIRATION AND CREATING A BEAUTIFUL LIFE
B8.2	Resources contributed (e.g. money or time) to the focus areas.	Partially disclosed	REMAINING TRUE TO THE ORIGINAL ASPIRATION AND CREATING A BEAUTIFUL LIFE

APPENDIX 3: LIST OF COMPLIANCE WITH MAIN LAWS, REGULATIONS AND INTERNAL POLICIES

ESG Indicators	Scopes	Compliance with laws and regulations	Internal policies followed by C&D International Group
A1 Emissions	Information on the policies, compliance with relevant laws and regulations that have a significant impact on the issuer relating to waste air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<p>"Environmental Protection Law of the People's Republic of China"</p> <p>"Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution"</p> <p>"Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution"</p> <p>"Law of the People's Republic of China on the Prevention and Control of Water Pollution"</p>	<p>"Notice on the Implementation of Energy-Saving Reconstruction of Jianfa Building"</p> <p>"Administrative Measures on Daily Safety, Energy Saving and Environmental Sanitation of Xiamen Jianfa International Building Daily"</p> <p>"Administrative Measures on Water and Electricity Consumption of Yijiayuan"</p>
A2 Use of resources	Policies on efficient use of resources including energy, water and other raw materials.	"Marine Environmental Protection Law of the People's Republic of China"	"Control Standards of Energy Conservation in Public Area"
A3 Environment and natural resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	<p>"Administrative Regulations of the People's Republic of China on the Prevention of Pollution and Damage of Marine Environment by Terrigenous Pollutant"</p> <p>"Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution"</p> <p>"National Hazardous Waste Inventory"</p> <p>"Administrative Measures for Hazardous Waste Transfer"</p> <p>"The 13th Five-Year Plan" for Greenhouse Gas Emission Control"</p> <p>"Regulations on the Administration of Construction Project Environmental Protection" (Revised in 2017)</p>	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators	Scopes	Compliance with laws and regulations	Internal policies followed by C&D International Group
B1 Employment	Total workforce by gender, employment type, age group and geographical region.	"Labor Law of the People's Republic of China"	"Administrative Regulations on Work Safety"
B2 Health and Safety	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	"Labor Contract Law of the People's Republic of China" "Employment Promotion Law of the People's Republic of China" "Social Insurance Law of the People's Republic of China" "Provisions on Minimum Wages" "Law of the People's Republic of China on Occupational Disease Prevention" "Production Safety Law of the People's Republic of China"	"Administrative Measures on Human Resources Management" "Administrative Measures on Training" "Safe and Civilized Construction Standards" "Fine Decoration Safety and Civilized Construction Standards" "Reward and Punishment Measures for the Project Quality Measurement and Quantity, Risk Assessment and Safe and Civilized Construction Evaluation"
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	"Fire Protection Law of the People's Republic of China" "Emergency Response Law of the People's Republic of China"	"Administrative Measures on Performance Evaluation of Yijiyuan Property"
B4 Labor Standards	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	"Regulations on the Safety Management of Dangerous Chemicals" "Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents" "Provisional Regulations on the Investigation and Treatment of Hidden Dangers of Production Safety Accident" "Regulation of the People's Republic of China on Work-Related Injury Insurance" "Interim Provisions on the Supervision and Administration of Occupational Health at Work Sites" "Occupational Disease Classification and Catalog"	"Administrative Measures on Position Grade Setting and Staff Recruitment" "Internal Trainer Management System of Yijiyuan Property (for Trial Implementation)" "Regulations on Employee Political Review and Safety Training"
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	"Law of the People's Republic of China on Tenders and Bids" "Government Procurement Law of the People's Republic of China"	"Administrative Measures on Tenders and Bids" "Administrative Measures on Cost Control"

ESG Indicators	Scopes	Compliance with laws and regulations	Internal policies followed by C&D International Group
B6 Product Responsibility	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	<p>“Law of the People’s Republic of China on the Protection of Consumer Rights and Interests”</p> <p>“Tort Law of the People’s Republic of China”</p> <p>“Cybersecurity Law of the People’s Republic of China”</p> <p>“Advertising Law of the People’s Republic of China”</p> <p>“Regulations on Property Management” (revised 2018)</p> <p>“Construction Law of the People’s Republic of China”</p>	<p>“Quality Inspection Standard of Yijiayuan Property”</p> <p>“Property Quality Inspection Standard”</p> <p>“Standards for Secret Visits by Third-party Mystery Customers”</p> <p>“Sales Instruction Manual”</p> <p>“Administrative Measures on Information”</p> <p>“Administrative Measures on Construction”</p> <p>“Administrative Measures on Market”</p> <p>“Administrative Measures on Tenders and Bids”</p> <p>“Administrative Measures on Marketing Affair and Price”</p> <p>“Administrative Measures on Customer Relations”</p> <p>“Implementation Manual for Delivery Management”</p> <p>“Implementation Manual for Process Management”</p> <p>“Implementation Manual for After Sales Management”</p> <p>“Administrative Measures on Brand”</p> <p>“Penalty System for Safety Supervision”</p> <p>“Major Incident Reporting System”</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators	Scopes	Compliance with laws and regulations	Internal policies followed by C&D International Group
B7 Anti-corruption	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	<p>“Anti-Unfair Competition Law of the People’s Republic of China”</p> <p>“Interim Provisions on Banning Commercial Bribery”</p> <p>“Anti-Monopoly Law of the People’s Republic of China”</p> <p>“Supervision Law of the People’s Republic of China”</p> <p>“Supplementary Provisions on the Army’s Implementation of the Regulation of the Communist Party of China on Disciplinary Actions”</p>	<p>“Administrative Measures on Brand”</p> <p>“Administrative Measures on Engineering Equipment Safety Operation Team (for Trial Implementation)”</p> <p>“Administrative Measures on Safety Production Assessment of C&D Public Construction Property Management Co., Ltd.”</p> <p>“Administrative Measures on Event Safety of C&D Public Construction Property Management Co, Ltd.”</p> <p>“Safety Production Management rules of C&D Public Construction Property Management Co, Ltd.”</p> <p>“Major Incident Reporting rules of C&D Public Construction Property Management Co, Ltd.”</p> <p>“Provisions on Integrity and Self-discipline of Employees”</p> <p>“Responsibility rule for Integrity Construction of Party Building and Party Conduct”</p> <p>“Notice on Implementing the Matters Related to the Spirit of the Municipal Government’s Work Conference on Integrity”</p> <p>“Petition Work Practice Manual”</p> <p>“Practice Manual for Party Disciplinary Actions”</p>
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	–	“Administrative Measures on External Donation”



**To the members of C&D International Investment Group Limited
(incorporated in the Cayman Islands with limited liability)**

OPINION

We have audited the consolidated financial statements of C&D International Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 115 to 238, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are the 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.

Valuation of inventories of properties

Refer to notes 2.11, 4.1 and 23 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2019, the Group had inventories of properties amounting to approximately RMB75,909,134,000, representing approximately 65.7% of the total assets of the Group. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale.</p> <p>Accordingly, the valuation of inventories of properties is considered to be a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgement associated with determining the net realisable value.</p>	<p>Our procedures in relation to management's valuation of inventories of properties included:</p> <ul style="list-style-type: none">— assessed the reasonableness of the assumptions basis for impairment assessment and tested the calculation for the impairment assessment performed by management;— compared the carrying amounts of the properties under development taking into account the estimated amounts to completion with the related net realisable value; and— compared the estimated selling price to the prevailing market price of the comparable properties with similar size, usage and location.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

20 March 2020

Lin Ching Yee Daniel

Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Revenue	5	17,995,146	12,371,415
Cost of sales		(13,341,808)	(8,256,257)
Gross profit		4,653,338	4,115,158
Other net gain	7	308,755	209,877
(Loss)/gain on changes in fair value of investment properties	18	(6,309)	5,309
Administrative expenses		(91,411)	(151,560)
Selling expenses		(1,181,091)	(595,617)
Finance costs	8	(417,082)	(517,462)
Share of profits of associates		152,996	19,928
Share of profits of a joint venture		6,470	4,128
Profit before income tax	9	3,425,666	3,089,761
Income tax expense	10	(1,428,095)	(1,511,859)
Profit for the year		1,997,571	1,577,902
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		38,248	2,199
Total comprehensive income for the year		2,035,819	1,580,101
Profit for the year attributable to:			
— Equity holders of the Company		1,717,993	1,420,446
— Holders of perpetual bonds		—	90,969
— Non-controlling interests		279,578	66,487
		1,997,571	1,577,902
Total comprehensive income for the year attributable to:			
— Equity holders of the Company		1,756,255	1,422,934
— Holders of perpetual bonds		—	90,969
— Non-controlling interests		279,564	66,198
		2,035,819	1,580,101
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	12	RMB1.99	RMB1.93
— Diluted	12	RMB1.48	RMB1.85

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 122 to 238 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out on note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	108,872	113,067
Land use rights	16	–	95,936
Right-of-use assets	17	210,845	–
Investment properties	18	1,255,730	1,238,730
Interests in associates	19	6,436,704	1,776,251
Interest in a joint venture	20	44,175	45,405
Other financial assets	21	125,690	309,040
Deposits for acquisitions of land use rights	26	64,166	64,166
Deferred tax assets	32	1,400,495	873,924
		9,646,677	4,516,519
Current assets			
Inventories of properties and other contract costs	23		
— Properties under development		72,758,410	48,070,624
— Properties held for sale		3,150,724	1,731,691
— Other contract costs		258,728	131,277
Trade and other receivables	24	6,604,465	2,393,643
Amounts due from non-controlling interests	29	8,474,646	483,474
Other financial assets	21	448,990	–
Deposits for acquisitions of land use rights	26	2,195,933	710,810
Prepaid taxes		487,979	189,475
Cash at banks and on hand	27	11,562,270	4,547,441
		105,942,145	58,258,435
Total assets		115,588,822	62,774,954
Current liabilities			
Trade and other payables	28	8,099,577	4,437,317
Contract liabilities	25	36,423,681	13,084,951
Amounts due to related companies	29	2,553,834	1,196,079
Amounts due to non-controlling interests	29	2,915,151	3,617,765
Interest-bearing borrowings	31	3,263,480	1,554,077
Income tax liabilities		1,883,024	1,606,328
Lease liabilities	33	28,355	–
Receipts under securitisation arrangements	30	2,498,155	–
		57,665,257	25,496,517
Net current assets		48,276,888	32,761,918
Total assets less current liabilities		57,923,565	37,278,437

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Non-current liabilities			
Loans from intermediate holding company	29	23,082,304	16,082,145
Lease liabilities	33	109,739	–
Receipts under securitisation arrangements	30	902,774	3,518,800
Interest-bearing borrowings	31	13,979,542	6,794,530
Deferred tax liabilities	32	239,264	278,916
		38,313,623	26,674,391
Total liabilities		95,978,880	52,170,908
Net assets		19,609,942	10,604,046
EQUITY			
Share capital	34	76,921	61,532
Reserves	35	7,221,228	6,032,490
Equity attributable to the equity holders of the Company		7,298,149	6,094,022
Non-controlling interests		12,311,793	4,510,024
Total equity		19,609,942	10,604,046

ZHAO Chengmin
 Director

LIN Weiguo
 Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 122 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from operating activities			
Profit before income tax		3,425,666	3,089,761
Adjustments for:			
Amortisation of land use rights		–	3,620
Depreciation of property, plant and equipment	9	25,522	19,325
Depreciation of right-of-use assets	9	32,579	–
Loss/(Gain) on changes in fair value of investment properties	18	6,309	(5,309)
Gain on changes in fair value of financial assets measured at FVTPL	7	(18,640)	(12,890)
Gain on disposal of investment properties	7	(7,806)	–
Gain on disposal of a subsidiary		–	(8,828)
Gain on disposal of an associate	7	(3,213)	–
Written off of property, plant and equipment	9	3,985	1,113
Provision for impairment loss of loans to associates	9	4,098	–
Provision for impairment loss of trade and other receivables	9	17,238	4,292
Provision for impairment loss of amounts due from non-controlling interests	9	8,378	–
(Reversal of provision for)/Provision for inventories of properties and other contract costs	9	(22,035)	48,335
Interest expense	8	417,082	517,462
Interest income	7	(238,399)	(154,438)
Share of profits of associates	19	(152,996)	(19,928)
Share of profits of a joint venture	20	(6,470)	(4,128)
Operating profit before working capital changes		3,491,298	3,478,387
Increase in inventories of properties and other contract costs		(21,617,761)	(19,802,509)
Increase in deposit paid for acquisition of land use rights		(488,826)	(710,810)
(Increase)/Decrease in trade and other receivables		(4,073,869)	587,370
Increase/(Decrease) in trade and other payables		3,653,293	(655,760)
Increase in contract liabilities		22,586,415	7,154,703
Increase in restricted bank deposits		(294,048)	(287,323)
Cash from/(used in) operations		3,256,502	(10,235,942)
Income tax paid		(2,010,364)	(878,405)
Net cash from/(used in) operating activities		1,246,138	(11,114,347)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(29,660)	(27,386)
Subsequent expenditure of investment properties	18	(25,709)	–
Proceeds from disposal of investment properties		10,207	–
Proceeds from disposal of an associate		9,865	–
Proceeds from disposal of financial assets		3,000	–
Investment in associates		(1,830,553)	(104,500)
Increase in loans to associates		(2,689,354)	(1,179,293)
Increase in loan to a joint venture		(494)	–
Decrease in amounts due from related companies		–	11,731
Increase in amounts due from non-controlling interests		(7,999,550)	(483,474)
Dividend received from investment in a joint venture		9,223	7,672
Dividend received from investment in an associate		1,700	–
Net cash inflow/(outflow) on acquisition of subsidiaries	40	2,683	(911,240)
Interest received	7	238,399	154,438
Investment in financial assets		(250,000)	(203,000)
Net cash outflows on disposal of a subsidiary		–	(298,113)
Payment for additional interest in subsidiary without change of control		–	(170,000)
Consideration paid for acquisitions of subsidiaries pursuant to a group reorganisation		–	(449,771)
Net cash used in investing activities		(12,550,243)	(3,652,936)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from financing activities			
Issuance of share capital, net of transaction costs		415,860	–
Proceeds from new borrowings	42	14,434,643	5,845,185
Repayments of borrowings	42	(5,582,054)	(3,241,137)
Addition of loans from intermediate holding company	42	101,859,071	73,578,528
Repayments of loans from intermediate holding company	42	(94,858,912)	(62,477,546)
Capital contribution from non-controlling interests		7,596,666	835,030
Increase in amounts due to related companies	42	–	2,210,130
Increase in amounts due to non-controlling interests	42	3,646,138	9,943,851
Repayments of amounts due to related companies	42	(1,214,484)	(6,232,137)
Repayments of amounts due to non-controlling interests	42	(6,271,532)	(5,352,656)
Dividends paid to non-controlling interests		(55,654)	(9,612)
Dividends paid to former shareholders of subsidiaries		–	(297,000)
Dividends paid		(960,392)	(180,618)
Interest paid		(823,409)	(418,468)
Proceeds from issued perpetual convertible bond		–	2,666,100
Distributions to holders of perpetual convertible bond		(15,100)	–
Distributions to holders of perpetual bonds		–	(90,969)
Proceed from receipts under securitisation arrangements	42	–	3,771,471
Payment of lease liabilities	42	(24,505)	–
Repayments of receipts under securitisation arrangements	42	(117,871)	(1,502,671)
Redemption of perpetual bonds		–	(2,000,000)
Net cash from financing activities		18,028,465	17,047,481
Net increase in cash and cash equivalents		6,724,360	2,280,198
Cash and cash equivalents as at 1 January		3,665,083	1,390,160
Effect of foreign exchange rates changes on cash and cash equivalents		(3,579)	(5,275)
Cash and cash equivalents as at 31 December	27	10,385,864	3,665,083

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 122 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to the equity holders of the Company											
	Share capital RMB'000 (note 34)	Perpetual convertible bonds* RMB'000 (note 35)	Share premium* RMB'000 (note 35)	Statutory reserve* RMB'000 (note 35)	Exchange reserve* RMB'000 (note 35)	Capital reserve* RMB'000 (note 35)	Revaluation reserve* RMB'000 (note 35)	Retained earnings* RMB'000	Total RMB'000	Perpetual bonds RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	61,532	-	1,540,056	105,464	(7,907)	283,488	2,692	944,587	2,929,912	2,000,000	402,654	5,332,566
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	1,420,446	1,420,446	90,969	66,487	1,577,902
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	(289)	2,199
— Currency translation differences	-	-	-	-	2,488	-	-	-	2,488	-	-	-
Total comprehensive income	-	-	-	-	2,488	-	-	1,420,446	1,422,934	90,969	66,198	1,580,101
Transactions with owners												
Issuance of perpetual convertible bonds	-	2,666,100	-	-	-	-	-	-	2,666,100	-	-	2,666,100
Redemption of perpetual bonds	-	-	-	-	-	-	-	-	-	(2,000,000)	-	(2,000,000)
Distributions to holders of perpetual bonds	-	-	-	-	-	-	-	-	-	(90,969)	-	(90,969)
2017 final dividend approved and paid (note 11)	-	-	(180,618)	-	-	-	-	-	(180,618)	-	-	(180,618)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,049,176	4,049,176
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	170,574	170,574
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,612)	(9,612)
Dividends paid to former shareholders of subsidiaries	-	-	-	-	-	-	-	(297,000)	(297,000)	-	-	(297,000)
Business combinations under common control	-	-	-	-	-	(441,736)	-	-	(441,736)	-	(4,536)	(446,272)
Change in ownership interests in subsidiary without change of control	-	-	-	-	-	443	-	-	443	-	(170,443)	(170,000)
Transfer to statutory reserve	-	-	-	75,983	-	-	-	(75,983)	-	-	-	-
Others	-	-	-	-	-	-	-	(6,013)	(6,013)	-	6,013	-
Total transactions with owners	-	2,666,100	(180,618)	75,983	-	(441,293)	-	(378,996)	1,741,176	(2,090,969)	4,041,172	3,691,379
Balance at 31 December 2018	61,532	2,666,100	1,359,438	181,447	(5,419)	(157,805)	2,692	1,986,037	6,094,022	-	4,510,024	10,604,046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to the equity holders of the Company											
	Share capital RMB'000 (note 34)	Perpetual convertible bonds* RMB'000 (note 35)	Share premium* RMB'000 (note 35)	Statutory reserve* RMB'000 (note 35)	Exchange reserve* RMB'000 (note 35)	Capital reserve* RMB'000 (note 35)	Revaluation reserve* RMB'000 (note 35)	Retained earnings* RMB'000	Total RMB'000	Perpetual bonds RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019, as previously reported	61,532	2,666,100	1,359,438	181,447	(5,419)	(157,805)	2,692	1,986,037	6,094,022	-	4,510,024	10,604,046
Impact on initial application of HKFRS 16 (note 3)	-	-	-	-	-	-	-	(5,869)	(5,869)	-	(5,464)	(11,333)
Balance at 1 January 2019, as adjusted	61,532	2,666,100	1,359,438	181,447	(5,419)	(157,805)	2,692	1,980,168	6,088,153	-	4,504,560	10,592,713
Total comprehensive income for the year	-	-	-	-	-	-	-	1,717,993	1,717,993	-	279,578	1,997,571
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
— Currency translation differences	-	-	-	-	38,262	-	-	-	38,262	-	(14)	38,248
Total comprehensive income	-	-	-	-	38,262	-	-	1,717,993	1,756,255	-	279,564	2,035,819
Transactions with owners	4,725	-	411,135	-	-	-	-	-	415,860	-	-	415,860
Issuance of share capital, net of transaction costs (note 34(a))	-	-	(15,100)	-	-	-	-	-	(15,100)	-	-	(15,100)
Distributions to holders of perpetual convertible bonds (note 34(b))	10,664	(906,474)	895,810	-	-	-	-	-	-	-	-	-
Conversion of perpetual convertible bonds (note 34(b))	-	-	(960,392)	-	-	-	-	-	(960,392)	-	-	(960,392)
2018 final dividend approved and paid (note 11)	-	-	-	-	-	-	-	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,596,666	7,596,666
Acquisition of subsidiaries (note 40)	-	-	-	-	-	-	-	-	-	-	30	30
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(55,654)	(55,654)
Change in ownership interests in subsidiaries without change of control (note 43)	-	-	-	-	-	13,373	-	-	13,373	-	(13,373)	-
Transfer to statutory reserve	-	-	-	312,060	-	-	-	(312,060)	-	-	-	-
Total transactions with owners	15,389	(906,474)	331,453	312,060	-	13,373	-	(312,060)	(546,259)	-	7,527,669	6,981,410
Balance at 31 December 2019	76,921	1,759,626	1,690,891	493,507	32,843	(144,432)	2,692	3,386,101	7,298,149	-	12,311,793	19,609,942

* These reserve accounts comprise the Group's reserves of RMB7,221,228,000 (2018: RMB6,032,490,000) in the consolidated statement of financial position.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 122 to 238 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

C&D International Investment Group Limited (the “Company”) was incorporated in the Cayman Islands on 18 February 2011 as an exempted company with limited liability under Companies Law (Cap 22 of the Cayman Islands). The address of the Company’s registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands and its principal place of business in Hong Kong is located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong. The listing of the Company’s shares has been transferred to the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 26 May 2014 after their initial listing on GEM of the Stock Exchange.

The Company’s functional currency is Hong Kong Dollars (“HK\$”). However, the consolidated financial statements are presented in Renminbi (“RMB”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the transactions of the Company and its subsidiaries (collectively referred to as the “Group”) are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of RMB (“RMB’000”) unless otherwise stated.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 22 to the consolidated financial statements.

Well Land International Limited (“Well Land”) is the Company’s immediate holding company which was incorporated in the British Virgin Islands (“BVI”) with limited liability; C&D Real Estate Corporation Limited* (建發房地產集團有限公司) (“C&D Real Estate”) which was incorporated in the People’s Republic of China (“PRC” or “China”) with limited liability is the Company’s intermediate holding company and Xiamen C&D Corporation Limited* (廈門建發集團有限公司) (“Xiamen C&D”) which was incorporated in the PRC with limited liability is the Company’s ultimate holding company.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 20 March 2020.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 115 to 238 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 (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the consolidated financial statements of the Group, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except that the following assets are stated at fair value as explained in the accounting policies set out below:

- investment properties (see note 2.8)
- financial assets at fair value through profit or loss (note 2.9)

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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 over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation *(Continued)*

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on 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 can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders 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 equity holders of the Company.

Changes in the Group's interest in subsidiaries 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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss (see note 2.19) unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation *(Continued)*

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Acquisition of a subsidiary not constituting a business

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a short period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous reporting date or when they first came under common control, whichever is shorter.

2.3 Business combinations

Acquisitions of subsidiaries and businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations *(Continued)*

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

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

2.4 Associates and joint venture

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint venture *(Continued)*

In the consolidated financial statements, investment in associates or a joint venture are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in associates or a joint venture are carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associates or a joint venture for the year, including any impairment loss on the investment in associates or a joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associates and a joint venture are eliminated to the extent of the Group's interest in associates or a joint venture. Where unrealised losses on assets sales between the Group and its associates or a joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associates or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associates' or joint venture's accounting policies to those of the Group when the associates' or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in associates or a joint venture equals or exceeds its interest in the associates or a joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates or a joint venture. For this purpose, the Group's interest in the associates or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint venture *(Continued)*

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2.19). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of assets (other than construction in progress) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	2.5%
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 $\frac{1}{3}$ %
Plant and machinery	9 to 20%
Motor vehicles	12.5 to 20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Land use rights

Land use rights (which meet the definition of right-of-use assets upon initial application of HKFRS 16) "Leases" ("HKFRS 16") represent the upfront payment for long-term land lease in which the payment can be reliably measured. The upfront payments of the land use rights are recorded as assets and it is stated at cost less accumulated amortisation (before the application of HKFRS 16)/ depreciation (upon the application of HKFRS 16) and any accumulated impairment losses. Amortisation/depreciation is calculated on a straight-line basis over the term of the lease/right-of-use assets except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land. As described in note 3(i), the Group has applied HKFRS 16 using the modified retrospective approach and therefore land use rights are reclassified to right-of-use assets.

2.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.15) 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.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories of properties, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

Before the application of HKFRS 16, when the Group holds a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses ("ECL") of trade receivables which is presented within "Administrative expenses" in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.18).

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Other net gain" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's amounts due from non-controlling interests, investment in listed senior tranche security, cash at banks and on hand, trade and other receivables, the Company's amount due from subsidiaries and intermediate holding company fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments

An investment in equity securities is classified as financial assets measured at FVTPL, unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends from an investment in equity securities are recognised in profit or loss as "Other net gain".

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include lease liabilities, trade and other payables, loans from intermediate holding company, amounts due to related companies and non-controlling interests, interest-bearing borrowings and receipts under securitisation arrangements. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.21).

Accounting policies of lease liabilities are set out in note 2.15.

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Other financial liabilities

Other financial liabilities including trade and other payables, loans from intermediate holding company, amounts due to related companies and non-controlling interests, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method. Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.10 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets *(Continued)*

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

In measuring ECL, 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. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the day past due.

Other financial assets measured at amortised cost

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

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, 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)

2.10 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 44.5.

Financial guarantee contracts

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories of properties and other contract costs

(i) *Inventories of properties*

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The costs of inventories of properties consist of acquisition cost of interests in leasehold land, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimated cost to completion and estimated selling expenses.

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

(ii) *Other contract 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 inventory (see note 2.11(i)) or property, plant and equipment (see note 2.6).

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 or property, plant and equipment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories of properties and other contract costs *(Continued)*

(ii) *Other contract costs (Continued)*

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting periods as the date of entering into the contract.

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 2.18.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.18) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.10 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.9).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.18). 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 2.9).

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 2.18).

2.14 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial guarantees issued *(Continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "Trade and other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.15 Leases

(i) Definition of a lease and the Group as a lessee

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(i) Definition of a lease and the Group as a lessee (Continued)

Accounting policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee (Continued)

Except for those right-of-use assets meeting the definition of investment properties, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

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

Right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2.8.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(i) Definition of a lease and the Group as a lessee (Continued)

Accounting policy applicable prior to 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 2.8); and
- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease (see note 2.6). For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group had the right-to-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) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its leasehold land and building. Rental income is recognised on a straight-line basis over the term of lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.17 Equity instruments

Perpetual convertible bond

Perpetual convertible bond is convertible into a fixed number of ordinary shares of the Company and includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group. These securities are classified as equity instruments and are initially recognised at their fair value on the date of issuance and are not subsequently remeasured.

Share capital

Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Revenue and other income

Revenue arises mainly from the sale of properties and the provision of different kinds of services in the ordinary course of the Group's business.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue and other income (Continued)

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than twelve 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, and interest income is accrued separately under the effective interest method. 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 twelve months or less.

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

(i) *Sale of properties*

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see note 2.13).

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the revenue recognition date. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed in profit or loss as accrued unless it is eligible to be capitalised under HKAS 23 "Borrowing Costs" ("HKAS 23") in accordance with the policies set out in note 2.21.

(ii) *Services income from entrusted construction services*

For entrusted construction services for which the Group's performance does not create an asset with an alternative use to the customer and the Group has an enforceable right to payment for performance completed to date, the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue and other income *(Continued)*

(iii) *Rental income*

Accounting policy for rental income are set out in note 2.15.

(iv) *Building management income and property management income*

Building management income and property management income are recognised in the accounting period when the respective services are rendered.

(v) *Dividends*

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

(vi) *Interest income*

Interest income is recognised on a time-proportion basis 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 2.9).

2.19 Impairment of other non-financial assets

Property, plant and equipment, right-of-use assets, land use rights and interests in subsidiaries in the Company's statement of financial position are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of non-financial assets *(Continued)*

Impairment losses are charged pro-rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.20 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manage a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF Scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes *(Continued)*

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker, i.e. the executive directors, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major line of business.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. All inter-segment transfers, if any, are carried out at arm's length prices. The following summary describes the operations in each of the Group's reportable segments:

Property development	— Construction and sales of residential units, commercial shops and car parking spaces
Property management services	— Rendering of property management services
Commercial assets management	— Leasing of commercial units, residential units and commercial shops and rendering of building management services
Entrusted construction services	— Rendering of management and construction services

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs, except for corporate income and expenses (including income tax expense) which are not directly attributable to the business activities of any operating segment and are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for unallocated associates, unallocated joint venture and certain unallocated deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, unallocated income tax liabilities and withholding tax liabilities, which are not directly attributable to the business activities of any operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs adopted as at 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are newly effective for the current accounting period of the Group. Of these, HKFRS 16 is relevant to the Group's consolidated financial statements.

Except for HKFRS 16, none of the developments have 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.

HKFRS 16

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 "Operating Leases — Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contract in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangement that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has elected to measure the right-of-use assets on a lease-by-lease basis as if HKFRS 16 has always been applied since the commencement date of the lease discounted using the Group's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than twelve months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.38% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) New and amended HKFRSs adopted as at 1 January 2019 (Continued)

HKFRS 16 (Continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018 (note 37)	136,022
Less: recognition exemptions:	
— short-term leases with remaining lease term of less than twelve months	(7,856)
	128,166
Less: total future interest expenses	(32,438)
Total present value of lease liabilities, discounted using incremental borrowing rate as at 1 January 2019	95,728
Classified as:	
Current lease liabilities	9,670
Non-current lease liabilities	86,058
	95,728

The following table summarises the impacts of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets	176,553
Decrease in land use rights	(95,936)
Increase in deferred tax assets	3,778
Increase in lease liabilities	95,728
Decrease in retained earnings	(5,869)
Decrease in non-controlling interests	(5,464)

The land use rights are reclassified to right-of-use assets as of 1 January 2019. The recognised right-of-use assets mainly relate to properties and land use rights.

No significant impact on the Group's financial result and cash flows for the year ended 31 December 2019 as a result of adoption of HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) New and amended HKFRSs adopted as at 1 January 2019 (Continued)

HKFRS 16 (Continued)

Leasehold investment properties

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40 "Investment Properties", to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

Sublease

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

(ii) Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 3	Definition of a business ³
Amendments to HKAS 1 and HKAS 8	Definition of material ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective date not yet determined

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The Group considered that all issued but not yet effective HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation reports, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

As at 31 December 2019, the fair value of investment properties was RMB1,255,730,000 (2018: RMB1,238,730,000). For more details, please refer to note 18.

Estimated net realisable value of inventories of properties

Management reviews the net realisable value of inventories of properties at each reporting date. The net realisable value is the estimated selling price of the properties less estimated cost to complete and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions, estimated net sales value based on prevailing market conditions and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions.

As at 31 December 2019, the carrying amount of the inventories of properties was RMB75,909,134,000 (2018: RMB49,802,315,000) (note 23).

Income tax and deferred taxation

As detailed in note 10, the Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Key sources of estimation uncertainties *(Continued)*

Income tax and deferred taxation (Continued)

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries 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 those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred tax liabilities of approximately RMB414,295,000 (see note 32) would be provided as at 31 December 2019 (2018: RMB228,500,000).

As at 31 December 2019, the carrying amounts of deferred tax assets and deferred tax liabilities were RMB1,400,495,000 (2018: RMB873,924,000) and RMB239,264,000 (2018: RMB278,916,000), respectively (note 32).

PRC land appreciation tax

As detailed in note 10, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its LAT calculation and payments with any local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provision in periods in which such taxes have been finalised with local tax authorities.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Key sources of estimation uncertainties (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets (Continued)

As at 31 December 2019, the carrying amounts of property, plant and equipment and right-of-use assets, are RMB108,872,000 and RMB210,845,000 (2018: RMB113,067,000 and RMBNil) respectively (notes 15 and 17). No impairment loss have been recognised in respect of right-of-use assets and property, plant and equipment (2018: RMBNil) at the reporting date.

4.2 Critical judgements in applying the entity's accounting policies

Control over subsidiaries with equity interest equal to or less 50%

As at 31 December 2019 and 2018, the Group has control over the following subsidiaries in which the Group's equity interests are equal to or less than 50%:

Name of subsidiaries	2019	2018
Nanjing Meiye Real Estate Development Co., Ltd.* (南京美業房地產發展有限公司) ("Nanjing Meiye")	50%	50%
Ningde Zhaohang Real Estate Co., Ltd.* (寧德兆行房地產有限公司) ("Ningde Zhaohang")	50%	–
Xiamen Zhaochun Real Estate Co., Ltd.* (廈門兆淳置業有限公司) ("Xiamen Zhaochun")	50%	50%
Zhangzhou Yijiayuan Yuegang Property Services Co., Ltd.* (漳州怡家園月港物業服務有限公司) ("Zhangzhou Yijiayuan Yuegang")	50%	–
Shanghai Zhaoyi Enterprise Management Co., Ltd.* (上海兆屹企業管理有限公司) ("Shanghai Zhaoyi")	46.75%	46.75%
Lianjiang Zhaorong Investment Co., Ltd.* (連江兆融投資有限公司) ("Lianjiang Zhaorong")	46.15%	46.15%
Lianjiang Zhaorui Real Estate Development Company Limited* (連江兆瑞房地產開發有限公司) ("Lianjiang Zhaorui")	46.15%	46.15%
Longyan Hengfu Real Estate Development Company Limited* (龍岩恆富房地產開發有限公司) ("Longyan Hengfu")	40%	40%
Quanzhou Zhaoyue Property Co., Ltd.* (泉州兆悅置業有限公司) ("Quanzhou Zhaoyue")	40%	40%
Jinan Puzhong Huifu Real Estate Co., Ltd. (濟南普中匯富置業有限公司) ("Jinan Puzhong")	36%	–
Taicang Yuzhou Yilong Real Estate Development Company Limited* (太倉禹洲益龍房地產開發有限公司) ("Taicang Yuzhou Yilong")	30%	30%

The Group considered the Group has control over these subsidiaries because the Group has the power to appoint and remove the majority members of the respective board of directors of those companies and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group concluded that the Group has sufficient dominant voting interests to direct the relevant activities of those companies and therefore has control over those companies. As a result, those companies are classified as subsidiaries of the Company.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE

Revenue from the Group's principal activities recognised during the year is as follows:

	2019 RMB'000	2018 RMB'000
Sales of properties	17,105,290	11,516,938
Commercial assets management income (note)	122,182	166,082
Entrusted construction services income	91,792	149,005
Property management income	654,637	523,824
Others	21,245	15,566
	17,995,146	12,371,415

Note: Commercial assets management income mainly comprises rental income from property leasing of RMB107,149,000 (2018: RMB138,365,000), which does not fall within the scope of HKFRS 15, and building management income of RMB12,151,000 (2018: RMB24,113,000).

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's four business lines as operating segments as further described in note 2.23.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-maker for assessment of segment performance.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The Group has amended the format of reportable segment information provided to the chief operating decision-maker for assessing the performance of the operating segments due to the insignificance of subsidiary that is engaged in the provision of smart construction services to the Group's long-term financial performance. As a result, "smart construction services" has been excluded from the Group's reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Total RMB'000
2019					
Disaggregated by timing of revenue recognition:					
— Point in time	17,105,290	–	–	–	17,105,290
— Over time	–	125,280	779,301	91,792	996,373
	17,105,290	125,280	779,301	91,792	18,101,663
Inter-segment revenue	–	(3,098)	(124,664)	–	(127,762)
Revenue to external customers	17,105,290	122,182	654,637	91,792	17,973,901
Reportable segment profit before income tax	3,276,599	20,386	58,465	74,049	3,429,499
Other segment information:					
Interest income	235,105	1,413	1,829	10	238,357
Interest expense	(395,065)	(19,115)	(2,169)	(696)	(417,045)
Share of profits of associates	149,707	–	–	–	149,707
Loss on changes in fair value of investment properties	–	(6,309)	–	–	(6,309)
Depreciation of property, plant and equipment	(3,366)	(19,183)	(2,402)	(20)	(24,971)
Depreciation of right-of-use assets	(15,928)	(15,793)	(858)	–	(32,579)
Impairment loss on loans to associates	(4,098)	–	–	–	(4,098)
Impairment loss on trade and other receivables	(8,755)	(7,869)	(445)	(23)	(17,092)
Impairment loss on amounts due from non-controlling interests	(8,378)	–	–	–	(8,378)
Reversal of provision for inventories of properties	22,035	–	–	–	22,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Total RMB'000
2018					
Disaggregated by timing of revenue recognition:					
— Point in time	11,516,938	—	—	—	11,516,938
— Over time	—	169,478	592,156	149,005	910,639
	11,516,938	169,478	592,156	149,005	12,427,577
Inter-segment revenue	—	(3,396)	(68,332)	—	(71,728)
Revenue to external customers	11,516,938	166,082	523,824	149,005	12,355,849
Reportable segment profit before income tax	2,828,896	70,983	55,072	140,976	3,095,927
Other segment information:					
Interest income	90,219	1,126	63,039	40	154,424
Interest expense	(390,122)	(10,156)	(61,914)	(7,150)	(469,342)
Amortisation of land use rights	—	(3,620)	—	—	(3,620)
Gain on changes in fair value of investment properties	—	5,309	—	—	5,309
Depreciation of property, plant and equipment	(1,372)	(14,984)	(2,329)	(2)	(18,687)
Impairment loss on trade and other receivables	(3,158)	(709)	(154)	(5)	(4,026)
Provision for inventories of properties	(48,335)	—	—	—	(48,335)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Total RMB'000
2019					
Reportable segment assets	113,713,534	1,457,399	145,475	13,284	115,329,692
Reportable segment liabilities	(93,809,902)	(650,401)	(1,346,744)	(42,748)	(95,849,795)
Other segment information:					
Additions to non-current assets (other than financial instruments and deferred tax assets) during the year	58,301	29,539	34,267	67	122,174
Interests in associates	6,344,518	–	598	–	6,345,116
	Property development RMB'000	Commercial assets management RMB'000	Property management services RMB'000	Entrusted construction services RMB'000	Total RMB'000
2018					
Reportable segment assets	61,160,099	1,425,067	99,006	7,713	62,691,885
Reportable segment liabilities	(50,232,426)	(547,754)	(1,359,584)	(7,931)	(52,147,695)
Other segment information:					
Additions to non-current assets (other than financial instruments and deferred tax assets) during the year	19,857	592,933	4,926	70	617,786
Interests in associates	1,765,066	–	–	–	1,765,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

The reconciliations between the Group's operating segments and the Group's key financial figures are as follows:

	2019 RMB'000	2018 RMB'000
Reportable segment revenue	18,101,663	12,427,577
Inter-segment revenue elimination	(127,762)	(71,728)
Unallocated revenue	21,245	15,566
Consolidated revenue to external customers	17,995,146	12,371,415
Reportable segment profit before income tax	3,429,499	3,095,927
Unallocated interest income	42	14
Unallocated interest expenses	(37)	(48,120)
Unallocated share of profits/(losses) of associates	3,289	(1,811)
Unallocated share of profits of a joint venture	6,470	4,128
Unallocated income and expenses	(12,900)	40,527
Unallocated impairment loss on trade and other receivables	(146)	(266)
Unallocated depreciation	(551)	(638)
Consolidated profit before income tax	3,425,666	3,089,761
Reportable segment assets	115,329,692	62,691,885
Unallocated associates	91,588	11,185
Unallocated joint venture	44,175	45,405
Unallocated deferred tax assets	103	786
Unallocated corporate assets	123,264	25,693
Total consolidated assets	115,588,822	62,774,954
Reportable segment liabilities	(95,849,795)	(52,147,695)
Unallocated income tax liabilities	(1,168)	-
Unallocated withholding tax liabilities	(14,633)	(14,633)
Unallocated corporate liabilities	(113,284)	(8,580)
Total consolidated liabilities	(95,978,880)	(52,170,908)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, land use rights, interests in associates, other financial assets, deposits for acquisitions of land use rights, inventories of properties and other contract costs, trade and other receivables, amounts due from non-controlling interests, cash at banks and on hand, certain deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, trade and other payables, loans from intermediate holding company, amounts due to non-controlling interests and related companies, interest-bearing borrowings, receipts under securitisation arrangements, lease liabilities, income tax liabilities and certain deferred tax liabilities.

As chief operating decision-maker of the Group considers most of the Group's revenue and results are attributable to the market in the PRC, the Group's assets are substantially located inside the PRC, no geographical information is presented.

For the years ended 31 December 2019 and 2018, the Group did not depend on any single customer under each of the segments, no single customer with whom transactions have exceeded 10% of the Group's revenue.

7. OTHER NET GAIN

	2019 RMB'000	2018 RMB'000
Interest income from:		
— banks	57,138	85,144
— loans to associates	121,107	35,069
— financial assets at amortised cost	6,312	11,480
— others	53,842	22,745
	238,399	154,438
Compensation income	15,512	11,733
Gain on changes in fair value of financial assets measured at FVTPL (note 44.7)	18,640	12,890
Gain on disposal of investment properties	7,806	–
Gain on disposal of a subsidiary	–	8,828
Gain on disposal of an associate	3,213	–
Sundry income	25,185	21,988
	308,755	209,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest charges on:		
— Bank borrowings	627,510	685,061
— Loans from intermediate holding company	1,090,386	840,175
— Amounts due to non-controlling interests	153,087	164,355
— Receipts under securitisation arrangements	221,495	179,812
— Significant financing component of contract liabilities	752,315	334,968
— Finance charges on lease liabilities	8,250	–
Total borrowing costs	2,853,043	2,204,371
Less: Interest capitalised	(2,435,961)	(1,686,909)
	417,082	517,462

Borrowing costs have been capitalised at various applicable rates ranging from 3.4% to 7% per annum (2018: 4.35% to 7.3% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000 (Note)
Amortisation of land use rights	–	3,620
Auditor's remuneration	1,200	1,127
Cost of properties sold	12,634,208	7,446,361
Depreciation:		
— Owned assets (note 15)	25,522	19,325
— Right-of-use assets (including land use rights upon initial adoption of HKFRS 16) (note 17)	32,579	–
Written off of property, plant and equipment (note 15)	3,985	1,113
Provision for ECL allowance on loans to associates (note 19)	4,098	–
Provision for ECL allowance on trade and other receivables	17,238	4,292
Provision for ECL allowance on amounts due from non-controlling interests	8,378	–
Net foreign exchange loss/(gain)	108	(6,213)
Operating lease charges	–	19,074
Lease charges:		
— Short term leases and leases with lease term shorter than twelve months as at initial application of HKFRS 16	7,856	–
Outgoings in respect of investment properties that generated rental income	2,271	2,002
(Reversal of provision for)/Provision for inventories of properties and other contract costs	(22,035)	48,335

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX EXPENSE

	Note	2019 RMB'000	2018 RMB'000
Current income tax			
PRC corporate income tax ("CIT")			
— Current year		1,185,487	1,023,672
— Under/(Over) provision in respect of prior years		57	(1,388)
		1,185,544	1,022,284
PRC LAT		803,012	967,392
		1,988,556	1,989,676
Deferred tax	32	(560,461)	(477,817)
Total income tax expense		1,428,095	1,511,859

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	3,425,666	3,089,761
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	873,614	779,348
Tax effect of non-deductible expenses	585	2,357
Tax effect of non-taxable income	(39,992)	—
Tax effect on LAT charges	(200,753)	(243,643)
LAT charges	803,012	967,392
Utilisation of tax loss previously not recognised	(389)	(268)
Under/(Over) provision in respect of prior years	57	(1,388)
Others	(8,039)	8,061
Income tax expense	1,428,095	1,511,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX EXPENSE (CONTINUED)

Notes:

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2019 and 2018.

(b) PRC CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC CIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2018: 25%) for the year ended 31 December 2019.

(c) PRC LAT

Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs, surtaxes and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

(d) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

(e) Cayman Islands corporate tax

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any corporate tax in Cayman Islands for the years ended 31 December 2019 and 2018.

(f) British Virgin Islands profits tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended 31 December 2019 and 2018.

(g) Australia profits tax

No Australia profits tax has been provided as the Group did not derive any assessable profit arising in Australia during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. DIVIDENDS

(a) Dividends attributable to the year

	2019 RMB'000	2018 RMB'000
Proposed final dividend of HK\$0.82 per ordinary share (2018: HK\$1.20)	668,329	772,667

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, of HK\$1.20 (2018: HK\$0.30) per ordinary share	960,392	180,618

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by adjusting the profit for the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to the equity holders of the Company	1,717,993	1,420,446
Distributions to holders of perpetual convertible bonds	(15,100)	–
Profit used to determine basic earnings per share	1,702,893	1,420,446
Weighted average number of ordinary shares in issue (thousands)	854,728	734,865
Earnings per share (expressed in RMB per share)	RMB1.99	RMB1.93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: perpetual convertible bonds. The perpetual convertible bonds are assumed being converted into ordinary shares.

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to the equity holders of the Company	1,717,993	1,420,446
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	854,728	734,865
Effect of dilutive potential ordinary shares: Perpetual convertible bonds	304,655	30,943
Weighted average number of ordinary shares in issue (thousands)	1,159,383	765,808
Earnings per share (expressed in RMB per share)	RMB1.48	RMB1.85

13. EMPLOYEES BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	1,206,086	697,798
Contributions to defined contribution retirement plan	55,826	33,442
Less: Employee benefit expenses capitalised in properties under development	(418,914)	(164,352)
	842,998	566,888

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For the year ended 31 December 2019

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2019				
Executive directors:				
Mr. Lin Weiguo (appointed on 21 March 2019) (<i>Chief executive</i>)	792**	717	25	1,534
Mr. Shi Zhen (resigned on 21 March 2019)	264**	–	–	264
Mr. Zhuang Yuekai	1,056**	–	–	1,056
Ms. Zhao Chengmin	1,056**	–	–	1,056
	3,168	717	25	3,910
Non-executive directors:				
Ms. Ye Yanlin (appointed on 21 March 2019)	–	–	–	–
Ms. Wang Xianrong (resigned on 21 March 2019)	–	–	–	–
Ms. Wu Xiaomin	–	–	–	–
Mr. Huang Wenzhou	–	–	–	–
Mr. Wong Chi Wai*	176	–	–	176
Mr. Wong Tat Yan, Paul*	176	–	–	176
Mr. Chan Chun Yee*	176	–	–	176
	528	–	–	528
Total emoluments	3,696	717	25	4,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

	Fees RMB'000	Salaries and benefits in kind RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2018				
Executive directors:				
Mr. Shi Zhen (resigned on 21 March 2019)	1,012**	–	–	1,012
Mr. Zhuang Yuekai	1,012**	–	–	1,012
Ms. Zhao Chengmin	1,012**	–	–	1,012
	3,036	–	–	3,036
Non-executive directors:				
Ms. Wang Xianrong (resigned on 21 March 2019)	–	–	–	–
Ms. Wu Xiaomin	–	–	–	–
Mr. Huang Wenzhou	–	–	–	–
Mr. Wong Chi Wai*	152	–	–	152
Mr. Wong Tat Yan, Paul*	152	–	–	152
Mr. Chan Chun Yee*	152	–	–	152
	456	–	–	456
Total emoluments	3,492	–	–	3,492

* Independent non-executive directors

** The executive directors have agreed to waive the emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group do not include (2018: do not include) directors of the Company whose emoluments are included in the disclosures in note 14(a) above.

	2019 RMB'000	2018 RMB'000
Salaries and benefits in kind	2,226	2,506
Discretionary bonuses	20,967	13,150
Retirement scheme contributions	259	155
	23,452	15,811

The above emoluments were within the following bands:

	No. of individuals	
	2019	2018
Emolument bands		
HK\$2,500,001–HK\$3,000,000	1	2
HK\$3,000,001–HK\$3,500,000	1	1
HK\$4,000,001–HK\$4,500,000	1	1
HK\$5,500,001–HK\$6,000,000	1	–
HK\$6,000,001–HK\$6,500,000	–	1
HK\$7,500,001–HK\$8,000,000	1	–
	5	5

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. The four executive directors have agreed to waive the emoluments during the year (2018: three) and none of five highest paid individuals have waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

(c) Senior management personnel

The emoluments paid or payable to members of senior management were within following bands:

	No. of individuals	
	2019	2018
Emolument bands		
Nil to HK\$1,000,000	10	9
HK\$1,000,001–HK\$1,500,000	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018							
Cost	25,878	13,408	77,010	21,695	1,105	6,687	145,783
Accumulated depreciation	–	(3,277)	(26,492)	(11,687)	(936)	(3,953)	(46,345)
Net book amount	25,878	10,131	50,518	10,008	169	2,734	99,438
Year ended 31 December 2018							
Opening net book amount	25,878	10,131	50,518	10,008	169	2,734	99,438
Additions	7,886	–	2,187	14,037	319	2,957	27,386
Disposals and written off	–	–	–	(808)	–	(305)	(1,113)
Depreciation	–	(351)	(17,784)	(4,211)	–	(1,321)	(23,667)
Acquisition of subsidiaries	–	–	10,288	235	–	–	10,523
Exchange differences	–	473	2	2	–	23	500
Closing net book amount	33,764	10,253	45,211	19,263	488	4,088	113,067
At 31 December 2018 and 1 January 2019							
Cost	33,764	13,408	89,485	34,507	1,539	10,170	182,873
Accumulated depreciation	–	(3,155)	(44,274)	(15,244)	(1,051)	(6,082)	(69,806)
Net book amount as at 31 December 2018	33,764	10,253	45,211	19,263	488	4,088	113,067
Year ended 31 December 2019							
Opening net book amount	33,764	10,253	45,211	19,263	488	4,088	113,067
Additions	4,178	–	9,349	11,901	196	4,036	29,660
Disposals and written off	–	–	(3,759)	(188)	–	(38)	(3,985)
Depreciation	–	(367)	(21,949)	(6,222)	(24)	(1,543)	(30,105)
Exchange differences	–	222	–	1	–	12	235
Closing net book amount	37,942	10,108	28,852	24,755	660	6,555	108,872
At 31 December 2019							
Cost	37,942	13,408	95,075	45,735	1,735	13,796	207,691
Accumulated depreciation	–	(3,300)	(66,223)	(20,980)	(1,075)	(7,241)	(98,819)
Net book amount	37,942	10,108	28,852	24,755	660	6,555	108,872

The bank borrowings are secured by property, plant and equipment with a net book amount of approximately RMB10,075,000 as at 31 December 2019 (2018: RMB10,219,000) (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges have been included in:

	2019 RMB'000	2018 RMB'000
Consolidated Statement of Financial Position		
— Capitalised in inventories of properties and other contract costs	4,583	4,342
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
— Cost of sales	18,454	15,235
— Selling expenses	6,237	3,292
— Administrative expenses	831	798
	25,522	19,325
	30,105	23,667

16. LAND USE RIGHTS

Land use rights represent land lease prepayments in relation to leases of land in the PRC. Upon initial application of HKFRS 16, the land lease prepayments fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets. The land use rights are reclassified to right-of-use assets as of 1 January 2019 upon adoption of HKFRS 16 (see note 3(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS

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

	Leasehold lands	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Carrying amounts at 1 January 2019 upon initial application of HKFRS 16	95,936	80,617	176,553
Additions	–	66,871	66,871
Depreciation	(3,620)	(28,959)	(32,579)
Carrying amounts at 31 December 2019	92,316	118,529	210,845

The right-of-use assets represented leases of lands and offices in the PRC. The leases of offices in the PRC typically run for an initial period of 2 to 20 years. None of the leases includes variable lease payments. Certain leases include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and concluded that it is not reasonably certain to exercise the extension options. Accordingly, the future lease payments during the extension periods are not included in the measurement of the right-of-use assets.

The analysis of the net carrying amounts of right-of-use assets in respect of the leasehold lands (2018: land use rights) according to lease periods are as follows:

	2019	2018
	RMB'000	RMB'000
In PRC:		
Leases of between 10 to 50 years	92,316	95,936

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For the year ended 31 December 2019

18. INVESTMENT PROPERTIES

Movements of the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	1,238,730	642,330
Change in fair value of investment properties	(6,309)	5,309
Subsequent expenditures	25,709	–
Acquisition of subsidiaries	–	591,091
Disposal	(2,400)	–
Carrying amount at 31 December	1,255,730	1,238,730

The bank borrowings are secured by investment properties with a net book amount of approximately RMB622,000,000 as at 31 December 2019 (2018: RMB596,000,000) (note 31).

The analysis of the net carrying amounts of investment properties according to lease periods are as follows:

	2019 RMB'000	2018 RMB'000
In PRC:		
Leases of between 10 to 50 years	1,255,730	1,238,730

Valuation process and methodologies

Investment properties were valued at 31 December 2019 and 2018 by an independent professional qualified valuer, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who has the relevant experience in the location and category of properties being valued. There was no change to the valuation techniques during the year.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

Fair value adjustment of investment properties is recognised in the line item “(Loss)/gain on changes in fair value of investment properties” on the face of the consolidated statement of profit or loss and other comprehensive income.

The following table shows the Group’s investment properties measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy as defined in HKFRS 13 “Fair Value Measurement”. The levels are based on the observability of significant inputs to the measurements, as follows:

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

	Fair value measurements categorised into Level 3 RMB'000
Recurring fair value measurement At 31 December 2019	
Investment properties	1,255,730
At 31 December 2018	
Investment properties	1,238,730

There were no transfers into or out of Level 3 during the year (2018: Nil). The Group’s policy is to recognise transfers between levels of fair value hierarchy in the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

The fair value of investment properties is determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate and factors adjustment, and negatively correlated to capitalisation rate.

	Valuation techniques	Significant unobservable inputs	Range	
			As at 31 December 2019	2018
Investment properties (Nanning District)	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq.m.)	35–1,400	35–1,400
		Capitalisation rate of reversionary income	3.50%–7.25%	3.50%–7.25%
Investment properties (Shanghai District)	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq.m.)	187–415	236–590
		Capitalisation rate of reversionary income	5.50%–6.00%	6.00%–6.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Unlisted shares, at cost	2,250,218	428,665
Unrealised profits in respect of disposal of a subsidiary	(8,482)	(8,482)
Share of post-acquisition results, net of dividend received	167,606	13,962
	2,409,342	434,145
Loans to associates	4,031,460	1,342,106
Less: Loss allowance	(4,098)	–
	6,436,704	1,776,251

As at 31 December 2019, the loans to associates are unsecured, interest free and would not be repayable within one year, except for an amount of RMB3,146,025,000 (2018: RMB1,274,365,000) which is interest-bearing from 3.43% to 10% per annum (2018: 4.75% to 8% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES (CONTINUED)

Set out below are details of associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group:

Name	Form of business structure	Country/place of incorporation and operation	Particulars of issued and paid up capital	Proportion of effective interest held	Principal activities
Longyan Lirong Real Estate Development Company Limited* (龍岩利榮房地產開發有限公司) ("Longyan Lirong")	Incorporated	PRC	RMB50,000,000	30% (2018: 30%)	Property development
Xiamen Yiwudi Real Estate Co., Ltd.* (廈門益武地置業有限公司) ("Xiamen Yiwudi")	Incorporated	PRC	RMB500,000,000	49% (2018: 49%)	Property development
Zhangjiagang Zhonghe Real Estate Development Co., Ltd.* (張家港眾合房地產開發有限公司) ("Zhangjiagang Zhonghe")	Incorporated	PRC	RMB20,000,000	25% (2018: 25%)	Property development
Changsha Fumao Real Estate Development Company Limited* (長沙芙茂置業有限公司) ("Changsha Fumao")	Incorporated	PRC	RMB900,000,000	49% (2018: Nil)	Property development (Note (i))
Changsha Chumao Enterprise Management Company Limited* (長沙楚茂企業管理有限公司) ("Changsha Chumao")	Incorporated	PRC	RMB500,000,000	49% (2018: Nil)	Property development and consultancy (Note (i))
Zhongjiao Changsha Real Estate Development Company Limited* (中交長沙置業有限公司) ("Zhongjiao Changsha")	Incorporated	PRC	RMB400,000,000	49% (2018: Nil)	Property development and consultancy (Note (ii))
Changsha Tianhaiyi Enterprise Management Company Limited* (長沙天海易企業管理有限公司) ("Changsha Tianhaiyi")	Incorporated	PRC	RMB1,300,000,000	49% (2018: Nil)	Property development and consultancy (Note (iii))

* The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

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19. INTERESTS IN ASSOCIATES (CONTINUED)

All of the above associates are accounted for using equity method on the consolidated financial statements.

Notes:

- (i) During the year ended 31 December 2019, the Group and Jinmao Huazhong Enterprise Management (Tianjin) Limited* (“Jinmao Huazhong”) 金茂華中企業管理(天津)有限公司, an independent third party, entered into a cooperation agreement (the “Cooperation Agreement”) for the formation of Changsha Fumao and Changsha Chumao for carrying out the property development and consultancy business. The Group has subscribed 49% of the registered share capital of both Changsha Fumao and Changsha Chumao at cash considerations of RMB441,000,000 and RMB245,000,000 respectively, which had been paid in cash during the reporting period. Pursuant to the Cooperation Agreement, the respective board of directors of each of Changsha Fumao and Changsha Chumao consist of five directors, of whom two are nominated by the Group, three are nominated by Jinmao Huazhong. As specified in the Cooperation Agreement, certain key corporate matters of Changsha Fumao and Changsha Chumao require a majority vote of directors (present in person in the board meeting). Accordingly, the Group has significant influence over Changsha Fumao and Changsha Chumao and they are classified as associates and have been accounted for in the consolidated financial statements using equity method.
- (ii) During the year ended 31 December 2019, the Group has entered into a cooperation agreement (the “Cooperation Agreement 1”) with Zhongjiao Real Estate Holdings Limited* (“Zhongjiao Real Estate”) 中交地產股份有限公司 and Changsha Yasong Real Estate Consultancy Limited* (“Changsha Yasong”) 長沙雅頌房地產諮詢合夥企業(有限合夥), the independent third parties, for the formation of Zhongjiao Changsha for carrying out the property development and consultancy business. The Group has subscribed 49% of the registered share capital of Zhongjiao Changsha at a cash consideration of RMB196,000,000 which had been paid in cash during the reporting period. Pursuant to the Cooperation Agreement 1, the board of directors of Zhongjiao Changsha consists of five directors, of whom two are nominated by the Group, three are nominated by Zhongjiao Real Estate. As specified in the Cooperation Agreement 1, certain key corporate matters of Zhongjiao Changsha require a majority vote of directors (present in person in the board meeting). Accordingly, the Group has significant influence over Zhongjiao Changsha and it is classified as an associate and have been accounted for in the consolidated financial statements using equity method.
- (iii) During the year ended 31 December 2019, the Group has entered into a cooperation agreement (the “Cooperation Agreement 2”) with Wuhan Minyue Lingjiang Real Estate Limited* (“Wuhan Minyue”) 武漢洛悅領江房地產有限公司, an independent third party, for the formation of Changsha Tianhaiyi for carrying out the property development and consultancy business. The Group has subscribed 49% of the registered share capital of Changsha Tianhaiyi at a cash consideration of RMB637,000,000 which had been paid in cash during the reporting period. Pursuant to the Cooperation Agreement 2, the board of directors of Changsha Tianhaiyi consists of five directors, for whom two are nominated by the Group, three are nominated by Wuhan Minyue. As specified in the Cooperation Agreement 2, certain key corporate matters of Changsha Tianhaiyi require a majority vote of directors (present in person in the board meeting). Accordingly, the Group has significant influence over Changsha Tianhaiyi and it is classified as an associate and has been accounted for in the consolidated financial statements using equity method.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

All associates have a reporting date of 31 December.

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19. INTERESTS IN ASSOCIATES (CONTINUED)

Set out below are the summarised financial information of the material associates as at 31 December 2019, including Longyan Lirong, Zhangjiagang Zhonghe, Xiamen Yiwudi and its subsidiary (“Xiamen Yiwudi Group”), Changsha Fumao, Changsha Chumao and its subsidiary (“Changsha Chumao Group”), Zhongjiao Changsha and Changsha Tianhaiyi and its subsidiary (“Changsha Tianhaiyi Group”) which are accounted for using the equity method:

2019

	Longyan Lirong RMB'000	Zhangjiagang Zhonghe RMB'000	Xiamen Yiwudi Group RMB'000
Current assets	1,252,253	738,278	2,542,427
Non-current assets	236	201	342
Current liabilities	(882,987)	(229,719)	(1,381,613)
Non-current liabilities	(1,953)	–	(686,000)
Net assets	367,549	508,760	475,156
Revenue	828,584	2,824,296	–
Profit/(Loss) for the year	225,456	539,557	(5,226)
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	225,456	539,557	(5,226)
Dividend received from the associate	–	–	–

	Changsha Fumao RMB'000	Changsha Chumao Group RMB'000	Zhongjiao Changsha RMB'000	Changsha Tianhaiyi Group RMB'000
Current assets	1,752,774	824,570	1,814,921	4,179,150
Non-current assets	–	–	106	–
Current liabilities	(886,071)	(325,973)	(1,590,296)	(2,880,725)
Non-current liabilities	–	–	–	–
Net assets	886,703	498,597	224,731	1,298,425
Revenue	–	–	–	–
Loss for the year/period	(13,297)	(1,403)	(1,269)	(1,570)
Other comprehensive income for the year/period	–	–	–	–
Total comprehensive income for the year/period	(13,297)	(1,403)	(1,269)	(1,570)
Dividend received from the associate	–	–	–	–

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For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES (CONTINUED)

A reconciliation of the above summarised financial information to the carrying amount of investment in associates, including Longyan Lirong, Zhangjiagang Zhonghe, Xiamen Yiwudi Group, Changsha Fumao, Changsha Chumao Group, Zhongjiao Changsha and Changsha Tianhaiyi Group, are set out below:

2019

	Longyan Lirong RMB'000	Zhangjiagang Zhonghe RMB'000	Xiamen Yiwudi Group RMB'000
Total net assets of associates	367,549	508,760	475,156
Proportion of ownership interests held by the Group	30%	25%	49%
Elimination of unrealised profit	110,265	127,190	232,826
	–	–	(8,482)
Carrying amount of the investments in associates in the consolidated financial statements	110,265	127,190	224,344

	Changsha Fumao RMB'000	Changsha Chumao Group RMB'000	Zhongjiao Changsha RMB'000	Changsha Tianhaiyi Group RMB'000
Total net assets of associates	886,703	498,597	224,731	1,298,425
Proportion of ownership interests held by the Group	49%	49%	49%	49%
Carrying amount of the investments in associates in the consolidated financial statements	434,484	244,313	110,118	636,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES (CONTINUED)

Set out below are the summarised financial information of the material associates as at 31 December 2018, including Wuhan Zhaoyuecheng Real Estate Development Company Limited* (武漢兆悅城房地產開發有限公司) (“Wuhan Zhaoyuecheng”), Nanjing Jiayang Property Development Company Limited* (南京嘉陽房地產開發有限公司) (“Nanjing Jiayang”), and Xiamen Yiwudi Group, which is accounted for using the equity method:

2018

	Wuhan Zhaoyuecheng RMB'000	Nanjing Jiayang RMB'000	Xiamen Yiwudi Group RMB'000
Current assets	1,110,285	1,392,571	2,513,811
Non-current assets	438	2,277	8,418
Current liabilities	(1,064,181)	(710,764)	(1,355,253)
Non-current liabilities	–	(504,870)	(686,000)
Net assets	46,542	179,214	480,976
Revenue	–	9	–
Other income	3	–	–
Total expenses	(4,613)	(14,591)	(24,399)
Loss before income tax	(4,610)	(14,582)	(24,399)
Income tax credits	1,153	50	6,046
Loss and total comprehensive expenses for the period	(3,457)	(14,532)	(18,353)

Note: The associates have initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

A reconciliation of the above summarised financial information to the carrying amount of investment in associates, Wuhan Zhaoyuecheng, Nanjing Jiayang, and Xiamen Yiwudi Group, are set out below:

	Wuhan Zhaoyuecheng RMB'000	Nanjing Jiayang RMB'000	Xiamen Yiwudi Group RMB'000
Total net assets of associates	46,542	179,214	480,976
Proportion of ownership interests held by the Group	49%	40%	49%
	22,806	71,686	235,678
Elimination of unrealised profits	–	–	(8,482)
Carrying amount of the investments in associates in the consolidated financial statements	22,806	71,686	227,196

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

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For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	522,400	112,457

	2019 RMB'000	2018 RMB'000
Aggregate amounts of the Group's share of those associates': (Loss)/Profit and total comprehensive (expense)/income for the year	(38,374)	36,428

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates.

Movements of the Group's loss allowance on loans to associates are as follows:

	RMB'000
Balance at 1 January 2019	–
Impairment losses recognised during the year	4,098
Balance at 31 December 2019	4,098

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. The Group applies the 12-month ECL method on loans to associates to provide for ECL prescribed by HKFRS 9. During the year ended 31 December 2019, the Group has made loss allowance for loans to associates of approximately RMB4,098,000 (2018: RMBNil).

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For the year ended 31 December 2019

20. INTEREST IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Cost of investments in a joint venture	45,573	45,573
Share of post-acquisition results, net of dividend received	(6,348)	(3,595)
Exchange differences	46	(983)
	39,271	40,995
Loan to a joint venture	4,904	4,410
	44,175	45,405

The loan to a joint venture is unsecured, interest-free and would not be repayable within one year.

Particulars of the Group's unlisted joint venture as at 31 December 2019 and 2018 are as follows:

Name	Form of business structure	Country/place of incorporation and operation	Particulars of issued and paid up capital	Proportion of interest held	Principal activities
J-Bridge Investment Co., Ltd. ("J-Bridge")	Company	BVI	United States Dollar 25,000	50%	Investment holding

Aggregate information of joint venture that is not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	39,271	40,995
Aggregate amounts of the Group's share of the joint venture's: Profit and total comprehensive income for the year	6,470	4,128

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21. OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Other current financial assets:		
Financial assets at amortised cost		
Listed senior tranche security (note i)	100,000	–
Financial assets measured at fair value through profit or loss		
Unlisted subordinated tranche securities (note ii)	123,990	–
Unlisted structured deposits	225,000	–
	348,990	–
	448,990	–
Other non-current financial assets:		
Financial assets at amortised cost		
Listed senior tranche security (note i)	–	100,000
Debt investment	–	3,000
	–	103,000
Financial assets measured at fair value through profit or loss		
Unlisted subordinated tranche securities (note ii)	34,190	124,540
Unlisted equity securities	81,500	71,500
Unlisted structured deposits	10,000	10,000
	125,690	206,040
	125,690	309,040

Notes:

- (i) As at 31 December 2019 and 2018, the amount comprises a RMB100,000,000 fixed coupon rate of 6.3% per annum of senior tranche security. The maturity date is in April 2020.
- (ii) As at 31 December 2019, the amount comprises three (2018: two) non-tradable zero coupon subordinated tranche securities as stipulated in the receipts under securitisation arrangements (note 30). The details of these tranche securities are as follows:

Matured on	2019 RMB'000	2018 RMB'000
30 April 2020	98,990	93,570
23 October 2020	25,000	–
26 July 2026	34,190	30,970
	158,180	124,540

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22. SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2019, were as follows:

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司) (“Xiamen Yi Yue”)	Incorporated	PRC 18 May 2015	RMB1,000,000,000	100% (2018: 100%)	Property investment and development business
Xiamen C&D Zhaocheng Construction Operations Management Co., Ltd.* (廈門建發兆誠建設運營管理有限公司)	Incorporated	PRC 11 November 2015	RMB5,000,000	100% (2018: 100%)	Project construction and management
Changsha Zhaoyue Real Estate Co., Ltd.* (長沙兆悅房地產有限公司)	Incorporated	PRC 7 September 2015	RMB50,000,000	100% (2018: 100%)	Property development
Shanghai C&D Zhaoyu Asset Management Company Limited* (上海建發兆昱資產管理有限公司)	Incorporated	PRC 17 December 2015	RMB30,000,000	55% (2018: 55%)	Commercial assets management and operation
Xiamen Zhaohui Internet Technology Co. Ltd.* (廈門兆慧網絡科技有限公司)	Incorporated	PRC 7 September 2015	RMB10,000,000	100% (2018: 100%)	Provision for software and system development services
Quanzhou Zhaoyue (note 4.2)	Incorporated	PRC 4 November 2015	RMB50,000,000	40% (2018: 40%)	Property development
Fujian Zhaojia Real Estate Co., Ltd.* (福建兆嘉房地產有限公司)	Incorporated	PRC 12 March 2015	RMB10,000,000	60% (2018: 60%)	Property development
Xiamen Zhaochun (note 4.2)	Incorporated	PRC 1 March 2018	RMB600,000,000	50% (2018: 50%)	Property investment
Shanghai Zhaoyi (note 4.2)	Incorporated	PRC 24 August 2016	RMB1,000,000	46.75% (2018: 46.75%)	Property leasing
Lianjiang Zhaorong (note 4.2)	Incorporated	PRC 13 June 2018	RMB200,000,000	46.15% (2018: 46.15%)	Property investment

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For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Taicang Yuzhou Yilong (note 4.2)	Incorporated	PRC 13 November 2017	RMB500,000,000	30% (2018: 30%)	Property development
Zhangzhou Fanhua Industrial Co., Ltd.* (漳州泛華實業有限公司)	Incorporated	PRC 11 August 2006	RMB19,972,188	60% (2018: 60%)	Property development
Longyan Hengfu (note 4.2)	Incorporated	PRC 19 January 2017	RMB146,000,000	40% (2018: 40%)	Property development
Wuxi Jian Yue Real Estate Development Co., Ltd.* (無錫建悅房地產開發有限公司) ("Wuxi Jian Yue")	Incorporated	PRC 11 December 2017	RMB3,065,000,000	100% (2018: 100%)	Property investment and development business
Changsha Yuefa Property Development Company Limited* (長沙悅發房地產有限公司)	Incorporated	PRC 28 November 2016	RMB466,200,000	100% (2018: 100%)	Property development
Suzhou Zhaoxiang Real Estate Development Company Limited* (蘇州兆祥房地產開發有限公司) ("Suzhou Zhaoxiang")	Incorporated	PRC 30 October 2015	RMB200,000,000	97.5% (2018: 97.5%)	Property investment and development business
Fujian Zhaohe Property Development Company Limited* (福建兆和房地產有限公司)	Incorporated	PRC 1 December 2015	RMB50,000,000	100% (2018: 100%)	Property investment and development business
Lianjiang Zhaorun Real Estate Development Co., Ltd.* (連江兆潤房地產開發有限公司)	Incorporated	PRC 25 July 2016	RMB100,000,000	78% (2018: 78%)	Property development
Zhangjiagang Jianfeng Real Estate Development Co., Ltd.* (張家港建豐房地產開發有限公司)	Incorporated	PRC 6 January 2017	RMB50,000,000	70% (2018: 70%)	Property development
Nanjing Meiye (note 4.2)	Incorporated	PRC 6 November 2017	RMB400,000,000	50% (2018: 50%)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Changsha Zhaoxi Real Estate Development Company Limited* (長沙兆禧房地產有限公司)	Incorporated	PRC 13 December 2016	RMB50,000,000	100% (2018: 100%)	Property development
Nanning Dingchi Real Estate Development Company Limited* (南寧市鼎馳置業投資有限責任公司)	Incorporated	PRC 27 July 2011	RMB200,000,000	51% (2018: 51%)	Property development
Yijiyuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司)	Incorporated	PRC 17 February 2005	RMB50,000,000	100% (2018: 100%)	Property management
Xiamen Jiafu Investment Company Limited* (廈門嘉富投資有限公司)	Incorporated	PRC 22 January 2015	RMB10,000,000	100% (2018: 100%)	Property investment
Suzhou Zhaokun Property Development Company Limited* (蘇州兆坤房地產開發有限公司)	Incorporated	PRC 1 September 2014	RMB50,000,000	100% (2018: 100%)	Property investment and development business
Longyan Lirui Real Estate Development Company Limited* (龍岩利瑞房地產開發有限公司)	Incorporated	PRC 9 August 2017	RMB50,000,000	100% (2018: 100%)	Property development
Jian'ou Fayun Real Estate Company Limited* (建甌發雲房地產有限公司)	Incorporated	PRC 22 December 2015	RMB15,000,000	75% (2018: 75%)	Property development
Jian'ou Zhongheng Real Estate Company Limited* (建甌中恒房地產有限公司)	Incorporated	PRC 22 June 2016	RMB5,000,000	75% (2018: 75%)	Property development
Guangzhou Jiansui Real Estate Development Company Limited* (廣州建穗房地產開發有限公司)	Incorporated	PRC 15 January 2018	RMB1,200,000,000	64% (2018: 64%)	Property development
Suzhou Jianhe Real Estate Development Company Limited* (蘇州建合房地產開發有限公司) ("Suzhou Jianhe")	Incorporated	PRC 16 March 2018	RMB300,000,000	55% (2018: 55%)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Shenzhen Shengyi Investment Management Company Limited* (深圳市盛毅投資管理有限公司) ("Shenzhen Shengyi")**	Incorporated	PRC 29 February 2016	RMB2,000,000,000 (2018: RMB1,823,500,000)	51.6% (2018: 51.6%)	Property investment
Xiamen Zhaowudi Property Company Limited* (廈門兆武地置業有限公司) ("Xiamen Zhaowudi")	Incorporated	PRC 10 July 2018	RMB2,300,000,000	51% (2018: 51%)	Property investment
Zhangjiagang Jianxiang Real Estate Development Company Limited* (張家港建祥房地產開發有限公司)	Incorporated	PRC 13 April 2018	RMB50,000,000	100% (2018: 100%)	Property investment and development business
Fuzhou Pingjin Real Estate Company Limited* (福州平晉房地產有限公司)	Incorporated	PRC 5 September 2017	RMB2,000,000,000	51.6% (2018: 51.6%)	Property development
Lide Property (Fuzhou) Company Limited* (勵德置業(福州)有限公司) ("Lide Property")	Incorporated	PRC 19 June 2013	RMB160,000,000	70% (2018: 70%)	Property development
Lianjiang Zhaorui (note 4.2)	Incorporated	PRC 14 March 2018	RMB200,000,000	46.15% (2018: 46.15%)	Property development
Xiamen Zhaoqilong Real Estate Development Company Limited* (廈門兆祁隆房地產開發有限公司)	Incorporated	PRC 27 December 2017	RMB2,500,000,000	51% (2018: 51%)	Property development
Shaxuan Tianchen Real Estate Development Company Limited* (沙縣天辰房地產開發有限公司) ("Shaxuan Tianchen")	Incorporated	PRC 9 November 2017	RMB150,000,000	51% (2018: 51%)	Property development
Nanping Jianyang Zhaosheng Real Estate Company Limited* (南平市建陽區兆盛房地產有限公司)	Incorporated	PRC 25 April 2018	RMB10,000,000	70% (2018: 70%)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Zhuhai Doumen Yifa Property Company Limited* (珠海斗門益發置業有限公司)	Incorporated	PRC 9 April 2018	RMB10,000,000	100% (2018: 100%)	Property development
Shanghai Putuo Yueda Property Company Limited* (上海普陀悅達置業有限公司) ("Shanghai Putuo")	Incorporated	PRC 20 May 2004	RMB12,000,000	55% (2018: 55%)	Commercial assets management and operation
Shenzhen Mingju Nanzhuang Real Estate Company Limited* (深圳市名巨南莊房地產有限公司) ("Mingju Nanzhuang")	Incorporated	PRC 20 October 2010	RMB10,000,000	51% (2018: 51%)	Property development
Zhuhai Doumen Huiye Real Estate Development Company Limited* (珠海市斗門匯業房地產開發有限公司) ("Zhuhai Doumen")	Incorporated	PRC 16 March 2001	RMB6,510,000	51% (2018: 51%)	Property development
Guangzhou Jianrong Real Estate Development Company Limited* (廣州建融房地產開發有限公司) ("Guangzhou Jianrong")	Incorporated	PRC 2 August 2018	RMB1,200,000,000	64% (2018: 64%)	Property investment
Wuhan Zhaoyuema Real Estate Development Company Limited* (武漢兆悅茂房地產開發有限公司) ("Zhaoyuema")	Incorporated	PRC 27 September 2018	RMB500,000,000	51% (2018: 51%)	Property development
Wuyishan Yishen Property Management Company Limited* (武夷山怡辰物業管理有限公司) ("Yishen") [#]	Incorporated	PRC 24 January 2019	RMB1,000,000	100% (2018: Nil)	Property management
Xianyou Zhaoting Real Estate Company Limited* (仙游兆挺置業有限公司) ("Xianyou Zhaoting") ^Δ (note 40(c))	Incorporated	PRC 12 February 2019	RMB10,000,000	55% (2018: Nil)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Putian Yirui Property Management Company Limited* (莆田怡瑞物業管理有限公司) ("Putian Yirui") [#]	Incorporated	PRC 6 March 2019	RMB1,000,000	100% (2018: Nil)	Property management
Fuzhou Zhaojin Real Estate Development Company Limited* (福州兆晉房地產開發有限公司) ("Fuzhou Zhaojin") [#]	Incorporated	PRC 12 April 2019	RMB50,000,000	100% (2018: Nil)	Property development
Taichang Jiancang Real Estate Development Company Limited* (太倉建倉房地產開發有限公司) ("Taichang Jiancang") ^Δ (note 40(b))	Incorporated	PRC 10 April 2019	RMB780,000,000	100% (2018: Nil)	Property development
Zhuhai Yuefa Real Estate Company Limited* (珠海悅發置業有限公司) ("Zhuhai Yuefa") [#]	Incorporated	PRC 18 April 2019	RMB50,000,000	100% (2018: Nil)	Property development
Zhangzhou Yijiyuan Yuegang [#] (note 4.2)	Incorporated	PRC 30 April 2019	RMB2,000,000	50% (2018: Nil)	Property management
Nanping Zhaorong Real Estate Company Limited* (南平市兆榮房地產有限公司) ("Nanping Zhaorong") [#]	Incorporated	PRC 10 May 2019	RMB100,000,000	75% (2018: Nil)	Property development
Xiamen Yichun Real Estate Company Limited* (廈門益春置業有限公司) ("Xiamen Yichun") [#]	Incorporated	PRC 21 May 2019	RMB2,400,000,000	95% (2018: Nil)	Property investment
Fujian Zhaorui Real Estate Company Limited* (福建兆睿房地產有限公司) ("Fujian Zhaorui") [#]	Incorporated	PRC 21 June 2019	RMB600,000,000	70% (2018: Nil)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Fujian Zhaosheng Real Estate Company Limited* (福建兆盛房地產有限公司) ("Fujian Zhaosheng")#	Incorporated	PRC 4 June 2019	RMB30,000,000	100% (2018: Nil)	Property development
Ningde Zhaotou Real Estate Company Limited* (寧德兆投房地產有限公司) ("Ningde Zhaotou")#	Incorporated	PRC 11 June 2019	RMB600,000,000	55% (2018: Nil)	Property development
Xiamen Zhaoyang Housing Relocation Service Company Limited* (廈門兆陽房屋征遷服務有限公司) ("Xiamen Zhaoyang")#	Incorporated	PRC 18 June 2019	RMB5,000,000	100% (2018: Nil)	Property expropriation and compensation services
Ningde Zhaoyu Real Estate Company Limited* (寧德兆裕房地產有限公司) ("Ningde Zhaoyu")#	Incorporated	PRC 19 July 2019	RMB50,000,000	100% (2018: Nil)	Property development
Ningde Zhaohang# (note 4.2)	Incorporated	PRC 1 July 2019	RMB540,000,000	50% (2018: Nil)	Property investment
Nanning Zhaoyue Real Estate Development Company Limited* (南寧兆悅房地產開發有限公司) ("Nanning Zhaoyue")#	Incorporated	PRC 4 July 2019	RMB10,000,000	100% (2018: Nil)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Ningde Yishun Property Management Company Limited* (寧德怡順物業管理有限公司) ("Ningde Yishun") [#]	Incorporated	PRC 27 June 2019	RMB1,000,000	100% (2018: Nil)	Property management
Hangzhou Yixing Property Management Company Limited* (杭州怡興物業管理有限公司) ("Hangzhou Yixing") [#]	Incorporated	PRC 26 June 2019	RMB1,000,000	100% (2018: Nil)	Property management
Shenzhen Yijiyuan Property Management Company Limited* (深圳市怡家園物業管理有限公司) ("Shenzhen Yijiyuan") [#]	Incorporated	PRC 6 August 2019	RMB1,000,000	100% (2018: Nil)	Property management
Changshu Jianshang Real Estate Development Company Limited* (常熟建尚房地產開發有限公司) ("Changshu Jianshang") [#]	Incorporated	PRC 7 August 2019	RMB600,000,000	100% (2018: Nil)	Property development
Zhangjiagang bonded area Xinyue Real Estate Company Limited* (張家港保稅區鑫悅房地產有限公司) ("Zhangjiagang bonded area") [#]	Incorporated	PRC 19 August 2019	RMB1,500,000,000	100% (2018: Nil)	Property development
Suzhou Zhaoyue Real Estate Development Company Limited* (蘇州兆悅房地產開發有限公司) ("Suzhou Zhaoyue") [#]	Incorporated	PRC 27 August 2019	RMB600,000,000	100% (2018: Nil)	Property development
Nanping Yanping Yijiyuan Property Management Company Limited* (南平市延平區怡家園物業管理有限公司) ("Nanping Yijiyuan") [#]	Incorporated	PRC 23 August 2019	RMB1,000,000	100% (2018: Nil)	Property management
Yongtai Yijiyuan Property Management Company Limited* (永泰怡家園物業管理有限公司) ("Yongtai Yijiyuan") [#]	Incorporated	PRC 26 August 2019	RMB1,000,000	100% (2018: Nil)	Property management

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Shenzhen Shengjin Investment Management Company Limited* (深圳市盛錦投資管理有限公司) ("Shenzhen Shengjin") ^Δ (note 40(a))	Incorporated	PRC 20 November 2015	RMB2,300,000,000	51% (2018: Nil)	Property investment
Xiamen Jinshen Real Estate Development Company Limited* (廈門錦深房地產開發有限公司) ("Xiamen Jinshen") ^Δ (note 40(a))	Incorporated	PRC 27 June 2019	RMB2,300,000,000	51% (2018: Nil)	Property development
Nanning Zhaoying Real Estate Development Company Limited* (南寧兆盈房地產開發有限公司) ("Nanning Zhaoying") ^{Δ**} (note 40(c))	Incorporated	PRC 29 June 2017	RMB50,000,000 (2018: RMB15,000,000)	60% (2018: Nil)	Property development
Zhangzhou Yizhuo Property Management Company Limited* (漳州怡卓物業管理有限公司) ("Zhangzhou Yizhuo") [#]	Incorporated	PRC 15 October 2019	RMB1,000,000	100% (2018: Nil)	Property management
Shanghang Yicheng Property Management Company Limited* (上杭怡誠物業管理有限公司) ("Shanghang Yicheng") [#]	Incorporated	PRC 15 October 2019	RMB1,000,000	100% (2018: Nil)	Property management
Suzhou Zhaorui Real Estate Development Company Limited* (蘇州兆瑞房地產開發有限公司) ("Suzhou Zhaorui") [#]	Incorporated	PRC 11 October 2019	RMB50,000,000	100% (2018: Nil)	Property development
Lianjiang Zhaoyu Real Estate Development Company Limited* (連江兆裕房地產開發有限公司) ("Lianjiang Zhaoyu") [#]	Incorporated	PRC 20 September 2019	RMB50,000,000	100% (2018: Nil)	Property development
Lianjiang Zhaoyue Real Estate Development Company Limited* (連江兆悅房地產開發有限公司) ("Lianjiang Zhaoyue") [#]	Incorporated	PRC 12 October 2019	RMB50,000,000	100% (2018: Nil)	Property development

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22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Xiamen Zhaominlong Real Estate Development Company Limited* (廈門兆旻隆房地產開發有限公司) ("Xiamen Zhaominlong")#	Incorporated	PRC 9 October 2019	RMB5,000,000	50.5% (2018: Nil)	Property development
Fujian Zhaofa Real Estate Company Limited* (福建兆發房地產有限公司) ("Fujian Zhaofa")#	Incorporated	PRC 21 November 2019	RMB800,000,000	70% (2018: Nil)	Property development
Zhangzhou Yijiayuan Property Services Company Limited* (漳州怡家園物業服務有限公司) ("Zhangzhou Yijiayuan")#	Incorporated	PRC 6 December 2019	RMB1,000,000	100% (2018: Nil)	Property management
Xiamen Zhaote Real Estate Company Limited* (廈門兆特置業有限公司) ("Xiamen Zhaote")#	Incorporated	PRC 6 December 2019	RMB500,000,000	50.5% (2018: Nil)	Property investment
Xiamen Jianyirong Real Estate Company Limited* (廈門建益融房地產有限公司) ("Xiamen Jianyirong")#	Incorporated	PRC 25 December 2019	RMB6,000,000,000	51% (2018: Nil)	Property investment
Jinan Puzhong # (note 4.2)	Incorporated	PRC 29 November 2019	RMB3,430,000,000	36% (2018: Nil)	Property development
Fujian Zhaolian Real Estate Co., Ltd.* (福建兆聯房地產有限公司) ("Fujian Zhaolian")	Incorporated	PRC 14 December 2018	RMB800,000,000	70% (2018: 70%)	Property development
Xiamen Zhaozonglong Real Estate Development Company Limited* (廈門兆琮隆房地產開發有限公司) ("Xiamen Zhaozonglong")#	Incorporated	PRC 16 October 2018	RMB2,400,000,000	95% (2018: 100%)	Property development

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For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

Name	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held indirectly					
Taicang Jianjin Real Estate Development Company Limited* (太倉建晉房地產開發有限公司)	Incorporated	PRC 24 July 2017	RMB500,000,000	100% (2018: 100%)	Property development
Putian Zhaoxi Real Estate Company Limited* (莆田兆璽置業有限公司)	Incorporated	PRC 26 October 2018	RMB50,000,000	100% (2018: 100%)	Project development
Jian'ou Jiajing Real Estate Company Limited* (建甌嘉景房地產有限公司)	Incorporated	PRC 8 March 2018	RMB250,000,000	70% (2018: 70%)	Property development
Metropolitan Investments Holding Group Pty. Ltd.	Incorporated	Australia 28 February 2014	Australian Dollar 2 ("AUD")	60% (2018: 60%)	Property development

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

** During the year ended 31 December 2019, the shareholders of Shenzhen Shengyi and Nanning Zhaoying injected additional capital on a proportionate basis.

These subsidiaries were newly incorporated during the year ended 31 December 2019.

△ These subsidiaries were acquired during the year ended 31 December 2019.

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22. SUBSIDIARIES (CONTINUED)

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

The following table lists out the information related to Shenzhen Shengjin, Xiamen Jianyirong, Jinan Puzhong and Xiamen Zhaowudi, the subsidiaries of the Group which have material non-controlling interests as at 31 December 2019. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Shenzhen Shengjin 2019 RMB'000
Non-controlling interests percentage	49%
Non-current assets	2,300,000
Current assets	159,525
Current liabilities	(143,613)
Net assets	2,315,912
Carrying amount of non-controlling interests	1,134,797
Revenue	–
Profit for the period	15,760
Total comprehensive income for the period	15,760
Profit and total comprehensive income attributable to non-controlling interests	7,722
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	63
Cash flows used in investing activities	(2,404,694)
Cash flows from financing activities	2,405,218
Net cash inflows	587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

	Xiamen Jianyirong 2019 RMB'000
Non-controlling interests percentage	49%
Current assets	6,000,000
Net assets	6,000,000
Carrying amount of non-controlling interests	2,940,000
Revenue	–
Profit for the period	–
Total comprehensive income for the period	–
Profit and total comprehensive income attributable to non-controlling interests	–
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	–
Cash flows from investing activities	–
Cash flows from financing activities	2
Net cash inflows	2

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For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

	Jinan Puzhong 2019 RMB'000
Non-controlling interests percentage	64%
Current assets	3,430,005
Current liabilities	(2)
Net assets	3,430,003
Carrying amount of non-controlling interests	2,195,202
Revenue	–
Profit for the period	3
Total comprehensive income for the period	3
Profit and total comprehensive income attributable to non-controlling interests	2
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	5
Cash flows used in investing activities	(1,109,000)
Cash flows from financing activities	2,266,303
Net cash inflows	1,157,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

	Xiamen Zhaowudi 2019 RMB'000
Non-controlling interests percentage	49%
Non-current assets	2,500,173
Current assets	1
Current liabilities	(203,768)
Non-current liabilities	–
Net assets	2,296,406
Carrying amount of non-controlling interests	1,125,239
Revenue	–
Loss for the year	(40)
Total comprehensive expense for the year	(40)
Loss and total comprehensive expense attributable to non-controlling interests	(19)
Dividends paid to non-controlling shareholders	–
Cash flows used in operating activities	(2)
Cash flows from investing activities	–
Cash flows from financing activities	–
Net cash outflows	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

The following table lists out the information related to Shenzhen Shengyi and Xiamen Zhaowudi, the subsidiaries of the Group which have material non-controlling interests as at 31 December 2018. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Shenzhen Shengyi 2018 RMB'000
Non-controlling interests percentage	48.4%
Non-current assets	1,823,500
Current assets	9
Current liabilities	(18,281)
Non-current liabilities	–
Net assets	1,805,228
Carrying amount of non-controlling interests	873,730
Revenue	–
Loss for the year	(445)
Total comprehensive expense for the year	(445)
Loss and total comprehensive expense attributable to non-controlling interests	(216)
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	7,815
Cash flows from investing activities	78
Cash flows used in financing activities	(8,052)
Net cash outflows	(159)

The Group did not consider Shenzhen Shengyi has material non-controlling interests as at 31 December 2019 and thus, the summarised financial information of Shenzhen Shengyi for the year ended 31 December 2019 is not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. SUBSIDIARIES (CONTINUED)

	Xiamen Zhaowudi 2018 RMB'000
Non-controlling interests percentage	49%
Non-current assets	2,500,173
Current assets	2
Current liabilities	(203,730)
Non-current liabilities	–
Net assets	2,296,445
Carrying amount of non-controlling interests	1,125,258
Revenue	–
Loss for the year	(3,554)
Total comprehensive expense for the year	(3,554)
Loss and total comprehensive expense attributable to non-controlling interests	(1,742)
Dividends paid to non-controlling shareholders	–
Cash flows from operating activities	102,087
Cash flows used in investing activities	(200,085)
Cash flows from financing activities	98,000
Net cash inflows	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. INVENTORIES OF PROPERTIES AND OTHER CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Inventories of properties		
Properties under development (note a)	72,758,410	48,070,624
Properties held for sale (note a)	3,150,724	1,731,691
	75,909,134	49,802,315
Other contract costs (note b)	258,728	131,277
	76,167,862	49,933,592
Inventories of properties	75,935,434	49,850,650
Less: Provision for inventories	(26,300)	(48,335)
	75,909,134	49,802,315

(a) Inventories of properties

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

The analysis of carrying value of leasehold land for property development is as follows:

	2019 RMB'000	2018 RMB'000
In PRC, with remaining lease term of: between 40 and 70 years	51,273,191	42,826,444

As at 31 December 2019, the carrying amount of properties under development of RMB16,918,084,000 (2018: RMB10,876,658,000) have been pledged to banks to secure the Group's bank borrowings. Details of the secured bank borrowings are set out in note 31.

As at 31 December 2019, properties under development amounted to approximately RMB46,393,140,000 (2018: RMB11,313,919,000) were expected to be completed and available for sale to the customers more than twelve months from the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. INVENTORIES OF PROPERTIES AND OTHER CONTRACT COSTS (CONTINUED)

(a) Inventories of properties *(Continued)*

The properties held for sale and properties under development of the Group are located as follows:

	2019 RMB'000	2018 RMB'000
Properties under development		
— PRC	72,694,474	48,009,480
— Australia	63,936	61,144
	72,758,410	48,070,624
Properties held for sale		
— PRC	3,150,724	1,731,691
	75,909,134	49,802,315

(b) Other contract costs

Contract costs capitalised relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "Selling expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB263,780,000 (2018: RMB25,777,000). There was no impairment in relation to the costs capitalised during the year. The amount of capitalised contract costs that is expected to be recovered after one year is RMB100,376,000 (2018: RMB52,093,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables		
From third parties	229,679	71,155
Less: Loss allowance	(11,609)	(3,606)
	218,070	67,549
Other receivables		
Deposits	126,448	57,557
Prepayments	22,979	34,654
Other receivables	503,479	247,129
Prepayments for proposed development projects (note)	4,223,005	1,407,972
Value-added-tax receivables	1,524,771	583,834
	6,400,682	2,331,146
Less: Loss allowance	(14,287)	(5,052)
	6,386,395	2,326,094
	6,604,465	2,393,643

Note: The Group has entered into several contractual arrangements with independent third parties in respect of the proposed acquisitions of equity interests in certain PRC entities, which own land use rights or property development projects in the PRC.

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Trade receivables generally have credit terms of 30 days. Trade receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. For the trade receivables derived from rental income, building management fee income, entrusted services income and smart construction services income, the income is paid in accordance with the terms of the respective agreements and the balance is due on presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Based on the invoice dates, the ageing analysis of the trade receivables, net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
0–30 days	209,933	62,353
31–90 days	4,129	715
91–180 days	747	351
181–365 days	1,700	135
Over 1 year	1,561	3,995
	218,070	67,549

Movements of the Group's loss allowance on trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	3,606	2,700
Loss allowance recognised during the year	8,003	906
Balance at 31 December	11,609	3,606

Movements of the Group's loss allowance on other receivables are as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	5,052	1,666
Loss allowance recognised during the year	9,235	3,386
Balance at 31 December	14,287	5,052

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. The Group applies the simplified approach on trade receivables and 12-month ECL method on other receivables to provide for ECL prescribed by HKFRS 9. During the year ended 31 December 2019, the Group has made loss allowance for trade receivables and other receivables of approximately RMB8,003,000 and RMB9,235,000 (2018: RMB906,000 and RMB3,386,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Property development		
— Forward sales deposits and instalments received	36,423,681	13,084,951

The Group receives payments from customers based on the terms established in the property sale contracts. Payments are usually received in advance of the performance under the contracts.

(a) Revenue recognised in relation to contract liabilities

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	10,741,082	249,693

(b) Unsatisfied performance obligation related to sales of properties

	2019 RMB'000	2018 RMB'000
Revenue expected to be recognised within one year	22,604,625	9,869,113
Revenue expected to be recognised after one year	13,742,815	4,193,074
Total transaction price allocated to the unsatisfied performance obligation	36,347,440	14,062,187

26. DEPOSITS FOR ACQUISITIONS OF LAND USE RIGHTS

Deposits for acquisitions of land use rights arise from the acquisitions of lands in various regions in the PRC. These deposits would either be converted into land use rights, or properties under development when the rights to use have been obtained. The carrying amounts of the Group's deposits for acquisitions of land use rights are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. CASH AT BANKS AND ON HAND

	2019 RMB'000	2018 RMB'000
Cash at banks and on hand	10,385,864	3,665,083
Restricted bank deposits	1,176,406	882,358
	11,562,270	4,547,441

Bank balances of RMB11,418,874,000 (2018: RMB4,537,040,000) are denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Restricted bank deposits represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts. In accordance with relevant government requirements, certain property development companies of the Group are required to place certain amount of pre-sale proceeds in designated bank accounts as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

28. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	6,420,444	3,293,017
Other payables		
Receipts in advances and other payables	611,433	265,290
Interest payable	141,736	107,890
Salaries payable	461,028	245,721
Value-added-tax payable	104,777	150,362
Deposits received	188,367	171,493
Accrued expenses	74,915	61,344
Collection and payment on behalf of others	96,877	142,200
	1,679,133	1,144,300
	8,099,577	4,437,317

The carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. TRADE AND OTHER PAYABLES (CONTINUED)

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the reporting date:

	2019 RMB'000	2018 RMB'000
0–30 days	5,896,101	2,929,033
31–60 days	41,548	14,691
61–90 days	41,286	43,213
Over 90 days	441,509	306,080
	6,420,444	3,293,017

29. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/NON-CONTROLLING INTERESTS/ LOANS FROM INTERMEDIATE HOLDING COMPANY

	2019 RMB'000	2018 RMB'000
Amounts due from non-controlling interests	8,483,024	483,474
Less: Loss allowance	(8,378)	–
	8,474,646	483,474

	2019 RMB'000	2018 RMB'000
Amounts due to related companies:		
— associates	879,997	234,072
— intermediate holding company	1,673,837	962,007
	2,553,834	1,196,079
Amounts due to non-controlling interests	2,915,151	3,617,765

As at 31 December 2019 and 2018, the amounts due from/(to) non-controlling interests/associates/intermediate holding company are unsecured, interest-free and repayable on demand, except for amounts due to non-controlling interests of RMB2,279,255,000 (2018: RMB2,241,860,000) bear interest ranging from 4.35% to 8% (2018: 4.35% to 10%) per annum.

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29. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/NON-CONTROLLING INTERESTS/ LOANS FROM INTERMEDIATE HOLDING COMPANY (CONTINUED)

As at 31 December 2019, the loans from intermediate holding company are unsecured, interest-bearing at effective interest rate of 5.7% (2018: 3-year floating lending rate of the People's Bank of China ("PBOC") rate) per annum and would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

Movements of the Group's loss allowance on amounts due from non-controlling interests are as follows:

	RMB'000
Balance at 1 January 2019	–
Loss allowance recognised during the year	8,378
Balance at 31 December 2019	8,378

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. The Group applies the 12-month ECL method on amounts due from non-controlling interests to provide for ECL prescribed by HKFRS 9. During the year ended 31 December 2019, the Group has made provision of impairment for amounts due from non-controlling interests of approximately RMB8,378,000 (2018: RMBNil).

30. RECEIPTS UNDER SECURITISATION ARRANGEMENTS

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties and property management service, less amounts repaid. These securities bear an effective interest rate ranging from 5.36% to 6.40% per annum and are repayable in July 2026 and April 2020 respectively. The Company holds all subordinated tranche.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. INTEREST-BEARING BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank loans		
— Secured	11,234,537	5,326,402
— Unsecured	6,008,485	3,022,205
	17,243,022	8,348,607

At 31 December 2019, the Group's bank loans were repayable as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount repayable		
Within one year or on demand	3,263,480	1,554,077
In the second year	3,512,800	522,663
In the third to fifth year	10,450,140	6,105,221
After the fifth year	16,602	166,646
	17,243,022	8,348,607
Less: Amounts shown under current liabilities	(3,263,480)	(1,554,077)
	13,979,542	6,794,530

As at 31 December 2019 and 2018, the Group's bank loans are secured by the legal charges over the Group's property, plant and equipment with carrying value of approximately RMB10,075,000 (2018: RMB10,219,000) (note 15), properties under development with carrying value of approximately RMB16,918,084,000 (2018: RMB10,876,658,000) (note 23) and investment properties with fair value of approximately RMB622,000,000 (2018: RMB596,000,000) (note 18).

As at 31 December 2019 and 2018, the unsecured borrowings were guaranteed by C&D Real Estate, the intermediate holding company of the Group, except for the unsecured borrowings of RMB2,099,700,000 (2018: RMBNil) were guaranteed by the subsidiaries of the Company.

As at 31 December 2019 and 2018, the bank loans bear effective interest rates ranging from 3.4% to 7.0% (2018: from 3.4% to 7.3%) per annum, except for bank loans of RMB648,542,000 which bear a fixed interest rate of 5.1% (2018: 5.1%) per annum.

As at 31 December 2019 and 2018, the bank loans of approximately RMB2,100,255,000 (2018: RMB1,114,154,000) and RMB16,602,000 (2018: RMB16,646,000) were denominated in HK\$ and Australian Dollars ("AUD").

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For the year ended 31 December 2019

32. DEFERRED TAXATION

The net movement of deferred tax liabilities/(assets) are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	(595,008)	(116,465)
Impact on initial application of HKFRS 16 (note 3)	(3,778)	–
	(598,786)	(116,465)
Recognised in profit or loss (note 10)	(560,461)	(477,817)
Acquisition of subsidiaries (note 40)	(1,984)	(726)
At the end of the year	(1,161,231)	(595,008)

Deferred tax liabilities

	Revaluation of investment properties RMB'000	Withholding tax RMB'000	Others temporary differences RMB'000	Total RMB'000
At 1 January 2018	150,729	14,633	6,417	171,779
Charged to profit or loss	1,327	–	105,810	107,137
At 31 December 2018 and 1 January 2019	152,056	14,633	112,227	278,916
Credited to profit or loss	(1,577)	–	(38,075)	(39,652)
At 31 December 2019	150,479	14,633	74,152	239,264

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For the year ended 31 December 2019

32. DEFERRED TAXATION (CONTINUED)

Deferred tax assets

	Impairment of assets RMB'000	Recognition of expenses RMB'000	LAT RMB'000	Prepaid income taxes RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2018	(903)	(28,225)	(25,016)	(182,891)	(51,209)	(288,244)
Credited to profit or loss	(13,345)	(18,513)	(184,920)	(180,195)	(187,981)	(584,954)
Acquisition of subsidiaries	–	(15)	–	–	(711)	(726)
At 31 December 2018	(14,248)	(46,753)	(209,936)	(363,086)	(239,901)	(873,924)
Impact on initial application of HKFRS 16	–	(3,778)	–	–	–	(3,778)
At 1 January 2019 (Adjusted)	(14,248)	(50,531)	(209,936)	(363,086)	(239,901)	(877,702)
Acquisition of subsidiaries (note 40)	–	–	–	–	(1,984)	(1,984)
Charged/(Credited) to profit or loss	3,857	(3,182)	46,193	(524,633)	(43,044)	(520,809)
At 31 December 2019	(10,391)	(53,713)	(163,743)	(887,719)	(284,929)	(1,400,495)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	(1,400,495)	(873,924)
Deferred tax liabilities	239,264	278,916
	(1,161,231)	(595,008)

As at 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on certain unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was approximately RMB414,295,000 as at 31 December 2019 (2018: RMB228,500,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities as at 31 December 2019 are as follows:

	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	28,355	35,785
After 1 year but within 2 years	14,985	20,889
After 2 years but within 5 years	36,394	49,696
After 5 years	58,360	68,385
	109,739	138,970
	138,094	174,755
Less: total future expenses		(36,661)
Present value of lease liabilities		138,094

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. Comparative information as at 31 December 2018 has not been restated. Details for transition to HKFRS 16 are set out in note 3.

During the year ended 31 December 2019, the total cash outflows for the leases are RMB40,611,000.

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For the year ended 31 December 2019

34. SHARE CAPITAL

	Number of shares	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.1 each At 31 December 2018 and 2019	3,000,000,000	254,870
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	734,864,745	61,532
Issue of new shares (note a)	55,000,000	4,725
Conversion of perpetual convertible bonds (note b)	120,000,000	10,664
At 31 December 2019	909,864,745	76,921

Notes:

- (a) On 26 April 2019, the Company completed the placing of 55,000,000 ordinary shares of HK\$0.1 each at a placing price of HK\$9 per share under general mandate with total proceed of HK\$495,000,000 (equivalent to RMB425,220,000), giving rise to an increase of share premium of approximately RMB411,135,000. Share issuance expenses directly attributable to the issue of new shares amounting to RMB9,360,000 was treated as a deduction against the share premium account.
- (b) On 26 April 2019, Well Land exercised the conversion rights with conversion of 120,000,000 shares at the conversion price of HK\$8.50 per share, giving rise to an increase in share capital and share premium of approximately RMB10,644,000 and RMB895,810,000 respectively. Distributions to holders of perpetual convertible bond amounting to RMB15,100,000 was treated as a deduction against the share premium account.

35. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Share premium

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. RESERVES (CONTINUED)

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies acquired by the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests. The capital reserve also represents the excess of investment cost over the share capital and share premium of the common control entities.

Revaluation reserve

Revaluation reserve arose from transfer of owner-occupied properties to investment properties in prior years.

Perpetual convertible bonds

The perpetual convertible bonds bear a coupon rate of 4.25% per annum and require annual distribution payment to Well Land on distribution payment date. The Company may choose to defer payments in whole or in part at its sole discretion within certain accumulated limits by giving notice in advance to Well Land.

The Company may redeem in whole the outstanding perpetual convertible bonds: (1) on written consent by Well Land; (2) at a mutually agreed price; and (3) on the ending date of the third year from the issue date or on any distribution payment date after three years from the issue date.

As the perpetual convertible bonds bear no obligation of principal repayment and the Company has a deferral option for the distributions, the perpetual convertible bonds do not apply to the definition for classification of financial liabilities. Consequently, the perpetual convertible bonds are classified as an equity instrument and the distribution if and when declared is treated as equity dividend.

On 5 July 2019, the conversion price has been adjusted from HK\$8.50 per share to HK\$7.42 per share and the total number of new shares convertible from 232,941,176 shares to 266,846,361 shares pursuant to applicable provisions in respond to the dividend payment of HK\$1.2 per ordinary share approved by the shareholders of the Company on 27 May 2019 as set out in the announcement dated 5 July 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	727,028	727,028
Current assets		
Prepayments and other receivables	182	158
Amount due from intermediate holding company	241,527	106,427
Amounts due from subsidiaries	4,900,525	4,858,943
Cash at banks and on hand	140,541	6,084
	5,282,775	4,971,612
Total assets	6,009,803	5,698,640
Current liabilities		
Accruals and other payables	1,500	5,523
Interest-bearing borrowings	2,107,459	1,112,706
	2,108,959	1,118,229
Net current assets	3,173,816	3,853,383
Total assets less current liabilities	3,900,844	4,580,411
Total liabilities	2,108,959	1,118,229
Net assets	3,900,844	4,580,411
EQUITY		
Share capital	76,921	61,532
Other reserves (note)	3,823,923	4,518,879
Total equity	3,900,844	4,580,411

Approved and authorised for issue by the board of directors on 20 March 2020.

ZHAO Chengmin
Director

LIN Weiquo
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

The movements of the Company's reserves are as follows:

	Perpetual convertible bonds RMB'000	Share premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000
At 1 January 2018	-	1,540,056	490,259	(21,263)	8,334	2,017,386
Loss and total comprehensive expense for the year	-	-	-	-	(32,878)	(32,878)
Currency translation differences	-	-	-	48,889	-	48,889
Insurance of perpetual convertible bonds	2,666,100	-	-	-	-	2,666,100
2017 final dividend approved and paid	-	(180,618)	-	-	-	(180,618)
At 31 December 2018 and 1 January 2019	2,666,100	1,359,438	490,259	27,626	(24,544)	4,518,879
Loss and total comprehensive expense for the year	-	-	-	-	(206,082)	(206,082)
Currency translation differences	-	-	-	86,147	-	86,147
Issuance of share capital, net of transaction costs (note 34(a))	-	411,135	-	-	-	411,135
Distribution to holders of perpetual convertible bonds (note 34(b))	-	(15,100)	-	-	-	(15,100)
Conversion of perpetual convertible bonds (note 34(b))	(906,474)	895,810	-	-	-	(10,664)
2018 final dividend approved and paid (note 11)	-	(960,392)	-	-	-	(960,392)
At 31 December 2019	1,759,626	1,690,891	490,259	113,773	(230,626)	3,823,923

Note:

- (a) The capital reserve of the Company represented the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. LEASE COMMITMENTS

a. As lessor

At the reporting date, the future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's investment properties are receivables as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	142,389	106,209
After 1 year but within 2 years	96,561	78,689
After 2 years but within 3 years	65,539	51,698
After 3 years but within 4 years	46,452	30,189
After 4 years but within 5 years	36,893	19,829
After 5 years	64,319	38,870
	452,153	325,484

The Group leases its investment properties (note 18) under operating lease arrangements which run for an initial period of one to twelve years (2018: one to twelve years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

b. As lessee

At the reporting date, the lease commitments for short-term leases (2018: total future aggregate minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	–	12,819
After one year but within five years	–	70,708
After five years	–	52,495
	–	136,022

The Group is the lessee in respect of leases properties under operating leases. The leases typically run for an initial period of one to twenty years. The leases do not include contingent rentals. 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 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.15, and the details regarding the Group's future lease payments are disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
— proposed development projects	313,820	1,363,500
— leasehold improvements	3,063	2,400
— properties under development	14,634,065	14,906,370

39. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	2019 RMB'000	2018 RMB'000
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Group's properties	19,840,866	10,074,530

The amount represented the guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Group's property units. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage loan payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and financial institutions and the Group is entitled to take over the legal title and possession of the related properties. In case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements. The directors of the Company considered that the fair value of financial guarantee is insignificant due to low applicable default rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Shenzhen Shengjin and its subsidiary (“Shenzhen Shengjin Group”)

On 13 August 2019, Xiamen Yi Yue acquired 51% equity interests of Shenzhen Shengjin from an independent third party at a cash consideration of RMB126,000. Shenzhen Shengjin did not operate any business prior to the acquisitions and only owned a subsidiary which mainly had deposits for acquisitions of land use right, other receivables, cash at banks and on hand, other payables and amount due to non-controlling interest. As the purpose of the acquisition was mainly for acquiring the land for future development, the directors are of the view that the acquisition is treated as acquisition of assets in substance.

The consideration of the transaction was determined by reference to the fair value of the assets acquired. The non-controlling interests recognised at the acquisition date were measured by reference to the fair value of the recognised amounts of the acquirer’s identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Shenzhen Shengjin Group as at 13 August 2019, the date of acquisition, are as follows:

	Recognised assets and liabilities on acquisition
	RMB'000
Deposits for acquisitions of land use right	1,164,297
Other receivables	70,350
Cash at banks and on hand	1,886
Other payables	(572)
Amount due to non-controlling interests	(1,236,000)
Net liabilities	(39)
Less: non-controlling interests	165
Net assets acquired	126
Total purchase consideration: — settled in cash during the year	(126)
Purchase consideration settled in cash	(126)
Cash at banks and on hand in subsidiaries acquired	1,886
Cash inflow on acquisition of subsidiaries	1,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of Taicang Jiancang

During the year ended 31 December 2019, the Group entered into agreement with C&D Real Estate to acquire 100% equity interest in Taicang Jiancang at a total cash consideration of RMBNil. Taicang Jiancang did not operate any business prior to the acquisitions and only had inventories of properties and other contract costs, cash at banks and on hand, deferred tax assets, amount due to related companies and other payables. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid, and the net assets acquired would be recognised as adjustments to the carrying value of inventories of properties and other contract costs.

The consideration of the transaction was based on the fair value of the assets acquired.

Details of the aggregate fair values of the identifiable assets and liabilities of Taicang Jiancang as at 17 June 2019, the date of acquisition, are as follows:

	Recognised assets and liabilities on acquisition
	RMB'000
Inventories of properties and other contract costs	1,482,861
Cash at banks and on hand	856
Deferred tax assets	1,984
Amount due to related companies	(1,481,853)
Other payables	(3,848)
Net assets acquired	–
Purchase consideration settled in cash	–
Cash at banks and on hand in subsidiary acquired	856
Cash inflow on acquisition of a subsidiary	856

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40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) Acquisition of other subsidiaries

During the year ended 31 December 2019, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total cash consideration of approximately RMBNil. These companies did not operate any business prior to the acquisitions and only had inventories of properties and other contract costs, other receivables, cash at banks and on hand, other payables and amount due to non-controlling interest. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of inventories of properties and other contract costs.

Please find the details of these subsidiaries as follows:

Acquisition date	Name of subsidiaries acquired	Percentage of equity interest	Total consideration RMB'000
23 May 2019	Nanning Zhaoying	60%	–
14 March 2019	Xianyou Zhaoting	55%	–

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the fair value of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of those subsidiaries as at the respective date of acquisition are as follows:

	Total recognised assets and liabilities on acquisitions RMB'000
Inventories of properties and other contract costs	498,566
Other receivables	37,581
Cash at banks and on hand	67
Other payables	(2,326)
Amount due to non-controlling interests	(533,693)
Net assets	195
Less: non-controlling interests	(195)
Net assets acquired	–
Purchase consideration settled in cash	–
Cash at banks and on hand in subsidiaries acquired	67
Cash inflow on acquisition of subsidiaries	67

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41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into following transactions with related parties:

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Intermediate holding company:			
C&D Real Estate (note a)	Interest expenses on loans from intermediate holding company	1,090,386	840,175
(note d)	Property management income	(94,225)	82,095
Associates:			
Longyan Lirong (note b)	Interest income on loans to associates	–	(2,082)
(note c)	Construction management fee received	(21,698)	(53,774)
Wuhan Zhaoyuecheng Real Estate Development Company Limited* (武漢兆悅城房地產開發有限公司) (“Wuhan Zhaoyuecheng”) (note b)	Interest income on loans to associates	(23,025)	(30,467)
Wuxi Jiahe Estate Company Limited* (無錫嘉合置業有限公司) (“Wuxi Jiahe”) (note b)	Interest income on loans to associates	(33,156)	–
Fellow subsidiaries:			
Xiamen Heshan Construction and Development Limited* (廈門禾山建設發展有限公司) (“Heshan Construction”) (note c)	Construction management fee received	(14,528)	(11,811)
Nanping City Jianyang District Jiaying Real Estate Limited* (南平市建陽區嘉盈房地產有限公司) (“Nanping Jiaying”) (note c)	Construction management fee received	–	(11,323)

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

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For the year ended 31 December 2019

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) During the year ended 31 December 2019, the Group incurred loan interest expenses of RMB1,090,386,000 (2018: RMB840,175,000) to C&D Real Estate, the intermediate holding company pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB30,000 million loan facilities to certain subsidiaries of the Company for their project development at annual interest rate of 5.7% per annum (note 29).
- (b) During the year ended 31 December 2019, the Group earned interest income from the associates by granting loans for their operations which is interest-bearing from 3.43% to 10% (2018: 4.75% to 8%) per annum.
- (c) During the year ended 31 December 2019, the Group earned construction management fee income by providing services ranging from design, construction and completion to delivery throughout the project construction process with Longyan Lirong, Heshan Construction and Nanping Jiaying.
- (d) During the year ended 31 December 2019, the Group earned property management income from the subsidiaries of C&D Real Estate.

Other than the above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employees benefit expenses are key management personnel remuneration which includes the following expenses:

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	4,413	3,992
Retirement benefit scheme contributions	25	22
	4,438	4,014

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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing borrowings RMB'000	Loans from intermediate holding company RMB'000	Amounts due to related companies RMB'000	Amounts due to non-controlling interests RMB'000	Receipts under securitisation arrangements RMB'000	Lease liabilities RMB'000	Total RMB'000
31 December 2018	8,348,607	16,082,145	1,196,079	3,617,765	3,518,800	–	32,763,396
Impact on initial application of HKFRS 16 (note 3)	–	–	–	–	–	95,728	95,728
1 January 2019 (adjusted)	8,348,607	16,082,145	1,196,079	3,617,765	3,518,800	95,728	32,859,124
Cash-flows:							
— Repayment	(5,582,054)	(94,858,912)	(1,214,484)	(6,271,532)	(117,871)	–	(108,044,853)
— Additions	14,434,643	101,859,071	–	3,646,138	–	–	119,939,852
— Capital element of lease payments paid	–	–	–	–	–	(24,505)	(24,505)
— Interest element of lease payments paid	–	–	–	–	–	(8,250)	(8,250)
Non-cash:							
— Acquisition of subsidiaries (note 40)	–	–	1,481,853	1,769,693	–	–	3,251,546
— Interest payables	–	–	1,090,386	153,087	–	8,250	1,251,723
— Exchange difference	41,826	–	–	–	–	–	41,826
— Entering into new leases	–	–	–	–	–	66,871	66,871
31 December 2019	17,243,022	23,082,304	2,553,834	2,915,151	3,400,929	138,094	49,333,334
1 January 2018	5,949,513	4,981,163	6,231,326	1,724,746	1,250,000	–	20,136,748
Cash-flows:							
— Repayment	(3,241,137)	(62,477,546)	(6,232,137)	(5,352,656)	(1,502,671)	–	(78,806,147)
— Additions	5,845,185	73,578,528	2,210,130	9,943,851	3,771,471	–	95,349,165
Non-cash:							
— Acquisition of subsidiaries	454,500	–	–	–	–	–	454,500
— Disposal of a subsidiary	(700,000)	–	(1,013,240)	–	–	–	(1,713,240)
— Exchange difference	40,546	–	–	–	–	–	40,546
— Capital injection from non-controlling interests	–	–	–	(2,698,176)	–	–	(2,698,176)
31 December 2018	8,348,607	16,082,145	1,196,079	3,617,765	3,518,800	–	32,763,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

43. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2019, Xiamen Yiyue entered into an agreement with an independent third party, for the establishment of Xiamen Yichun. The registered capital of Xiamen Yichun was RMB2,400,000,000. Xiamen Yichun was held as to 95% by Xiamen Yiyue and as to 5% by an independent third party. After the incorporation of Xiamen Yichun, Xiamen Yiyue has disposed 100% equity interests in Xiamen Zhaozonglong to Xiamen Yichun at a cash consideration of RMBNil (the "Disposal 1").

During the year ended 31 December 2019, Xiamen Yiyue entered into an agreement with an independent third party, for the establishment of Xiamen Zhaote. The registered capital of Xiamen Zhaote was RMB500,000,000. Xiamen Zhaote was held as to 50.5% by Xiamen Yiyue and as to 49.5% by an independent third party. After the incorporation of Xiamen Zhaote, Xiamen Yiyue has disposed 100% equity interests in Xiamen Zhaominlong to Xiamen Zhaote at a cash consideration of RMBNil (the "Disposal 2").

During the year ended 31 December 2019, Xiamen Yiyue entered into an agreement with an independent third party, for the establishment of Ningde Zhaohang. The registered capital of Ningde Zhaohang was RMB540,000,000. Ningde Zhaohang was held as to 50% by Xiamen Yiyue and as to 50% by an independent third party. After the incorporation of Ningde Zhaohang, Xiamen Yiyue has disposed 90% equity interests in Ningde Zhaotou to Ningde Zhaohang at a cash consideration of RMBNil (the "Disposal 3").

As the result of the Disposal 1, Disposal 2 and Disposal 3 (collectively known as the "Disposal Transactions"), there were changes in the Group's ownership interests without change in control. The Disposal Transactions were accounted for as equity transactions, whereby adjustments were made to reflect a decrease in non-controlling interests of approximately RMB13,373,000 and an increase in reserve of approximately RMB13,373,000.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities. See note 2.9 for explanations about how the category of financial instruments affects their subsequent measurement.

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables	707,262	314,678
— Cash at banks and on hand	11,562,270	4,547,441
— Amounts due from non-controlling interests	8,474,646	483,474
— Listed senior tranche security	100,000	100,000
— Debt investment	—	3,000
— Loans to associates	4,027,362	1,342,106
— Loan to a joint venture	4,904	4,410
	24,876,444	6,795,109
Financial assets at FVTPL		
— Unlisted subordinated tranche securities	158,180	124,540
— Unlisted structured deposits	235,000	10,000
— Unlisted equity securities	81,500	71,500
	474,680	206,040
	25,351,124	7,001,149
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	7,806,433	4,163,354
— Amounts due to related companies	2,553,834	1,196,079
— Amounts due to non-controlling interests	2,915,151	3,617,765
— Loans from intermediate holding company	23,082,304	16,082,145
— Interest-bearing borrowings	17,243,022	8,348,607
— Receipts under securitisation arrangements	3,400,929	3,518,800
— Lease liabilities	138,094	—
	57,139,767	36,926,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 Foreign currency risk

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group's businesses are principally conducted in RMB and the majority of assets are denominated in RMB. As at 31 December 2019 and 2018, the Group did not have significant foreign currency risk from its operations.

44.3 Interest rate risk

The Group has been exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing assets and liabilities are mainly cash at banks and on hand, loans to associates, interest-bearing borrowings, loans from intermediate holding company, amounts due to non-controlling interests, receipts under securitisation arrangements and lease liabilities. All are at variable rates expose the Group to cash flow interest-rate risk, except for loans to associates, an interest-bearing borrowings, loans from intermediate holding company, amounts due to non-controlling interests, receipts under securitisation arrangements and lease liabilities of totally RMB26,403,102,000 (2018: RMB4,135,100,000) which is at fixed rates and it exposes the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

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 decrease/increase the Group's profit after income tax and retained earnings by approximately RMB18,871,000 (2018: RMB80,748,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.4 Other price risk

The Group has been exposed to the price risk of unlisted subordinated tranche securities, unlisted structured deposits and unlisted equity securities in connection with the financial assets measured at FVTPL. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

If the price of equity securities had been 5% increased/decreased, post-tax profit for the year ended 31 December 2019 would have been increased/decreased by approximately RMB17,801,000 (31 December 2018: RMB7,727,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the changes in the relevant risk variables had occurred at each reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at each reporting date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant risk variables, and that all other variables remain constant.

44.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 39.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2019 and 2018 is the carrying amount of each financial asset as disclosed in note 44.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.5 Credit risk *(Continued)*

(i) Trade receivables

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 and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the reporting date, 1.22% (2018: 5.33%) of the total trade receivables was due from the Group's largest customer.

To manage credit risk arising from trade receivables, the credit quality of the debtors is assessed taking into account of their financial position, historical settlement records, past experience and other factors. The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of lifetime ECL provision for all trade receivables. The ECLs also incorporate forward-looking information.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 30 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis, the ECL for trade receivables as at 31 December 2019 is RMB11,609,000 (2018: RMB3,606,000).

Expected loss rates are based on actual loss experience over the past years. 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.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.5 Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, cash at banks and on hand, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment. In order to minimise the credit risk financial assets at amortised cost, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of financial assets at amortised cost based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of these other financial assets at amortised cost are considered to be low. In addition, there were no significant increase in credit risk since initial recognition.

Management makes periodic collective assessments for financial assets included in other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment as well as their individual assessment on the recoverability based on historical settlement records and past experience. The Group considered the credit risk associated with other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment to be low. The directors of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in other receivables, loans to associates, loan to a joint venture, amounts due from non-controlling interests, listed senior tranche security and debt investment. As at 31 December 2019, loss allowance of RMB14,287,000, RMB4,098,000 and RMB8,378,000 (2018: RMB5,052,000, RMB Nil and RMB Nil) were made against the gross amount of other receivables, loans to associates and amounts due from non-controlling interests respectively.

The credit risks on cash at banks and on hand are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.5 Credit risk *(Continued)*

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

44.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to related companies, amounts due to non-controlling interests, loans from intermediate holding company, receipts under securitisation arrangements, interest-bearing borrowings, lease liabilities and its financing obligation, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.6 Liquidity risk (Continued)

Analysed below is the Group's remaining contractual maturities for its non-derivative and derivative financial liabilities as at 31 December 2019 and 2018. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis of the Group below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted contractual amount RMB'000	Carrying amount RMB'000
As at 31 December 2019						
Trade and other payables	7,806,433	-	-	-	7,806,433	7,806,433
Amounts due to related companies	2,553,834	-	-	-	2,553,834	2,553,834
Amounts due to non-controlling interests	2,915,151	-	-	-	2,915,151	2,915,151
Loans from intermediate holding company	1,315,691	24,397,995	-	-	25,713,686	23,082,304
Interest-bearing borrowings (note a)	4,022,371	4,203,803	10,935,064	17,396	19,178,634	17,243,022
Receipts under securitisation arrangements	2,704,924	51,324	511,927	575,448	3,843,623	3,400,929
Lease liabilities	35,785	20,889	49,696	68,385	174,755	138,094
	21,354,189	28,674,011	11,496,687	661,229	62,186,116	57,139,767
Financial guarantees issued (note b)						
Maximum amount guaranteed (note 39)	19,840,866	-	-	-	19,840,866	19,840,866
As at 31 December 2018						
Trade and other payables	4,163,354	-	-	-	4,163,354	4,163,354
Amounts due to related companies	1,196,079	-	-	-	1,196,079	1,196,079
Amounts due to non-controlling interests	3,761,946	-	-	-	3,761,946	3,617,765
Loans from intermediate holding company	971,362	971,362	17,053,507	-	18,996,231	16,082,145
Interest-bearing borrowings (note a)	1,949,720	882,841	5,787,230	174,792	8,794,583	8,348,607
Receipts under securitisation arrangements	210,732	2,730,817	534,547	604,152	4,080,248	3,518,800
	12,253,193	4,585,020	23,375,284	778,944	40,992,441	36,926,750
Financial guarantees issued (note b)						
Maximum amount guaranteed (note 39)	10,074,530	-	-	-	10,074,530	10,074,530

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For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.6 Liquidity risk (Continued)

Notes:

- a) Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2019, the aggregate undiscounted principal amounts of these bank loans amounted to RMB2,100,255,000 (2018: RMB1,114,154,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year (2018: two years) after the reporting date in accordance with the scheduled repayment date set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB2,179,378,000 (2018: RMB1,120,493,000).
- b) The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the reporting date, the directors considered that it was not probable that the borrowers of the loans would default the repayment of the loans and therefore no provision for the Group's obligation under the guarantee has been made.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

44.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.7 Fair value measurements of financial instruments (Continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Notes	2019 Level 3 RMB'000	2018 Level 3 RMB'000
Financial assets			
Financial assets measured at FVTPL			
— Unlisted subordinated tranche securities	(a)	158,180	124,540
— Unlisted structured deposits	(b)	235,000	10,000
— Unlisted equity securities	(c)	81,500	71,500
Total fair value		474,680	206,040

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 3 is unchanged compared to the previous reporting period and are described below.

	Valuation technique	Unobservable input	Range of unobservable inputs	
			2019	2018
Unlisted subordinated tranche securities (note a)	Discounted cash flow	Probability of meeting target	1.01% to 31.61%	6.43% to 38.06%
Unlisted structured deposit (note b)	Discounted cash flow	Probability of meeting target	0.01%	N/A
Unlisted equity securities (note c)	Direct comparison and adjusted net asset approach	Adjusted market price of the market comparables for the underlying property held by the unlisted equity securities	RMB54,600 to RMB65,500 per square meter	RMB26,998 to RMB31,698 per square meter

(a) *Unlisted subordinated tranche securities (Level 3)*

Future cash flows are estimated based on applying the expected yields of the instruments and the discount rate that reflects the credit risks of the instrument.

(b) *Unlisted structured deposits (Level 3)*

The unlisted structured deposits fair value have been determined from banker's quotes.

(c) *Unlisted equity securities (Level 3)*

The fair value of unlisted equity securities is determined by using adjusted net asset approach and direct comparison method for the underlying property held by the unlisted equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

44.7 Fair value measurements of financial instruments (Continued)

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted subordinated tranche securities RMB'000	Unlisted structured deposits RMB'000	Unlisted equity securities RMB'000
At 1 January 2018	28,820	10,000	63,600
Additions	90,730	–	–
Fair value gain recognised in profit or loss	4,990	–	7,900
At 31 December 2018 and 1 January 2019	124,540	10,000	71,500
Additions	25,000	225,000	–
Fair value gain recognised in profit or loss	8,640	–	10,000
At 31 December 2019	158,180	235,000	81,500

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data under discounted cash flow in respect of unlisted subordinated tranche securities, unlisted structured deposits and unlisted equity securities, as the management considers that the exposure is insignificant to the Group.

Fair value gain on unlisted subordinated tranche securities, unlisted structured deposits and unlisted equity securities are recognised in profit or loss and included under "Other net gain" (note 7).

There have been no transfers into or out of Level 3 during the year ended 31 December 2019 (2018: Nil).

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For the year ended 31 December 2019

45. NON-CASH TRANSACTIONS

During the year ended 31 December 2019, the contract liabilities have incurred significant financing component of RMB752,315,000 (2018: RMB334,968,000).

During the year ended 31 December 2018, the non-controlling interests have made capital injection by contributing the inventories of properties of RMB515,970,000.

46. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as borrowings less cash at banks and on hand. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

During the years ended 31 December 2018 and 2019, the Group's strategy in monitoring its capital structure, which was unchanged from prior year, was to maintain a sufficient cash level to meet its liquidity requirements. In order to maintain or adjust the cash level, the Group may issue new shares, raise new debts financing or sell assets to increase the cash level.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

47. EVENTS AFTER THE REPORTING DATE

(a) Cooperation agreement entered into with independent third parties

On 31 October 2019, Xiamen Yi Yue, C&D Real Estate, C&D Real Estate Shanghai Company Limited* (建發房地產集團上海有限公司) ("C&D Real Estate Shanghai") and Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) ("Xiamen Liyuan"), the wholly-owned subsidiaries of C&D Real Estate, Taicang Qitai Business Consultancy Company Limited* (太倉市棲泰商務諮詢有限公司) ("Taicang Qitai") and Xiamen Yilong Real Estate Development Company Limited* (廈門益瓏房地產開發有限公司) ("Xiamen Yilong"), the independent third parties, entered into a cooperation agreement, as amended by the supplemental agreement dated 19 December 2019 entered into between Xiamen Yi Yue, C&D Real Estate, C&D Real Estate Shanghai, Xiamen Liyuan, Taicang Qitai and Taicang Jinyue Business Consultancy Company Limited (太倉金躍商務諮詢有限公司) ("Taicang Jinyue"), pursuant to which Xiamen Yi Yue and Taicang Jinyue agreed to establish a proposed subsidiary (the "Proposed Subsidiary") in which Xiamen Yi Yue and Taicang Jinyue will own as to 51% and 49% equity interests in the Proposed Subsidiary respectively; C&D Real Estate and Xiamen Liyuan, which are the shareholders of Xiamen Yilong, agreed to sell, and the Proposed Subsidiary agreed to purchase 100% equity interests in Xiamen Yilong and subsequent to the equity transfer, the registered capital of Xiamen Yilong shall increase from RMB1,000,000 to RMB900,000,000, and the Proposed Subsidiary shall subscribe for RMB899,000,000. The cooperation was completed in February 2020.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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47. EVENTS AFTER THE REPORTING DATE (CONTINUED)

(b) The outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak")

After the COVID-19 Outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and region. As required by the local government, certain provinces in the PRC in which the Group's property development projects are located have extended holidays and resumed operation up to the date of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 Outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of these consolidated financial statements, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 Outbreak.

48. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 as at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3. Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	2019 RMB\$'000	Year ended 31 December			
		2018 RMB\$'000	2017 RMB\$'000 (Restated)	2016 RMB\$'000 (Restated)	2015 RMB\$'000 (Restated)
Revenue	17,995,146	12,371,415	4,778,846	104,103	133,767
Gross profit	4,653,338	4,115,158	1,590,722	66,305	63,496
Profit before income tax	3,425,666	3,089,761	1,070,477	(24,432)	35,470
Profit for the year	1,997,571	1,577,902	603,048	(26,497)	15,413
Profit for the year attributable to the equity owners of the Company	1,717,993	1,420,446	527,813	(28,076)	12,668

ASSETS, LIABILITIES AND EQUITY

	2019 RMB\$'000	2018 RMB\$'000	2017 RMB\$'000 (Restated)	2016 RMB\$'000 (Restated)	2015 RMB\$'000 (Restated)
Current assets	105,942,145	58,258,435	32,414,700	13,839,491	5,065,254
Non-current liabilities	38,313,623	26,674,391	12,094,215	6,249,092	4,524,554
Current liabilities	57,665,257	25,496,517	16,642,169	4,839,001	257,840
Net current assets	48,276,888	32,761,918	15,772,531	9,000,490	4,807,414
Total equity	19,609,942	10,604,046	5,285,140	3,824,584	979,209

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2019

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Yu Feng Plaza	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail, office and car parks	8,579	31 March 2074
2. Wan Guo Plaza and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	8,048	31 May 2044 and 25 February 2044
3. Other properties	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	478	31 August 2044
4. Other properties	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	863	16 April 2044
5. Other properties	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	2,237	25 February 2044
6. Other properties	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	250	6 September 2044
7. Other properties	No. 99 and 99-1 Huaqiang Road and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	22 April 2044

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2019 *(Continued)*

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
8. Other properties	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	381	20 February 2044 and 6 September 2044
9. Other properties	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	210	20 February 2044
10. Other properties	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Industrial	1,141	16 November 2054
11. Other properties	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	510	7 September 2044
12. Other properties	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	161	Note
13. Other properties	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail and residential	879	25 May 2049 (retail unit) and 25 May 2079 (residential units)
14. Fanghui Plaza	Shops on 1/F-5/F, No. 1118, Changshou Road, Putuo District, Shanghai City, the PRC	Commercial	17,415	23 March 2043

Note: According to the remark stated in the State-owned Land Use Rights Certificate No. (2010) 518938, the property is situated on a site on which a road is planned to be built and is used temporarily by the Group.

PROPERTIES PORTFOLIO

PROPERTIES CONTRACTED TO BE HELD FOR INVESTMENT AS AT 31 DECEMBER 2019

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date (if applicable)
1. Other properties	4 retail units on 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Retail	Note	Note

Note: As at 31 December 2017, the State-owned Land Use Rights Certificate of the property have not been obtained. According to the Resettlement Agreement entered into between Guangxi Lvzhidu Real Estate Development Ltd.* (廣西綠之都房地產開發有限公司) (Party A) and Nanning Bai Yi Industrial Enterprise Limited* (南寧百益實業有限公司) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings. According to the ownership certificate obtained by Party B, the resettled 4 residential units has a total gross floor area of 96.25 sq.m.

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
1. Fond England* (裕豐英倫)	The unsold carpark units of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	65,965	Carparks	4,301	93.84
2. Li Yuan* (裕豐荔園)	The unsold portion of Li Yuan Residential Development, No. 128 Daxue East Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	9,074	Residential, retail and carparks	16,951	87.52
3. Jianfa•Dushuwan* (建發•獨墅灣)	Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the PRC	224,624	Wholesale and retail, urban residential	466,290	97.50
4. Jianfa•Zhongyang Yuefu* (建發•中央悅府)	No. 180 Laodong Road East, Yuhua District, Changsha, Hunan Province, the PRC	25,642	Residential	123,466	100

PROPERTIES PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
5. Jianfa•Shanwaishan (Land Parcel No. A1, A2)* (建發•山外山 (A1、A2地塊))	Xinting, Shili Village, Changtai County, Fujian Province, the PRC	66,507	Residential and commercial	54,850	94
6. Jianfa•Lingjun* (建發•領郡)	South-west corner of the intersection of 104 National Road of Lianjiang and Wenbi West Road, and on the north-west side of Liyu Port in Lianjiang County, Fuzhou City, Fujian Province, the PRC	52,643	Wholesale and retail, other common commodity housing	183,041	78
7. Jianfa•Yuecheng (District I, District II)* (建發•悅城(一區、二區))	No. 68, South Xishui, Jianou City, Fujian Province, the PRC	62,094	Other common commodity housing, wholesale and retail and hoteling and catering	237,224	75
8. Jianfa•Bihushuangxi* (建發•碧湖雙璽)	West of Hubin Road, north of Xiaguang Road, east of Bizhou Road, Longwen District, Zhangzhou City, Fujian Province, the PRC	44,828	Urban residential, wholesale and retail	191,955	100
9. Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	East of Chengyang Road, South of Qinglonggang Road, Gaotie Xincheng, Xiangcheng District, Suzhou City, Jiangsu Province, the PRC	65,618	Urban residential, wholesale and retail	177,604	100
10. Jianfa•Yangyu* (建發•泱譽)	South of Nantiancheng Road, East of Zhenghui Road, Gaotie Xincheng, Suzhou City, Jiangsu Province, China	72,106	Urban residential, wholesale and retail	264,581	100
11. Jianfa•Zhongyang Tiancheng* (建發•中泱天成)	Wanfu Community, Wan'an Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	22,174	Urban residential, wholesale and retail	77,087	40
12. Jianfa•Xiyuan (Section A,B)* (建發•壘院(A、B標段))	North-west side of the intersection of Longyan Road and Xingye Road, Xinluo District, Longyan City, Fujian Province, the PRC (Dongxiao Land Parcel No. 3)	72,736	Commercial services, residential, public management and public services	193,750	30

PROPERTIES PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
13. Shangyue House* (尚悦居)	Southeast corner of intersection of Longteng Road and Shuangyang Road, southeast side of land parcel C of Tianyu Community, Xinluo District, Longyan City, Fujian Province, the PRC	28,495	Residential, ancillary and basement	142,211	40
14. Jianfa•Shouyuan (Phase I)* (建發•首院(一期))	North of Ganlong Expressway, east of Longyan Avenue, Xinluo District, Longyan City, Fujian Province, the PRC (Land Parcel B on the south side of Shuanglong Road)	62,662	Commercial services, residential, public management and public services	162,333	100
15. Guandi* (觀邸)	Land Parcel C, east of Changxing Road, Shaxian, Fujian Province, the PRC	41,936	Commercial services, wholesale and retail, hoteling and catering, business finance, other commercial services, urban residential,	116,447	51
16. Jianfa•Yangzhu (Phases I)* (建發•央著(一期))	East of Yingri Road, north of Xuesong Road, Meixi Lake, Changsha City, Hunan Province, the PRC (Land Parcel No. B-39)	31,755	Residential	93,020	100
17. Jianfa•Yangxi* (建發•央璽)	No. 100, Lushan Road, Yuhua District, Changsha City, Hunan Province, the PRC	25,043	Residential, commercial	163,522	100
18. Jianfa & Yangguangcheng•Puyue* (建發&陽光城•璞悅)	South of Xinyan Avenue, west of Yangcheng Road, Qutang Town, Suzhou City, Jiangsu Province, the PRC	22,256	Urban residential, commercial services	63,941	55
19. Jianfa•Yulongwan (Phase I, II, IV)* (建發•御龍灣 (一、二、四期))	Chengbei Community, Fanzhuang Community, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	162,627	Urban residential, commercial services	436,275	70

PROPERTIES PORTFOLIO

COMPLETED PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019 *(Continued)*

Property name	Address and lot no.	Site area (sq.m.)	Type	Total saleable GFA (sq.m.)	Group's interest (%)
20. Tianxi* (天璽)	Xijiao Community, Qilimiao Village, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	91,107	Urban residential, commercial services	256,530	25
21. Jianfa•Yangzhu* (建發•泱著)	North of Luoyang East Road, west of Changsheng Road, Gaoxing District, Taicang City, Jiangsu Province, the PRC	47,984	Urban residential, commercial	150,263	100
22. Jianfa•Jiuliwan (Phase I)* (建發•玖里灣(一期))	East of Shanhe Road, north of Hongye East Road, Xidong New City Business District, Wuxi City, Jiangsu Province, the PRC	79,721	Urban residential	146,642	100
23. Jianfa•Xiyuan* (建發•璽院)	No. 100, Jinfu Road, Jiangnan District, Nanning City, Guangxi Province, the PRC	22,276	Urban residential, wholesale and retail	105,033	51
24. Jianfa•Yangzhu* (建發•央著)	Intersection of Jianping Avenue and Shuanglong Road, Western District Ecological City, Jianyang District, Nanping City, Fujian Province, the PRC (Land Parcel No. C07 of Western District Ecological City)	70,000	Urban residential	161,967	70

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2019

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
1. Jianfa • Yangzhu* (建發•央著)	Northeast of the intersection of Xingjin Road and Haixiang Avenue, Xincheng Area, Jimei District, Xiamen City, Fujian Province, the PRC (Land Parcel No. 2017JP03)	Urban residential, wholesale and retail	pre-sold	20,176	95,201	By the end of 2020	49
2. Jianfa • Yangzhu Phase II* (建發央著二期)	Northeast of the intersection of Chengyi West Road and Chengyi North Road, Jimei District, Xiamen City, Fujian Province, the PRC (Land Parcel No. 2018JP01)	Urban residential, retail	pre-sold	30,535	126,366	By the end of 2020	51
3. Jianfa • Shanwaishan (Land Parcel C)* (建發•山外山(C地塊))	Shili Village, Mayangxi Ecological Tourism Zone, Changtai County, Fujian Province, the PRC	Urban residential	pre-sold	54,903	135,863	By the end of 2020	94
4. Jianfa • Xiyuan* (建發•壘院)	West of Hubin Road, south of Xiashou Road, Longwen District, Zhangzhou City, Fujian Province, the PRC	Wholesale and retail, hoteling and catering, urban residential	pre-sold	41,973	166,757	Mid-2020	100
5. Jianfa • Xiyuan (Sections C)* (建發•壘院(C標段))	North-west side of the intersection of Longyan Road and Xingye Road, Xinluo District, Longyan City, Fujian Province, the PRC (Dongxiao Land Parcel No. 3)	Commercial services, residential, public management and public services	pre-sold	23,190	70,961	Mid-2020	30
6. Jianfa • Shouyuan (Phases II, III)* (建發•首院 (二期、三期))	North of Ganlong Expressway, east of Longyan Avenue, Xinluo District, Longyan City, Fujian Province, the PRC (Land Parcel B on the south side of Shuanglong Road)	Commercial services, residential, public management and public services	pre-sold	28,375	112,239	By the end of 2020	100
7. Jianfa • Yuecheng (Section III)* (建發•悅城(三區))	Land Parcel No. SN-D-(04-05) I, South Xiashui Area, Jian'ou City, Fujian Province, the PRC	Other common commodity housing, wholesale and retail, hoteling and catering	pre-sold	47,748	180,113	Mid-2020	75
8. Jianfa • Xiyuan* (建發•壘院)	Land Parcel No. SN-B-(17-18), South Shui Area, Jian'ou City, Fujian Province, the PRC	Other common commodity housing, wholesale and retail, hoteling and catering	pre-sold	52,747	179,687	Mid-2020	70
9. Jianfa • Yangzhu* (建發•央著)	Shanty Town Rebuilding Land Plot H2, south of the Residential Theme Park, Jin'an District, Fuzhou, Fujian Province, the PRC	Urban residential, wholesale and retail	pre-sold	55,489	184,278	By the end of 2020	51.6
10. Jianfa & Rongqiao • Shanghai Daguan 01.03.04 (建發&融橋•山海大觀 01.03.04)	Land Parcels No. C24, C26, C36 in Songwu Village, Pukou Town, Lianjiang County, Fujian Province, the PRC	Urban residential, wholesale and retail	01 for pre-sold 03.04 for preliminary	90,802	228,224	By the end of 2021	46.15
11. Jianfa • Xiyuan* (建發•壘院)	East of National Highway 104, Sangang Industrial Park, Lianjiang County, Fujian Province, the PRC	Commercial and residential land	pre-sold	40,073	100,465	Mid-2020	70
12. Jianfa • Yangzhu (Phases II, III)* (建發•央著 (二期、三期))	East of Yingri Road, north of Xuesong Road, Meixi Lake, Changsha City, Hunan Province, the PRC (Land Parcel No. B-39)	Residential	pre-sold	48,708	310,510	Mid-2020	100
13. Jianfa • Xiyuan* (建發•壘院)	East of Huashan Avenue, north of Dachangshan Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC	Urban residential	pre-sold	68,315	148,133	Mid-2021	49

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
14. Jianfa • Yulongwan (Phase III)* (建發•御龍灣(三期))	Chengbei Community, Fanzhuang Community, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold	28,720	132,537	By the end of 2020	70
15. Jianfa • Yangyu* (建發•泱譽)	Minfeng Village, Yangshe Town, Zhangjiagang City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold	69,858	191,028	Mid-2020	100
16. Jianfa • Yangyu* (建發•泱譽)	South of Suzhou Road, west of Xingye Road, Gaoxing District, Taicang City, Jiangsu Province, the PRC	Urban residential, commercial	pre-sold	37,953	107,077	Mid-2020	100
17. Duhuizhiguang* (都會之光)	East of Dongjiang Road, north of Luoyang Road, Guoxing District, Taicang City, Jiangsu Province, the PRC	Urban residential	preliminary	52,932	146,620	By the end of 2020	30
18. Jianfa • Jiuliwan (Phases II, III, IV)* (建發•玖里灣(二期、三期、四期))	East of Shanhe Road, north of Hongye East Road, Xidong New City Business District, Wuxi City, Jiangsu Province, the PRC	Urban residential	Phrase II, III for pre-sold Phrase IV for preliminary	116,693	355,110	By the end of 2020	100
19. Jianfa • Yangyu* (建發•泱譽)	South of Xinzhuang Road, west of Xueli Road, Yongyang Street, Nanjing City, Jiangsu Province, the PRC	Urban residential, commercial services	pre-sold	73,277	195,131	By the end of 2020	40
20. Jianfa • Runjinyuan (formerly Jianfa • Guobinfu)* (建發•潤錦園(原建發•國賓府))	West of Zhixing Road, north of Pengshan Road, Gaoxinyuan, Jiangning District, Nanjing City, Jiangsu Province, the PRC	Urban residential, commercial services, business	preliminary	34,092	94,742	By the end of 2020	50
21. Sky of city* (天空之城)	Xindian Vehicle Base of Fuzhou Metro Line 1, located on the south side of Zhanban Road, Jin'an District, Fuzhou, Fujian Province, the PRC	Residential, commercial, transportation and public management, and public service	pre-sold	111,444	451,279	By the end of 2020	16.5
22. Jianfa • Jingyuexuan* (建發•璟悅軒)	North of Rongxing Road, east of Zhenming Road, Gongming Zhongxin District, Shenzhen City, Guangdong Province, the PRC	Apartments, commercial	pre-sold	8,416	66,920	By the end of 2021	51
23. Xixi Yunlu* (西溪雲廬)	Northwest corner of the intersection of Planed Xilong Road and planed Zhechuang Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC	Urban residential	pre-sold	42,357	96,140	By the end of 2020	10.5
24. Yangyun Jingshe* (養雲靜舍)	Hangzheng Chuchu 2017 Land Parcel No. 27, Gongshu District, Hangzhou City, Zhejiang Province, the PRC	Urban residential	preliminary	15,160	46,120	Mid-2020	40.18
25. Jianfa • Xiyuan* (建發•璽院)	West of Huxin Road, north side of Tengyi Road, Doumen District, Zhuhai City, Guangdong Province, the PRC	Urban residential, retail, public facilities, education, village roads	preliminary	47,364	121,978	By the end of 2021	100
26. Jianfa • Xiyuan* (建發•璽園)	East side of Huxin Road, Baiteng Lake, Doumen District, Zhuhai City, Guangdong Province, the PRC	Urban residential, retail	pre-sold	26,707	59,697	Mid-2021	51
27. Jianfa & Jiulongcang Yangxi* (建發&九龍倉•央璽)	No. 444, Shitan Road, Shijing Town, Baiyun District, Guangzhou City, Guangdong Province, the PRC	Urban residential	pre-sold	45,559	200,555	Mid-2021	64

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
28. Jianfa•Xiyue* (建發•靈樾)	The northeast to the intersection of Chenggong Avenue and Jinshan West Road, 06-07 Fanghu Area*, Huli District, Xiamen, Fujian Province, the PRC (Land Plot no. 2018P02)	Urban residential, retail commercial, other commercial and service, educational use	pre-sold	61,842	215,801	By the end of 2021	95
29. Jianfa•Yangzhu* (建發•央著)	Land Parcel 06-2 west to the Bihu Biological Park, Longwen District, Zhangzhou City, Fujian Province, the PRC	Residential, commercial service	pre-sold	37,141	127,441	Mid-2021	70
30. Jianfa & Rongqiao • Shanghai Daguan 02* (建發&融橋•山海大觀02)	Songwu Village, Pukou County, Lianjiang, Fuzhou, Fujian Province, the PRC (Land Plot no. Lian Di Pai Mai (2018)02)	Urban residential	preliminary	69,982	104,973	By the end of 2021	55.58
31. Jianfa•Yangzhu* (建發•央著)	Yuhu Area, Licheng District, Putian City, Fujian Province, the PRC	Residential, service facilities	pre-sold	54,977	189,579	By the end of 2020	100
32. Wuyi & Jianfa • Shanwaishan* (武夷&建發•山外山)	Ecological Tour & Economic Park, Wuyi Town, Wuyishan City, Fujian Province, the PRC	Catering and hotel, residential	pre-sold	160,000	108,647	Mid-2020	50
33. Jianfa & Jinmao • Xiyue* (建發&金茂•靈悅)	Dahualing Village, Daqiao New District Office, Jiangxia District, Wuhan Municipal, Hubei Province, the PRC	Residential	pre-sold	71,606	259,932	At the beginning of 2022	51
34. Land Parcel No. 2019HP01 in Haicang* (海滄2019HP01地塊)	North-west side of the intersection of Xinjing North Road and Lehuo Road, Haicang District, Xiamen	Retail, urban residential	preliminary	41,979	85,205	At the beginning of 2022	51
35. Land Parcel No. H2019P03 in Haicang* (海滄H2019P03地塊)	South-east side of the intersection of Dongfu East 2nd Road and Houxiang West Road, Haicang District, Xiamen	Retail, urban residential	preliminary	27,230	72,500	At the beginning of 2022	49.5
36. Land Parcel No. 2019HP02 in Haicang* (海滄2019HP02地塊)	South-west side of the intersection of Dongyao Road and Xiyuan South Road, Majiwan District, Haicang District, Xiamen City	Residential, commercial services	preliminary	17,464	48,900	By the end of 2022	100
37. Land Parcel No. 2019HP03 in Haicang* (海滄2019HP03地塊)	East side of the intersection of Dongyao Road and Xiyuan South Road, Majiwan Area, Haicang District, Xiamen	Residential, commercial services	preliminary	18,590	52,050	At the beginning of 2023	100
38. Land Parcel No. D-02 in Changtai* (長泰D-02地塊)	Shili Village, Mayangxi Ecological Tourist Area, Changtai County	Retail, urban residential	preliminary	67,943	95,120	At the beginning of 2023	60
39. Jianfa•Yangyu* (建發•央譽)	West of Longxiang Road, south of Narcissus Street, Longwen District, Shenzhen	Retail, urban residential,	preliminary	32,768	128,921	By the end of 2021	100
40. Jianfa•Xiyuan* (建發•靈院)	West of Shizhai North Road, Sui'an Town, Zhangpu County, North of Maishi Street	Residential, commercial services	Phrase I for pre-sold Phrase II for preliminary	123,275	376,598	By the end of 2021	70
41. Land Parcel No. 2019P12 in Zhangzhou* (漳州2019P12地塊)	North of East Road, Nanchang Road, West of Putougang, Longwen District, Zhangzhou	Retail, urban residential	preliminary	29,908	77,761	By the end of 2021	70

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
42. Jianfa•Yangyu* (建發•央譽)	Within the control scope of Yuhu District, Licheng District, Putian City	Residential	pre-sold	46,882	157,725	At the beginning of 2021	100
43. Jianfa•Panlongfu (formerly Land Parcel No. 2019-16 in Panlong Shanzhuang Area, Licheng District)* (建發•磐龍府 (原荔城區盤龍山莊片區 2019-16地塊))	North of Lihan Avenue and South of Panlong Road, Xitianwei Town, Licheng District, Putian City	Urban residential, commercial and residential, education	preliminary	182,155	435,715	By the end of 2022	100
44. Jianfa•Yongjingwan* (建發•雍景灣)	Within the control scope of Yuhu District, Putian City	Urban residential	preliminary	31,876	82,877	By the end of 2021	100
45. Jianfa•Xiyuan* (建發•璽院)	Central District of Xianyou County	Retail, urban residential	preliminary	32,598	140,042	By the end of 2021	55
46. Jianfa•Xiyue* (建發•璽悅)	No. 27 Nanfu Road, Yanping District, Nanping City	Residential, commercial	Phrase I for pre-sold Phrase II for preliminary	135,299	312,932	Mid-2021	75
47. Jianfa•Lingfu Xinyuan* (建發•領賦新苑)	East of Lianjiang Middle Road, West of Houpu Road, Jin'an District, Fuzhou	Urban residential, commercial and finance	pre-sold	23,256	86,014	At the beginning of 2021	100
48. Jianfa•Yangjun* (建發•映郡)	Core area of central city of Lianjiang County, Qingtang area	Retail, urban residential	preliminary	35,134	100,028	Mid-2021	100
49. Jianfa•Tianxing Yangzhu* (建發•天行央著)	Ningde Dongqiao Economic and Technological Development Zone, North of Mindong East Road, East of Yufu Road, Donglan Zu Tuan	Urban residential, commercial service land	pre-sold	49,177	139,847	By the end of 2021	50
50. Jianfa•Tianxing Xiyuan* (建發•天行璽院)	North of Tianshan Road, Dongqiao District, Ningde City, East side of Wangkeng Road	Urban residential, commercial service land	pre-sold	85,885	272,048	Mid-2021	55
51. Jinmao & Jianfa• Guanyue* (金茂&建發•觀悅)	Binhe Road, Furong District, Changsha	Residential	pre-sold	92,638	255,005	By the end of 2021	49
52. Jinmao & Jianfa•Boyue* (金茂&建發•铂悦)	Northeast corner of the intersection of Beijincheng Road and Yinshan Road, Yuelu District, Changsha City	Residential, commercial	preliminary	39,354	83,037	By the end of 2021	49
53. Land Parcel No. 011 in Changsha* (長沙縣011號地塊)	East of Ninghua Road, Xingsha Street, Changsha County, North of Wangxian Road	Urban residential	preliminary	130,157	234,283	By the end of 2021	49
54. Land Parcel No. 079 in Changsha* (長沙縣079號地塊)	East Line of Xiaoxiang Avenue, Yuelu District, Changsha City West of Lianjiang Road	Residential	preliminary	185,332	415,972	Mid-2023	49
55. Jianfa•Tianjingwan* (建發•天境灣)	East of Dongcang Road, South of Tianru Road, Science and Education New Town, Taicang	Urban residential, commercial, kindergarten	preliminary	83,999	228,199	Mid-2021	100
56. Land Parcel No. 2019A-017 in Changshu* (常熟2019A-017地塊)	East of Yuanhetang, Mocheng Street, Changshu, North of China Merchants West Road	Urban residential	preliminary	32,578	120,924	By the end of 2021	100

PROPERTIES PORTFOLIO

PROPERTY UNDER DEVELOPMENT AS AT 31 DECEMBER 2019 (Continued)

Property name	Address and lot no.	Type	Stage of completion/ project phase	Site area (sq.m.)	Total or estimated total GFA (sq.m.)	Expected completion date	Group's interest (%)
57. Land Parcel No. 2019-WG-28 in Suzhou City (蘇地2019-WG-28號地塊)	East side of Lujin Road and South side of Luxin Road, Qiaokou Town, Wuzhong District, Suzhou City	Urban residential	preliminary	27,921	67,010	At the beginning of 2022	100
58. Land Parcel No. WJ-J-2019-017 in Wuiiang* (吳江WJ-J-2019-017號地塊)	West side of Guiba Road, North side of Sports Road, Taihu New Town (Songling Town)	Residential	preliminary	37,826	49,174	By the end of 2021	100
59. Land Parcel No. WJ-J-2019-018 in Wuiiang* (吳江WJ-J-2019-018號地塊)	West side of Guiba Road, North side of Sports Road, Taihu New Town (Songling Town)	Residential, commercial services	preliminary	49,988	64,984	By the end of 2021	100
60. Jianfa•Yujingwan* (建發•御璟灣)	West of Jinnan Road, Jingang Town, Zhangjiagang City	Urban residential	preliminary	166,013	437,843	Mid-2022	100
61. Hexi* (和璽)	North-east of the intersection of Xincheng Road and Hefeng Road, Economic Development Zone, Wuxi	Urban residential	preliminary	143,853	214,008	By the end of 2021	49
62. Jiuli Yingyue* (玖里映月)	North of Dongxiang Road and East of Hongye Road, Xidong New Town Business District, Wuxi	Residential, commercial	pre-sold	55,997	100,952	By the end of 2022	42
63. Land Parcel No. G15 in Lishui, Nanjing* (南京溧水G15地塊)	Lot East of Nanzhu South Road, South of Gaoping Street, Lishui District, Nanjing	Residential	preliminary	121,488	182,232	By the end of 2022	49
64. Jianfa•Yuexi* (建發•悅璽)	South of Shenyang Road, North of Hengyang Road, Xixiangtang District, Nanning City	Retail, urban residential, commercial and finance	pre-sold	58,426	298,084	Mid-2023	60
65. Jianfa•Yangxi (formerly Land Parcel No. GC2019-055 in Wuxiang New District, Nanning)* (建發•央璽(原南寧五象新區GC2019-055地塊))	No. 3 Tanyang Road, Liangqing District, Nanning City	Retail, urban residential	preliminary	101,673	276,552	Mid-2023	100
66. Jianfa•Xiyuan Phase II* (建發•壹院二期)	South of Jinfu Road, east of Yide Road, Jiangnan District, Nanning	Retail, urban residential	preliminary	11,323	39,631	At the beginning of 2023	51
67. Jianfa•Shuangxi* (建發•雙璽)	South of Yudong Avenue, west of Yude Road, Liangqing District, Nanning	Retail, urban residential	preliminary	86,333	172,667	Mid-2022	100
68. Jianfa•Yangjingyuan* (建發•央璟園)	South of Chunfeng Road, Xiangzhou District, Zhuhai	Urban residential	preliminary	19,703	80,257	By the end of 2021	100
69. Land Parcel No. 2019 Lot-17 in Longyan* (龍岩2019拍-17地塊)	North-east of the intersection of Jinji Road and Yanlong Road, Longyan	Urban residential	preliminary	20,907	70,153	At the beginning of 2021	55
70. Land Parcel No. 2019 Lot-19 in Longyan* (龍岩2019拍-19地塊)	East of Longyan Traffic and Highway Management Center, north of Jinji Road	Residential, commercial services	preliminary	32,413	90,756	At the beginning of 2022	70
71. Australia Project	71 Windsor Road, Baulkham Hills, NSW 2153 Australia	Neighbourhood center, medium density residential, infrastructure (classified road)	preliminary	10,710	8,547	At the beginning of 2021	60