融信中國控股有限公司
RONSHINE CHINA HOLDINGS LIMITED

BUILDING TRUST AND QUALITY MOVING AHEAD PROGRESSIVELY

2019 Annual Report

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3301

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ou Zonghong
(Chairman and Chief Executive Officer)
Ms. Yu Lijuan (appointed on 22 March 2019)
Ms. Zeng Feiyan
Mr. Ruan Youzhi
Mr. Zhang Lixin *(Chief Financial Officer)*

Non-Executive Director

Ms. Chen Shucui

Independent Non-Executive Directors

Mr. Ren Yunan
Mr. Qu Wenzhou
Mr. Ruan Weifeng (appointed on 22 March 2019)

AUDIT COMMITTEE

Mr. Qu Wenzhou *(Chairman)*
Mr. Ren Yunan
Mr. Ruan Weifeng

REMUNERATION COMMITTEE

Mr. Ren Yunan *(Chairman)*
Mr. Ou Zonghong
Mr. Qu Wenzhou

NOMINATION COMMITTEE

Mr. Ou Zonghong *(Chairman)*
Mr. Qu Wenzhou
Mr. Ruan Weifeng

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
FenXun Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Building L1B, Hongqiao World Center,
Lane 1588, Zhuguang Road
Qingpu District
Shanghai
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1210, 12th Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Yu Zuoyi
Ms. Ng Wing Shan *(FCS, FICS)*

AUTHORISED REPRESENTATIVES

Mr. Ou Zonghong
Ms. Ng Wing Shan

PRINCIPAL BANKERS

Bank of China Limited

Agricultural Bank of China Limited

Industrial and Commercial Bank of China Limited

WEBSITE

www.rongxingroup.com

STOCK CODE

STOCK

HKEx: 3301

BOND

US$123,625,000 6.95% Senior Notes due 2019
Common Code: 152895577
ISIN: XS1528955773

US$344,589,000 8.25% Senior Notes due 2021
Common Code: 174766592
ISIN: XS1747665922

US$200,000,000 11.5% Senior Notes due 2020
Common Code: 192599709
ISIN: XS1925997097

US$600,000,000 11.25% Senior Notes due 2021
Common Code: 195081972
ISIN: XS1950819729

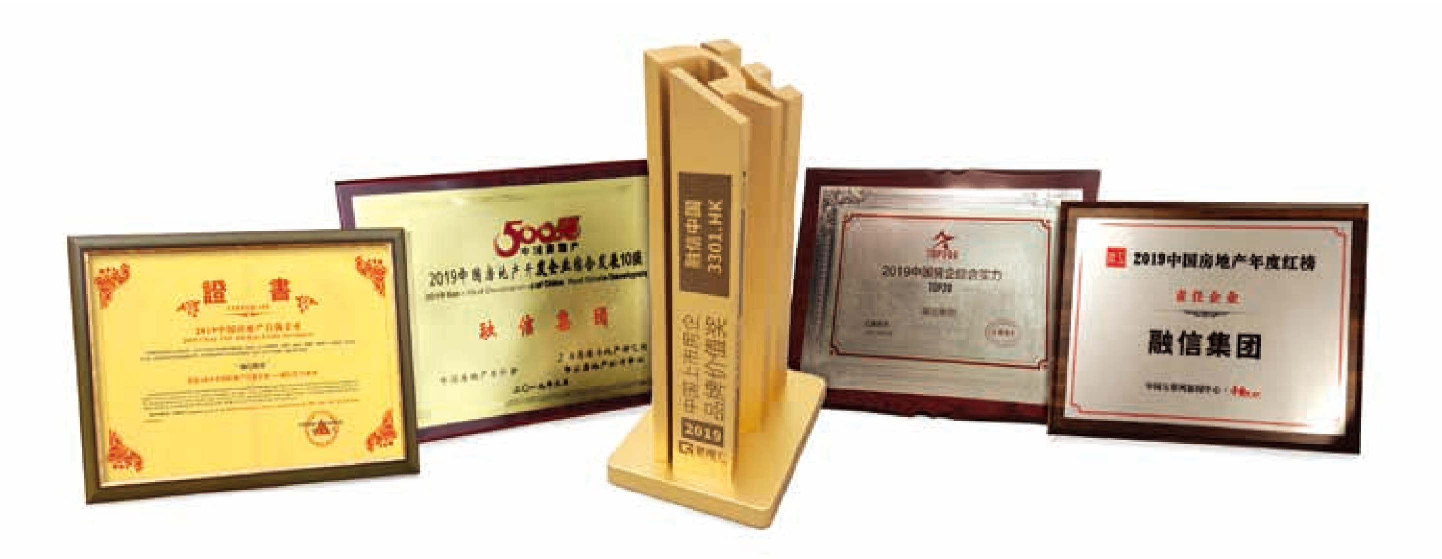
US$500,000,000 10.5% Senior Notes due 2022
Common Code: 195748144
ISIN: XS1957481440

US$700,000,000 8.75% Senior Notes due 2022
Common Code: 197676078
ISIN: XS1976760782

US$420,000,000 8.95% Senior Notes due 2023
Common Code: 203146973
ISIN: XS2031469732

US$324,000,000 8.10% Senior Notes due 2023
Common Code: 209094916
ISIN: XS2090949160

Major Honours and Awards



Corporate Brand

Ranking fifth on the list of the 2019 China Real Estate Top 100 Growth Top 10
March 2019, issued by the China Real Estate T0P10 Research Group

Ranking sixth on the list of 2019 China Top 10 Comprehensive Developments of Real Estate Development Enterprises
March 2019, issued by the China Real Estate Association, Shanghai E-house Real Estate Research Institute and China Real Estate Appraisal Center

Ranking the TOP 20 in Comprehensive Strength of China's Typical Real Estate Enterprises in 2019
7 August 2019, issued by Yihan Zhiku

Ranking 2019 China Listed Real Estate Enterprises Brand Value Award
17 December 2019, issued by Gelonghui

2019 China Real Estate Annual Red List Responsible Enterprise
2019, issued by House China

Star Project

Century Series

Ranking the TOP 15 in Brand Value of China's Typical Real Estate Enterprises in 2019
7 August 2019, issued by Yihan Think Tank

Ronshine Shanghai Century Summit

Excellence Award for Best International Residential Project
27 May 2019, issued by THE GOLD NUGGET AWARDS

Hangzhou Ronshine Flow Era

CREDAWARD. China Annual Ceremony. Merit Award
2019, DJSER.com

Fuzhou Ronshine China Legend

"Global Cultural Landmark Award" of the International Cultural Real Estate Awards (2019 New York)
April 2019, issued by AREAA and GO ART

Capital Market

2019 Best Hong Kong Stock Connect Company Award
The fourth Golden Hong Kong Stock Grand Award" ceremony, issued by Zhitong Caijing

"Best Investor Relations High Yield Overall" and "Best Use of Debt High Yield Overall"
From the authoritative international financial magazine Institutional Investor. The awards mirrored the high recognition of the capital market for the Group.

Chairman's Statement

City of Time (Taiyuan)

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Ronshine China Holdings Limited (the "**Company**" or "**Ronshine**"), I am pleased to present the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year**").

Market Review

In 2019, the global economy has entered synchronized slowdown with increasing uncertainty. In face of increasing domestic and foreign risks and challenges, China has maintained stable progress in economic development, with the gross domestic product in 2019 amounting to nearly RMB100 trillion, an increase of 6.1% as compared with 2018, representing one of the top growth rates among the world's main economies, and continued to push the world economic growth as an important engine.

During the Year, the overall growth rate of China's real estate industry slowed down. The central government clearly defined the goal of "Stabilizing land prices, housing prices and related expectations", continued to adhere to the positioning of "housing is for living, not for speculation" and implemented long-term control mechanism of "one city, one policy". Therefore, the real estate market has generally maintained smooth operation. According to the data of National Bureau of Statistics, the sales data of the real estate market continued to grow positively in 2019. The sales of commodity housing amounted to RMB15,972.5 billion for the Year, representing an increase of 6.5% as compared with 2018, while sales area amounted to 1,715.58 million sq.m. for the Year, basically the same as last year.


Platinum Bay (Xiamen)


NEO (Hangzhou)


City of Time (Zhengzhou)

Business Review

Facing the opportunities and challenges of times, the Group unwaveringly upheld the vision of "become a property developer leader with quality and a service provider for an ideal life", and insisted on strategic policy of "focus, balance and alliance with giants". By closely monitoring and capitalizing on the development trend and precisely following industrial changes and market cycle, the Group achieved steady growth in performance and gradual decrease in net debt ratio, and significantly optimized its capital structure during the Year. While gaining high recognition from the capital market, the Group has become an outstanding force in China's urbanization process.

The Group became a property developer with contracted sales over RMB100 billion in 2018, since then, the Group has abided by the keynotes of quality first and steady progress and maintained steadily improvement of various profit indicators in 2019. For the year ended 31 December 2019, the Group recorded revenue of RMB51.5 billion, an increase of 49.75% as compared with last year; with its gross profit and net profit amounting to RMB12.5 billion and RMB5.9 billion, representing an increase of 54.68% and 69.78%, respectively, as compared with last year. During the Year, the Group recorded contracted sales of RMB141.3 billion, an increase of 15.94% as compared with last year, successfully achieved the annual target of RMB140 billion set at the beginning of the year during adverse market conditions. Also, the Group recorded a contracted gross floor area of 6.55 million sq.m. and an average contracted sales price of RMB21,583 per sq.m. which ranked at the top of the industry. In terms of regional sales, the Group has laid a solid foundation in the Yangtze River Delta and west coast of Straits, reflecting clearly its regional ranked competitive strength. According to China Real Estate Information Corporation, the Group ranked first in terms of equity sales in Fuzhou and ranked fourth in terms of equity sales in Hangzhou in 2019 (calculated by the proportion of the Group's equity interest in the property development projects).

During the Year, the Group maintained a prudent land acquisition policy, focused on quality and profitability of projects and acquired a number of plots of land at a low premium by accurately following market cycle. Meanwhile, efforts have been continuously made on urban renewal projects, successively acquiring quality land at low cost through interaction of primary land development and secondary land development. Recently, the Group has transformed 2.0 million sq.m. in total in Zhengzhou, Henan Province and Taiyuan, Shanxi Province and will continuously promote the urban renewal project in the future to transform and enrich its land reserves. During the Year, the Group obtained 46 new land projects, adding land reserves of approximately 7.3 million sq.m. at an equity consideration of approximately RMB16.3 billion. As at 31 December 2019, the Group established a total of 200 projects with total land reserves of approximately 27.0 million sq.m.

The Group has also continued to deepen the "1+N" layout. The Group deeply cultivated nine urban agglomerations (the Yangtze River Delta, the west coast of the Straits, middle reaches of the Yangtze River, Zhongyuan (Central Plain), Chengdu and Chongqing Region, the Greater Bay Area, the Beijing-Tianjin-Hebei Region, Shandong Peninsula and Northwest China) totaling 44 cities. While reinforcing its status as a property developer with contracted sales over RMB100 billion, the Group continued to improve its national layout. By strategically laying a solid foundation in the core metropolitan areas of these core first-and second-tier cities, the Group proactively expanded from cities with existing business presence to surrounding satellite cities with obvious spillover demand, net inflows of population and emerging industry planning. The Group has successfully enhanced its premium pricing capability and overall market share by creation of benchmarking city projects and cultural communities of high quality, which have laid a solid foundation for future growth.

The Group adheres to the strategy of "Balanced Development" and has stably implemented de-leveraging plans by accurately grasping opportunities in the capital market to reduce its financing costs, exploring diversified financing channels and optimizing its debt structure. During the Year, the Group issued domestic and overseas bonds prudently, allocated long-term and short-term debt comprehensively to optimize its capital structure continuously. Meanwhile, the Group completed the swap of senior notes to extend the debt period. It actively managed domestic and foreign bonds by way of single note consolidation, early redemption and other methods to reduce financing costs. In addition, benefiting from the continuous improvement of the Company's financial indicators and project cash flow conditions, more favorable interest rates for development loans are offered to the Group, which has contributed to a reduction of the Company's overall debt cost. As of 31 December 2019, the Group's interest-bearing debt balance was RMB63.2 billion and the net debt ratio decreased from 105% in 2018 to 70%. The Group achieved its de-leveraging target while maintaining the overall debts at a stable level. At the same time, the Group actively explored new financing channels and successfully obtained a dual-currency term loan facilities of HK$815.5 million in total for a term of 36 months in September 2019, marking its first cross-border syndicated loan, which is undoubtedly a key milestone of the Group's successful expansion in new financing channels. The Group also placed much emphasis on shareholders' interests. During the Year, the Company repurchased 10.626 million shares in 16 rounds from September to November 2019 at a cumulative consideration of approximately HK$97.48 million.

The Group's financial position continued to improve, with the profit margin remaining stable, and its overall strength was significantly improved. During the Year, three major international credit rating agencies raised their ratings on the Group. Among them, S&P raised the Group's outlook rating in April 2019 and August 2019 respectively, and finally raised the Group's long-term issuer's credit rating from "B" to "B+" with an outlook of "stable"; Moody raised the Company's main rating from "B2" to "B1" while the outlook remained "stable"; and Fitch raised the Group's credit rating from "B+" to "BB–" and the outlook to "stable", attesting to the fact that the Group's development has been unanimously recognized by the capital market. Looking forward, the Group believes that it will be well recognized by the industry owing to its strong financial position and premium development.

In addition, the Group received increasingly high recognition in the capital market and won the favor of various investment institutions due to its solid sales performance and prominent regional competitive advantages. Among which, Deutsche Bank recommended a "Buy" rating and included the Group in their "top pick list" because of its attractive valuation. In addition, well-known institutions such as Citibank, Haitong International, JP Morgan, UOB Kay Hian, Guotai Junan, CCB International Securities, Haitong Securities, Essence International, Zhongtai International, Soochow Securities, CIC Securities, Southwest Securities and Guosen Securities also recommended a "Buy" rating on the Group. Leveraging its stable performance and effective deleveraging measures, the Group has significantly increased its recognition in the capital market.

The Group has always adhered to the ultimate pursuit of residential quality and service, focusing on the historic and cultural heritage, so as to achieve a high degree of integration of art and architecture. In April 2019, China Legend (海月江潮) of Ronshine Group was awarded "Global Cultural Landmark Award (CHINA-NEW 全球地標大獎)" in New York. At the same time, the Group has won multiple awards for its active and stable debt management and increasing market awareness, including "Best Investor Relations – High Yield Overall" and "Best Use of Debt – High Yield Overall" awarded by "Institutional Investor", an international authoritative financial magazine, as well as "2019 China Real Estate Annual Red List Responsible Enterprise" (2019年中國房地產年度紅榜責任企業) awarded by China Real Estate Industry Association.

The wise people change with time. As a property enterprise with sales over RMB100 billion, the Group is planning for the future and beginning to adjust and sort out the Company's organizational structure to suit future development. During the Year, the original "4+1" business unit structure of Ronshine – the four major business units and the southwestern regional company, was split into 10 new regional groups and companies, namely Zhejiang Regional Group, Fujian Regional Group, Shanghai and Suzhou Regional Company, Henan Regional Company, Southwest Regional Company, Jiangsu Regional Company, Guangdong Regional Company, Shandong Regional Company, Tianjin Regional Company and Shanxi Regional Company. A well-established national layout meets the needs of the Group's own growth. At the same time, a more effective and refined management model will release regional energy, help reduce corporate management costs and increase profit margin. The Group's future development is even more powerful.

Prospects

The year 2020 will mark the completion of building a well-off society in an all-round way and the "Thirteenth Five-Year Plan". The basic trend of steady growth for China's economic operation remains unchanged, and the market environment for the long-term and stable development of the real estate industry has become clear. Under the keynote of the steady development of the industry, the Group will continue to grasp the macro trend and uphold the ingenuity, while focusing on the "three carriages" of product quality, community building and balanced development, with the mission of "striving for a more beautiful China", so as to continue to create high-quality real estate projects.

In the process of urbanization in China, the Group will adhere to its vision of "become a property developer leader with quality and a service provider for an ideal life" and make unremitting efforts to improve the quality of urban living and promote the well-being of residents. The Group will continue to deeply cultivate the existing nine core urban agglomerations, prudently acquire land, grasp investment opportunities, and achieve collaborative development for the entire industry chain through business segments including real estate development, property services, construction services, and asset management operations. The Group will actively honor its corporate responsibilities, perform duties with sense of public welfare, and gather strengths with culture. Consequently, the Group will promote optimization and upgrading of enterprise, continuously return to society and commit itself to creating quality real estate and build better lives for the Chinese people.

Acknowledgements

On behalf of the Board, I hereby express my sincere gratitude to the shareholders of the Company ("**Shareholders**"), customers and partners of the Company for their long-term support and trust in Ronshine, and my heartfelt thanks go to the Directors, management team and all employees for their hard work and dedications over the past year. In 2020, the Group will adhere to the code of starting a career with integrity and broadening reach with quality, and will remain true to its original aspiration, forge ahead against all odds, and keep on creating greater value for shareholders and investors.

Ou Zonghong
Chairman

Hong Kong, 24 March 2020

Summary of Principal Properties

The table below set forth the details of the property development projects of the Group as at 31 December 2019.

PROJECTS DEVELOPED BY THE GROUP

As at 31 December 2019, the subsidiaries, joint ventures and associates of the Group engaged in a total of 200 property development projects.

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
1	Zhangzhou Wanke City (漳州萬科城)	Zhangzhou	235,606.37	20.00%	Residential	1,040,221.43	538,044.32	19/6/2018
2	Hangzhou Country Garden Tianlu House (杭州碧桂園天麓府)	Hangzhou	59,494.00	34.00%	Residential	206,868.03	23,156.40	13/6/2019
3	Nanjing Century East (南京世紀東方)	Nanjing	106,002.49	30.09%	Residential	335,078.73	111,811.55	30/6/2020
4	Fuzhou China Legend (福州海月江潮), Fuzhou Twin Harbour City (福州雙杭城)	Fuzhou	259,519.00	100.00%	Residential	1,311,286.93	813,305.17	31/12/2020
5	Changle Shangjiang Town (長樂上江城)	Fuzhou	185,196.00	100.00%	Residential	690,792.60	94,265.27	30/6/2020
6	Fuzhou Hot Spring City (福州融信溫泉城)	Fuzhou	1,018,836.00	50.00%	Residential	1,662,219.56	1,219,958.87	1/12/2020
7	Fuzhou Nice Villa (福州有墅)	Fuzhou	161,008.40	25.50%	Residential	258,248.00	165,061.90	30/6/2020
8	Xiamen Boyue Bay (廈門鉑悅灣)	Xiamen	39,715.25	100.00%	Residential	185,558.66	43,321.94	8/6/2020
9	Shanghai Bowan (上海鉑灣)	Shanghai	121,376.80	51.00%	Residential	202,326.40	3,354.89	22/7/2016
10	Shanghai Platinum (上海鉑爵)	Shanghai	21,195.60	51.00%	Residential	103,055.00	4,383.84	1/12/2018
11	Shanghai Zhongxing Road (上海中興路)	Shanghai	31,034.10	50.00%	Residential	149,836.40	115,014.00	30/6/2021
12	Shanghai Xihong Bridge No. 1 (上海西虹橋壹號)	Shanghai	36,279.00	30.50%	Residential	161,959.90	71,473.03	31/12/2019
13	Century Summit (上海世紀江灣)	Shanghai	39,805.80	50.00%	Residential	102,476.00	52,697.53	27/10/2020
14	Hangzhou Mansion (杭州公館)	Hangzhou	45,573.99	100.00%	Residential	229,099.71	16,697.86	30/9/2017
15	Hangzhou Lan Sky (杭州瀾天)	Hangzhou	71,488.00	93.50%	Residential	244,592.00	5,248.80	1/12/2018
16	Hangzhou Baolidaguojing (杭州保利大國璟)	Hangzhou	42,709.00	25.50%	Residential	166,196.62	34,888.12	1/6/2019
17	Nanjing Boan Center (南京鉑岸中心)	Nanjing	42,707.52	100.00%	Residential	351,699.72	266,189.10	1/11/2020
18	Kunshan Yulan Residence (昆山玉蘭公館)	Suzhou	76,671.70	50.00%	Residential	280,319.55	96,222.49	30/1/2020
19	Hangzhou Lanxuan (杭州瀾軒)	Hangzhou	24,560.00	93.50%	Residential	61,640.00	9,997.53	31/12/2019
20	Longyan Lot (龍岩學院府)	Longyan	53,131.00	44.37%	Residential	170,115.78	14,398.70	8/11/2019
21	Zhangzhou No. 1 (漳州壹號府)	Zhangzhou	52,438.88	93.03%	Residential	193,882.55	86,930.82	2/3/2020
22	Nanjing Zhong Jun Yong Jing Tai (南京中駿雍景台)	Nanjing	82,627.65	44.89%	Residential	201,690.70	185,387.54	31/3/2020
23	Chengdu Ronshine Residence (成都融信公館)	Chengdu	11,109.78	93.76%	Residential	63,202.01	18,933.98	30/6/2020
24	Tianjin West Coast (天津西海岸)	Tainjin	106,043.80	93.21%	Residential	181,915.76	147,204.28	9/7/2020
25	Tianjin Jinnan (天津津南府)	Tainjin	68,970.00	93.24%	Residential	130,100.00	105,198.00	9/7/2020
26	Putian Ronshine (莆田融信府)	Putian	37,289.36	87.69%	Residential	125,867.40	46,980.38	17/5/2020
27	Guangzhou Tianyue (廣州天樾府)	Guangzhou	28,001.00	45.53%	Residential	117,382.53	57,651.33	23/5/2020
28	Xiamen Century (廈門世紀)	Xiamen	11,386.12	87.00%	Residential	43,262.32	34,775.00	22/4/2020

Summary of Principal Properties

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
29	Chongqin Lan Bay (重慶瀾灣)	Chongqing	117,541.00	71.66%	Residential	332,507.30	255,830.09	30/3/2020
30	Jinhua Mei Di Jun Lan Jiang Shan (金華美的君蘭江山)	Jinhua	64,604.83	43.72%	Residential	182,740.09	57,298.03	31/5/2020
31	Hangzhou Lan Sky (Konggang) (杭州瀾天(空港))	Hangzhou	48,543.00	87.00%	Residential	131,391.96	61,038.00	10/6/2020
32	Shengzhou Creating Century (嵊州創世紀), Shengzhou Mansion (嵊州學院府)	Shaoxing	248,819.00	91.70%	Residential	817,520.32	394,536.56	10/5/2020
33	Hangzhou Century (杭州世紀)	Hangzhou	47,326.00	45.28%	Residential	177,964.51	75,300.15	1/7/2020
34	Quzhou Zhongliang No. 1 Project (衢州中梁壹號院)	Quzhou	85,326.00	39.15%	Residential	213,054.64	6,247.93	30/6/2020
35	Fenghua Nanshan (奉化南山府)	Ningbo	45,993.00	22.19%	Residential	140,666.35	68,858.12	29/4/2020
36	Zhengzhou Cheng Shi Zhi Chuang (鄭州城市之窗)	Zhengzhou	64,876.00	87.00%	Office	252,987.87	215,383.49	30/3/2021
37	Hangzhou Lvcheng Wang Yin Yun Lu (杭州綠城望隱雲廬)	Hangzhou	40,685.00	16.00%	Residential	83,868.69	20,191.96	15/12/2020
38	Hangzhou Lvcheng Xi Xi Yun Lu (杭州綠城西溪雲廬)	Hangzhou	42,357.00	6.09%	Residential	96,140.02	77,094.35	25/6/2021
39	Nanjing Wanke Du Hui Tian Di (南京萬科都薈天地)	Nanjing	108,521.76	6.21%	Residential	643,841.00	360,129.93	20/1/2020
40	Nanjing Xu Hui Shi Dai Tian Yue (南京旭輝時代天樾)	Nanjing	54,173.00	8.70%	Residential	268,209.36	89,784.26	25/6/2021
41	Hangzhou Gu Cui Yin Xiu (杭州古翠隱秀)	Hangzhou	53,417.00	63.54%	Residential	219,298.35	149,014.07	30/3/2021
42	Hangzhou Wanke Zhong Cheng Hui (杭州萬科中城匯)	Hangzhou	39,950.00	21.75%	Residential	164,116.00	47,871.24	30/3/2020
43	Hangzhou De Xin Yin Jiang Nan (杭州德信印江南)	Hangzhou	63,742.00	22.27%	Residential	208,331.36	25,801.29	30/8/2020
44	Fuzhou Wanke Zhen Ju Yuan (福州萬科臻麓園)	Fuzhou	113,570.00	11.84%	Residential	216,400.00	124,314.86	30/5/2021
45	Hangzhou Jin Di Yue Hong Wan (杭州金地悦虹灣)	Hangzhou	106,872.00	23.69%	Residential	421,517.30	187,736.07	30/4/2022
46	Zhengzhou Jiangwancheng-Supai-1 (鄭州江灣城－蘇派－1)	Zhengzhou	236,878.59	87.89%	Residential	607,514.59	504,635.07	18/8/2020
47	Fuzhou Lan Sky (福州瀾天)	Fuzhou	25,668.00	91.55%	Residential	85,600.00	33,092.49	30/4/2021
48	Zhoushan Chuang Shi Ji (舟山創世紀)	Zhoushan	71,491.40	30.75%	Residential	202,096.70	78,497.74	30/6/2021
49	Hangzhou Bao Li He Guang Chen Yue (杭州保利和光塵樾)	Hangzhou	104,698.00	25.50%	Residential	290,176.00	197,269.46	31/12/2020
50	Changle Yujingwan (長樂御景灣)	Fuzhou	46,573.57	34.00%	Residential	115,983.00	21,009.55	1/12/2018
51	Tongling Lanshan Fu (銅陵瀾山府)	Tongling	60,475.00	38.76%	Residential	161,075.00	71,870.20	30/10/2019
52	Ganzhou Rongxita (贛州榕璽台)	Ganzhou	39,013.00	55.00%	Residential	116,895.73	16,726.81	30/11/2022
53	Lu'an Jiangwancheng (六安江灣城)	Lu'an	144,532.00	43.69%	Residential	347,695.00	18,632.67	30/6/2019

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
54	Tangning Mansion-Suzhou (唐寧府-蘇州)	Suzhou	106,303.44	52.25%	Residential	278,962.28	49,948.31	30/12/2018
55	Hai Liang Yue Fu (海亮 • 悦府)	Fuyang	145,024.00	55.00%	Residential	400,569.59	22,579.38	2/2/2018
56	The Riverside Mansion (海亮 • 江灣城)	Fuyang	114,375.80	55.00%	Residential	388,881.00	45,093.44	15/6/2018
57	Hai Liang Xingfu Li (海亮 • 幸福里)	Fuyang	154,391.00	38.50%	Residential	402,143.00	197,999.06	31/12/2019
58	Xingfu Li • East County (幸福里 • 東郡)	Fuyang	86,710.00	43.07%	Residential	293,513.86	104,872.62	31/5/2019
59	Xingfu Li • North County (幸福里 • 北郡)	Fuyang	47,886.00	43.07%	Residential	141,699.00	34,545.87	31/12/2020
60	Tangning Mansion-Hefei (唐寧府-合肥)	Hefei	25,959.43	19.57%	Residential	75,857.71	22,612.73	30/6/2020
61	Hailiang Time ONE (海亮時代 ONE)	Zhengzhou	50,053.14	55.00%	Commercial	304,542.42	33,904.94	30/11/2020
62	Hailiang • Tangning Mansion (海亮 • 唐寧府)	Xi'an	70,065.04	26.40%	Residential	267,799.96	35,473.51	30/9/2020
63	Chang'an XiYue (長安熙悦)	Xi'an	63,448.10	6.12%	Residential	310,371.00	72,675.06	30/11/2020
64	Lanzhou Xi'an Hua Fu (熙岸華府)	Lanzhou	65,784.80	55.00%	Residential	264,701.52	103,813.66	30/10/2018
65	Binhe No. 1 Project (濱河壹號)	Yinchuan	157,815.00	55.00%	Residential	256,818.61	99,442.03	31/7/2018
66	Haimao No. 1 Project (海茂壹號院)	Yinchuan	176,146.41	26.95%	Residential	408,745.08	121,879.05	31/12/2018
67	Shiyuefu Project (世悦府)	Yinchuan	136,828.38	26.95%	Residential	384,115.00	177,635.95	30/9/2019
68	Jurong Tianyuefu Project (句容天悦府)	Zhenjiang	53,873.00	15.66%	Residential	145,462.31	91,738.36	8/3/2020
69	Hangzhou Liwang NEO1 (杭州厘望 NEO1)	Hangzhou	14,684.00	34.80%	Residential	49,508.11	26,918.89	8/1/2020
70	Jiaxing Country Garden Chongde (嘉興碧桂園崇德府)	Jiaxing	62,774.55	18.27%	Residential	195,843.58	80,310.21	30/3/2020
71	Haining Lanting (海寧瀾庭)	Jiaxing	52,780.00	87.00%	Residential	110,992.64	61,120.13	6/3/2020
72	Hangzhou Dexin Shixin (杭州德信市心府)	Hangzhou	25,318.00	17.40%	Residential	94,227.37	35,995.75	29/1/2020
73	Ningbo Country Garden Siji Longyue (寧波碧桂園四季朧玥華府)	Ningbo	113,857.00	18.27%	Residential	253,440.03	63,423.67	1/3/2020
74	Hangzhou Xianghu Yuezhang (杭州湘湖悦章)	Hangzhou	93,039.00	75.40%	Residential	362,335.58	60,576.71	16/4/2020
75	Anji Yuejiang (安吉悦江府)	Huzhou	53,254.00	21.66%	Residential	113,938.00	37,714.96	11/6/2020
76	Zhengzhou Jiangwancheng-Zhongqiao-1 (鄭州江灣城－中喬－1)	Zhengzhou	302,571.59	87.00%	Residential	441,400.14	433,645.78	1/10/2021
77	Chengdu Lan Sky (成都瀾天)	Chengdu	22,731.50	87.00%	Residential	80,984.61	49,351.52	27/3/2020
78	Fuyang Lvdi Zifeng House (阜陽綠地紫峰公館)	Fuyang	77,605.00	15.31%	Residential	219,352.17	26,593.41	12/1/2020
79	Dongtai Project (東台項目)	Dongtai	55,320.00	11.00%	Residential	135,275.00	70,025.54	22/3/2020
80	Mengcheng Age Xingfu Li (蒙城時代幸福里)	Mengcheng	71,359.39	22.97%	Residential	180,133.00	105,359.06	29/3/2020
81	Zhengzhou Jiangwancheng-Supai-2 (鄭州江灣城－蘇派－2)	Zhengzhou	110,754.43	87.89%	Residential	329,775.42	178,794.44	31/10/2023
82	The Ocean Costal (青島海月星灣)	Qingdao	100,705.00	40.29%	Residential	422,216.85	362,363.71	31/12/2021
83	Fuzhou Park Left Bank Project (福州公園左岸)	Fuzhou	65,666.00	4.35%	Residential	183,995.02	61,343.91	31/12/2022
84	Haining Lanting Qihang (海甯瀾庭啟杭)	Haining	44,887.00	87.00%	Residential	149,641.31	92,874.82	20/1/2022
85	Fuyang Shangjun (阜陽上郡)	Fuyang	102,493.85	12.60%	Residential	267,212.42	84,422.19	1/5/2021
86	Shanghai Yangpu Lot (上海楊浦平涼地塊)	Shanghai	16,112.30	15.20%	Commercial	81,398.21	65,091.00	1/4/2020
87	Fuzhou Country Garden Yuelinglong (福州碧桂園悦玲瓏)	Fuzhou	77,113.00	2.50%	Residential	158,846.00	107,656.59	1/12/2021

Summary of Principal Properties

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
88	Hai Liang • Yuchen (海亮 • 御宸)	Xi'an	27,695.33	29.57%	Residential	104,922.00	54,764.71	1/6/2021
89	Tianyang Oriental Residence (天陽東方邸)	Hangzhou	23,772.00	43.50%	Residential	99,390.59	80,329.13	1/7/2020
90	Bengbu Golden Age (蚌埠黃金時代)	Bengbu	97,021.93	21.10%	Residential	292,842.19	107,301.88	1/6/2021
91	Zhengzhou Jiangwancheng-Delan-1 (鄭州江灣城－德藍－1)	Zhengzhou	196,121.00	51.00%	Residential	576,552.70	576,552.70	24/8/2025
92	Zhengzhou Olympic Century-1 (鄭州奧體世紀－1)	Zhengzhou	63,661.00	50.37%	Residential	304,583.06	87,810.53	27/8/2021
93	Suzhou Haiyue Pingjiang (蘇州海月平江)	Suzhou	26,930.70	48.11%	Residential	90,429.21	90,429.21	21/9/2021
94	Hangzhou Qinlan (杭州沁瀾)	Hangzhou	18,703.00	36.66%	Residential	62,696.00	62,696.00	26/11/2021
95	Wenzhou Yueqing Boyuewan (溫州樂清柏悅灣)	Wenzhou	31,677.00	24.75%	Residential	85,304.00	51,091.00	1/3/2022
96	Changle Lanshan (長樂瀾山)	Fuzhou	125,737.00	29.06%	Residential	317,109.00	305,325.01	1/3/2022
97	Chongqing Haiyue Pinghu (重慶海月平湖)	Chongqing	37,791.00	70.50%	Residential	95,045.18	94,414.89	30/5/2021
98	Jiangmen Guoyue House (江門國樾府)	Jiangmen	30,230.62	15.51%	Residential	103,032.50	103,032.50	1/7/2022
99	Hangzhou Tianlang House (杭州天琅府)	Hangzhou	25,811.00	46.06%	Residential	103,264.00	103,264.00	4/9/2022
100	Huzhou Country Garden Huyue Mansion (湖州碧桂園湖悅天境)	Huzhou	70,277.00	47.00%	Residential	187,968.94	186,021.94	12/10/2021
101	Wenzhou Jinlin House (溫州金麟府)	Wenzhou	44,518.00	26.25%	Residential	116,872.40	103,634.04	19/8/2021
102	Huzhou Rongjing Garden (湖州融璟園)	Huzhou	48,508.00	18.80%	Residential	142,437.20	142,437.20	12/10/2021
103	Tianyang River Mansion (天陽雲棲江境)	Jinhua	40,891.00	46.06%	Residential	78,760.95	65,584.95	1/9/2022
104	Tianjin Lanyue 3 (天津瀾悅3號)	Tianjin	34,369.00	46.94%	Residential	75,159.11	75,159.11	1/11/2022
105	Tianjin Lanyue 4 (天津瀾悅4號)	Tianjin	27,184.00	47.00%	Residential	71,610.68	71,610.68	1/3/2022
106	Changzhou Lanyue (常州瀾悅)	Changzhou	19,278.00	93.99%	Residential	55,814.39	55,814.39	1/11/2022
107	Changtai Luxi County (長泰鷺西郡)	Zhangzhou	24,000.00	80.80%	Residential	81,453.33	59,933.55	1/8/2022
108	Baolong Lin'an Project (寶龍臨安項目)	Hangzhou	37,328.00	46.06%	Residential	135,479.00	119,615.00	1/3/2022
109	Pingtan Lanchen (平潭瀾宸)	Fuzhou	66,431.00	93.99%	Residential	191,194.23	191,194.23	1/10/2022
110	Jiangxi Country Garden Jiutang (江西碧桂園九棠)	Jiujiang	67,374.00	35.60%	Residential	182,044.00	182,044.00	1/3/2022
111	Fuyang Linquan Project (阜陽臨泉項目)	Fuyang	92,155.95	27.50%	Residential	235,107.00	178,930.15	1/5/2022
112	Wenzhou Hai Yue Qing Feng (溫州海月清風)	Wenzhou	134,979.00	28.76%	Residential	351,082.00	340,214.20	3/11/2022
113	Mei Hao Bao Long Lan Sky (美好寶龍瀾天)	Hangzhou	57,103.00	31.02%	Residential	196,204.08	162,706.08	1/5/2022
114	Shengzhou Chuang Shi Ji Pin Ge (嵊州創世紀品閣)	Shaoxing	19,403.00	91.70%	Residential	51,581.00	51,581.00	1/11/2021
115	Zhengzhou Shi Guang Zhi Cheng (鄭州時光之城)	Zhengzhou	199,774.58	47.40%	Residential	574,869.73	565,469.88	28/12/2021
116	Jiangmen Mansion (江門學院府)	Jiangmen	46,153.55	47.00%	Residential	187,752.90	187,752.90	2/4/2022
117	Wenzhou Ou Hai Xi Yue Li (溫州甌海熙悅里)	Wenzhou	24,251.70	31.96%	Residential	99,656.80	99,656.80	22/1/2022
118	Suzhou Wu Zhong Lin Hu Zhen Lot (蘇州吳中臨湖鎮地塊)	Suzhou	118,623.10	26.32%	Residential	207,599.84	207,599.84	3/11/2022

	Project	Location	Total site area (sq.m.)	Interest attributable to the Group	Type of major property product	Estimated aggregate gross floor area ("GFA") (sq.m.)	Saleable GFA remaining unsold (sq.m.)	Completion time/estimated completion time
119	Shui Nian River (水碾河)	Chengdu	9,632.71	47.00%	Residential	26,166.27	26,166.27	26/8/2021
120	Chengdu Ruilian (成都瑞聯)	Chengdu	19,580.00	31.02%	Residential	62,049.29	62,049.29	29/12/2020
121	Chongqing Hai Yue Yu Zhou (重慶海月渝州)	Chongqing	19,497.00	89.97%	Residential	57,801.20	57,801.20	30/9/2021
122	Tan Zi Kou (灘子口)	Chongqing	13,938.00	23.97%	Residential	39,876.93	39,876.93	17/2/2021
123	Nantong Lan Chen (南通瀾宸)	Nantong	86,194.00	95.74%	Residential	160,034.00	160,034.00	30/4/2022
124	Fuzhou CBD49 Lot (福州 CBD49地塊)	Fuzhou	38,232.00	34.17%	Residential	115,094.00	115,094.00	20/11/2021
125	Suzhou High-Speed Rail New Town Project (蘇州高鐵新城項目)	Suzhou	58,150.00	40.00%	Residential	185,930.00	185,930.00	21/6/2022
126	South Lot of Shaoxing Vocational & Technical College (紹興職業學院南側地塊)	Shaoxing	56,841.00	100.00%	Residential	132,104.65	132,104.65	3/4/2022
127	Wenzhou Xinlian Village Plot (溫州新聯村地塊)	Wenzhou	43,630.00	28.00%	Residential	156,072.00	156,072.00	3/4/2022
128	Qingdao Manshan Lanting (青島縵山蘭亭)	Qingdao	94,800.00	22.00%	Residential	205,868.18	205,868.18	30/9/2021
129	Chengdu Jinniu 16 mu (成都金牛16 畝)	Chengdu	10,724.70	40.00%	Residential	44,168.00	44,168.00	15/3/2022
130	Nanjing 2019G87 (南京2019G87)	Nanjing	49,829.00	33.00%	Residential	195,888.60	195,888.60	7/7/2022
131	Nanjing 2019G94 (南京2019G94)	Nanjing	53,456.21	100.00%	Residential	96,161.85	96,161.85	7/7/2022
132	Kunshan Bacheng Lot (昆山巴城地塊)	Suzhou	83,780.50	16.00%	Residential	192,695.15	192,695.15	17/6/2022
133	Xiaoshan Innovation Polis Lot (蕭山科技城地塊)	Hangzhou	51,006.00	24.00%	Residential	127,515.00	127,515.00	9/12/2022
134	Zhengzhou Olympic Century-2 (鄭州奧體世紀－2)	Zhengzhou	102,755.00	50.37%	Residential	508,336.25	428,954.17	11/10/2022
135	Taiyuan Shi Guang Zhi Cheng (太原時光之城)	Taiyuan	117,073.23	76.59%	Residential	553,989.00	553,989.00	28/8/2022
136	Zhengzhou Jiangwancheng-Zhongqiao-2 (鄭州江灣城－中喬－2)	Zhengzhou	12,280.48	87.00%	Residential	28,491.05	28,491.05	26/1/2025
137	Zhengzhou Jiangwancheng-Supai-3 (鄭州江灣城－蘇派－3)	Zhengzhou	11,666.39	87.90%	Residential	31,262.35	31,262.35	24/12/2028
138	Zhengzhou Jiangwancheng-Delan-2 (鄭州江灣城－德藍－2)	Zhengzhou	97,429.72	51.00%	Residential	306,505.59	306,505.56	19/4/2026
139-200			6,098,724.98			13,985,651.31	–	
	Total		**17,070,086.29**			**46,292,661.91**	**18,669,112.04**	
	Attributable total		**9,178,163.95**			**24,943,066.63**	**9,575,246.34**	

Note:

(1) The Group cooperated or agreed to cooperate with local governments in constructing resettlement housing units adjacent to certain projects of the Group. The construction of such resettlement housing was typically included by the relevant local governments as part of the package for the acquisition of the related parcels of land for commercial development. Under such arrangement, the Group pays the relevant land premium and receive the land use rights certificates registered to the Group's name with respect to the land parcels underlying the resettlement properties during the construction phase, but are obligated to deliver the properties upon completion back to the local government. For further details of the construction of resettlement housing, please refer to the section headed "Business – Construction of Resettlement Housing" on pages 231 to 236 in the prospectus of the Company dated 31 December 2015 (the "**Prospectus**").

Management Discussion and Analysis

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December		
	2019	2018	Change in percentage
Contracted sales			
Contracted sales amount *(RMB'000)*[1]	**141,316,543**	121,883,814	15.94%
Contracted gross floor area *(sq.m.)*	**6,547,690**	5,624,051	16.42%
Average unit price of contracted sales *(RMB/sq.m.)*	**21,583**	21,672	–0.41%
Property delivered			
Revenue from delivery of properties *(RMB'000)*	**50,253,131**	33,406,515	50.43%
Delivered gross floor area *(sq.m.)*	**4,135,482**	2,302,275	79.63%
Recognised average selling price of properties delivered *(RMB/sq.m.)*	**12,152**	14,510	–16.25%
Revenue *(RMB'000)*	**51,462,502**	34,366,500	49.75%
Cost of Sales *(RMB'000)*	**(38,987,328)**	(26,301,557)	48.23%
Gross profit *(RMB'000)*	**12,475,174**	8,064,943	54.68%
Other income and other gain — net *(RMB'000)*	**298,152**	123,463	141.49%
Profit before income tax *(RMB'000)*	**10,660,810**	6,657,648	60.13%
Profit for the period *(RMB'000)*	**5,893,793**	3,471,526	69.78%
— attributable to owners of the Company *(RMB'000)*	**3,154,064**	2,149,660	46.72%
— attributable to non-controlling interests *(RMB'000)*	**2,729,121**	1,157,671	135.74%
— attributable to holders of Perpetual Capital Instruments *(RMB'000)*	**10,608**	164,195	–93.54%
Core net profit contributable to owners of the Company *(RMB'000)*[2]	**3,181,678**	2,500,010	27.27%
Gross profit margin[3]	**24.24%**	23.47%	3.28%
Net profit margin[4]	**11.45%**	10.10%	13.37%
Interest coverage ratio[5]	**3.17 times**	2.34 times	35.47%
Total assets *(RMB'000)*	**214,208,038**	203,443,878	5.29%
Total liabilities *(RMB'000)*	**172,919,808**	167,825,520	3.04%
Total equity *(RMB'000)*	**41,288,230**	35,618,358	15.92%
Capital and reserve attributable to owners of the Company *(RMB'000)*	**16,405,865**	12,754,828	28.62%
Current ratio[6]	**1.51 times**	1.41 times	7.09%
Gearing ratio[7]	**0.70**	1.05	–33.33%

Notes:

(1) The amounts include the contracted sales from subsidiaries, associates and joint ventures of the Company.

(2) The calculation of core net profit contributed to owners of the Company means the net profit contributed to owners of the Company less the fair value gains on investment properties (after income tax), fair value gains on the remeasurement of a joint venture recognized in other income and other gains – net and net foreign exchange gains, and plus net foreign exchange losses on financing activities and value of employee services under share option scheme.

(3) The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.

(4) The calculation of net profit margin is based on net profit divided by revenue and multiplied by 100%.

(5) The calculation of interest coverage ratio is based on (i) profit before income tax plus interest of borrowings less finance income and divided by (ii) interest of borrowings less finance income.

(6) The calculation of current ratio is based on current assets divided by current liabilities.

(7) The calculation of gearing ratio is based on total borrowings less cash and bank balances and divided by total equity.

PROPERTY DEVELOPMENT

Contracted Sales

For the year ended 31 December 2019, the Group and its associates and joint ventures achieved contracted sales of RMB141,316.54 million, representing a growth of approximately 15.94% compared with RMB121,883.8 million for the year ended 31 December 2018. This increase was mainly attributable to the increase in the total gross floor area ("**GFA**") of the Group's contracted sales by approximately 16.42% from 5,624,051 sq.m. for the year ended 31 December 2018 to 6,547,690 sq.m. for the year ended 31 December 2019.

The amount of the Group and its associates and joint ventures' contracted sales in Hangzhou, Fuzhou, Nanjing, Shanghai, Zhangzhou, Fuyang, Zhengzhou, Xi'an and Ningbo accounted for (i) approximately 79.51% of the Group and its associates and joint ventures' total contracted sales amount for the year ended 31 December 2019, respectively, and (ii) approximately 68.76% of the Group and its associates and joint ventures' total GFA of contracted sales for the year ended 31 December 2019, respectively. The following table sets forth details of the contracted sales of the Group and its associates and joint ventures for the year ended 31 December 2019:

	Amount *(RMB million)*	**Percentage** *(%)*	**GFA** *(sq.m.)*	**Percentage** *(%)*	**Average selling price** *(RMB/sq,m.)*
Hangzhou	48,620.85	34.41	1,246,103.00	19.03	39,018.32
Fuzhou	18,470.45	13.07	770,851.82	11.77	23,961.08
Nanjing	16,201.78	11.46	635,255.91	9.70	25,504.33
Shanghai	9,354.42	6.62	245,701.65	3.75	38,072.28
Zhangzhou	6,282.18	4.45	392,060.71	5.99	16,023.48
Fuyang	3,661.67	2.59	468,206.44	7.15	7,820.62
Zhengzhou	3,450.16	2.44	280,339.12	4.28	12,307.11
Xi'an	3,212.07	2.27	254,304.22	3.88	12,630.84
Ningbo	3,113.90	2.20	210,281.25	3.21	14,808.25
Others	28,949.07	20.49	2,044,585.86	31.24	14,158.89
Total	141,316.54	100.00	6,547,690.00	100.00	21,582.66

Projects completed

For the year ended 31 December 2019, the Group and its associates and joint ventures had completed a total of 43 projects or phases of projects, with total GFA of 6,125,081 sq.m. (2,949,552 sq.m., after taking into account the interests of the owners of the Company in the relevant projects).

Projects under construction

As at 31 December 2019, the Group and its associates and joint ventures had a total of 98 projects or phases of projects under construction, with total planned GFA of 17,419,452 sq.m. (8,239,497 sq.m., after taking into account the interests of the owners of the Company in the relevant projects).

Land reserve

During the year ended 31 December 2019, there were a total of 46 newly acquired land parcels with a total GFA of 7,305,537 sq.m. (3,417,510 sq.m., after taking into account the interests of the owners of the Company in the relevant projects). The average cost of land parcels acquired was approximately RMB6,648 per sq.m. (calculated at the plot ratio-based GFA).

The following table sets forth details of the Group and its associates and joint ventures' newly acquired land parcels during the year ended 31 December 2019:

City	Project name	Date of acquisition	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Total GFA of the owners of the Company interested *(sq.m.)*	Land cost *(RMB million)*	Total land cost attributable to the owners of the Company *(RMB million)*	Average land cost *(RMB/sq.m.)*
Chongqing	Chongqing Haiyue Pinghu (重慶海月平湖)	10 April 2019	37,791	95,045	67,007	632	446	11,149
	Chongqing Hai Yue Yu Zhou (重慶海月渝州)	7 August 2019	19,497	57,801	52,004	374	337	9,600
	Tan Zi Kou (灘子口)	29 August 2019	13,938	39,877	9,559	258	62	9,255
Zhengzhou	Zhengzhou Shi Guang Zhi Cheng (鄭州時光之城)	4 June 2019	199,775	574,870	272,505	1,819	862	3,167
	Zhengzhou Olympic Century-2 (鄭州奧體世紀－2)	29 August 2019	102,755	508,336	256,049	1,184	596	3,134
	Zhengzhou Jiangwancheng -Zhongqiao-2 (鄭州江灣城－中喬－2)	11 October 2019	12,280	28,491	24,787	18	16	790
	Zhengzhou Jiangwancheng -Supai-3 (鄭州江灣城－蘇派－3)	11 October 2019	11,666	31,262	27,480	18	15	751
	Zhengzhou Jiangwancheng -Delan-2 (鄭州江灣城－德藍－2)	9 October 2019	97,430	306,506	156,318	154	78	717
Zhangzhou	Changtai Luxi County (長泰鷺西郡)	12 June 2019	24,000	81,453	65,814	73	59	1,127

City	Project name	Date of acquisition	Site area (sq.m.)	Total GFA (sq.m.)	Total GFA of the owners of the Company interested (sq.m.)	Land cost (RMB million)	Total land cost attributable to the owners of the Company (RMB million)	Average land cost (RMB/sq.m.)
Wenzhou	Wenzhou Yueqing Boyuewan (溫州樂清柏悅灣)	22 March 2019	31,677	85,304	21,113	521	129	8,216
	Wenzhou Jinlin House (溫州金麟府)	8 May 2019	44,518	116,872	30,679	757	199	8,500
	Wenzhou Hai Yue Qing Feng (溫州海月清風)	27 June 2019	134,979	351,082	100,985	1,820	524	7,491
	Wenzhou Ou Hai Xi Yue Li (溫州甌海熙悦里)	8 July 2019	24,252	99,657	31,850	883	282	13,004
	Wenzhou Xinlian Village Plot (溫州新聯村地塊)	21 November 2019	43,630	156,072	43,700	928	260	8,510
Tianjin	Tianjin Lanyue 3 (天津瀾悦3號)	22 May 2019	34,369	75,159	35,280	705	331	13,001
	Tianjin Lanyue 4 (天津瀾悦4號)	22 May 2019	27,184	71,611	33,657	600	282	11,742
Taiyuan	Taiyuan Shi Guang Zhi Cheng (太原時光之城)	26 September 2019	117,073	553,989	424,300	603	462	1,355
Suzhou	Suzhou Haiyue Pingjiang (蘇州海月平江)	22 February 2019	26,931	90,429	43,504	1,295	623	19,235
	Suzhou Wu Zhong Lin Hu Zhen Lot (蘇州吳中臨湖鎮地塊)	11 July 2019	118,623	207,600	54,640	1,096	288	6,843
	Suzhou High-Speed Rail New Town Project (蘇州高鐵新城項目)	27 September 2019	58,150	185,931	74,372	1,957	784	15,299
	Kunshan Bacheng Lot (昆山巴城地塊)	19 December 2019	83,781	192,695	30,831	1,076	172	5,582
Shaoxing	Shengzhou Chuang Shi Ji Pin Ge (嵊州創世紀品閣)	26 June 2019	19,403	51,581	47,300	136	124	3,492
	South Lot of Shaoxing Vocational & Technical College (紹興職業學院南側地塊)	12 November 2019	56,841	132,105	132,105	745	745	7,943
Qingdao	Qingdao Manshan Lanting (青島縵山蘭亭)	28 November 2019	94,800	205,868	45,291	339	75	2,386
Nantong	Nantong Lan Chen (南通瀾宸)	2 September 2019	86,194	160,034	153,217	890	852	8,537
Nanjing	Nanjing 2019G87 (南京2019G87)	4 December 2019	49,829	195,889	64,643	2,320	766	16,628
	Nanjing 2019G94 (南京2019G94)	19 December 2019	53,454	96,162	96,162	1,220	1,220	19,019

City	Project name	Date of acquisition	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Total GFA of the owners of the Company interested *(sq.m.)*	Land cost *(RMB million)*	Total land cost attributable to the owners of the Company *(RMB million)*	Average land cost *(RMB/sq.m.)*
Jiujiang	Jiangxi Country Garden Jiutang (江西碧桂園九棠)	11 June 2019	67,374	182,044	64,808	696	248	5,167
Jinhua	Tianyang River Mansion (天陽雲棲江境)	15 May 2019	40,891	78,761	36,277	561	259	10,562
Jiangmen	Jiangmen Guoyue House (江門國樾府)	10 April 2019	30,231	103,033	15,980	442	69	5,847
	Jiangmen Mansion (江門學院府)	1 July 2019	46,154	187,753	88,244	665	312	4,800
Huzhou	Huzhou Country Garden Huyue Mansion (湖州碧桂園湖悅天境)	7 May 2019	70,277	187,969	88,345	771	362	6,095
	Huzhou Rongjing Garden (湖州融璟園)	22 May 2018	48,508	142,437	26,778	450	85	5,457
Hangzhou	Hangzhou Qinlan (杭州沁瀾)	20 March 2019	18,703	62,696	22,984	873	320	21,211
	Hangzhou Tianlang House (杭州天琅府)	12 April 2019	25,811	103,264	47,563	1,354	624	19,433
	Baolong Lin'an Project (寶龍臨安項目)	14 June 2019	37,328	135,479	62,402	572	263	6,128
	Mei Hao Bao Long Lan Sky (美好寶龍瀾天)	24 June 2019	57,103	196,204	60,863	823	255	5,546
	Xiaoshan Innovation Polis Lot (蕭山科技城地塊)	30 December 2019	51,006	127,515	30,604	1,859	446	14,578
Fuyang	Fuyang Linquan Project (阜陽臨泉項目)	13 May 2019	92,156	235,107	64,654	390	107	2,115
Fuzhou	Changle Lanshan (長樂瀾山)	29 March 2019	125,737	317,109	92,152	1,202	349	5,005
	Pingtan Lanchen (平潭瀾宸)	18 June 2019	66,431	191,194	179,703	811	762	5,549
	Fuzhou CBD49 Lot (福州CBD49地塊)	20 September 2019	38,232	115,094	39,328	1,236	422	14,497
Chengdu	Shui Nian River (水碾河)	30 July 2019	9,633	26,166	12,298	260	122	13,500
	Chengdu Ruilian (成都瑞聯)	31 July 2019	19,580	62,049	19,248	560	174	14,300
	Chengdu Jinniu 16 mu (成都金牛16畝)	4 December 2019	10,725	44,168	17,667	457	183	14,200
Changzhou	Changzhou Lanyue (常州瀾悅)	29 May 2019	19,278	55,814	52,460	395	371	9,313
Total			2,499,978	7,305,537	3,417,510	36,798	16,322	6,648

As at 31 December 2019, the total GFA of the Group's land reserve was approximately 27.0 million sq.m. among which, approximately 3.8 million sq.m. were completed properties held for sale, approximately 17.4 million sq.m. were under construction, and approximately 5.8 million sq.m. were held for future development.

As at 31 December 2019, the average cost per sq.m. of the Group and its associates and joint ventures' land reserve was RMB6,897, of which, approximately 81% was located in the prime area in the first and second-tier cities in the People's Republic of China (the "**PRC**"). The Directors believe that the relatively high-quality land reserve provides the Group with effective support for its future profitability.

The following table sets forth details of the land reserve attributable to the owners of the Company as at 31 December 2019:

Region	Name of Projects	Total Land Value *(RMB'0,000)*	Total GFA of reserve *(10,000 sq.m.)*	Average cost per sq.m. *(RMB/sq.m.)*
Zhangzhou	Zhangzhou Wanke City (漳州萬科城)	15,641.60	10.74	1,773.17
Nanjing	Nanjing Century East (南京世紀東方)	175,129.04	10.04	24,957.12
Fuzhou	China legend (福州海月江潮), The Twin Harbour City (福州雙杭城)	415,880.00	96.35	6,064.53
Fuzhou	Changle Shangjiang Town (長樂上江城)	66,300.00	34.19	2,437.20
Fuzhou	Fuzhou Ronghui Hot Spring City (福州融匯溫泉城)	76,824.00	72.17	1,609.66
Fuzhou	Nice Villa (福州有墅)	1,664.66	4.99	485.71
Xiamen	Xiamen Boyue Bay (廈門鉑悦灣)	263,400.00	18.54	23,207.05
Shanghai	Ronshine Greenland International Phase I (Lot D) (融信綠地國際一期(D地塊))	7,516.55	1.67	6,165.40
Shanghai	Ronshine Greenland International Phase III (Lot A) (融信綠地國際三期(A地塊))	4,347.30	0.74	6,017.86
Shanghai	Ronshine Greenland International Phase IV (Lot B) (融信綠地國際四期(B地塊))	1,048.13	0.16	6,098.18
Shanghai	Ronshine Greenland International Phase II (Lot C) (融信綠地國際二期(C地塊))	6,366.60	1.16	6,100.91
Shanghai	Shanghai Platinum (上海鉑爵)	20,491.80	2.15	15,408.81
Shanghai	Shanghai Zhongxing Road (上海中興路)	550,500.00	6.10	100,090.91
Shanghai	Shanghai Xihong Bridge No.1 (上海西虹橋壹號)	37,068.58	2.39	21,610.30
Shanghai	Century Summit (上海世紀江灣)	157,750.00	4.59	52,839.87
Zhangzhou	Hangzhou Lan Sky (杭州瀾天)	14,496.24	3.87	5,739.46
Zhangzhou	Hangzhou Baoli daguojing (杭州保利大國璟)	14,381.24	1.39	16,001.87
Nanjing	Nanjing Bo'an Center (南京鉑岸中心)	53,700.00	35.09	2,514.78
Suzhou	Kunshan Yulan Residence (昆山玉蘭公館)	135,172.00	13.56	13,575.64

Region	Name of Projects	Total Land Value (RMB'0,000)	Total GFA of reserve (10,000 sq.m.)	Average cost per sq.m. (RMB/sq.m.)
Hangzhou	Hangzhou Lanxuan (杭州瀾軒)	9,829.62	0.92	16,720.79
Longyan	Longyan Lot (龍岩學院府)	3,709.33	1.49	3,146.94
Zhangzhou	Zhangzhou No.1 (漳州壹號府)	148,848.00	17.59	10,897.04
Nanjing	Nanjing Zhong Jun Yong Jing Tai (南京中駿雍景台)	85,741.85	8.97	12,842.08
Chengdu	Chengdu Ronshine Residence (成都融信公館)	70,415.64	5.92	16,914.86
Tianjin	Tianjin West Coast (天津西海岸)	97,744.67	14.74	8,237.63
Tianjin	Tianjin Jinnan (天津津南府)	99,999.90	9.77	12,959.16
Putian	Putian Ronshine (莆田融信府)	81,990.15	10.88	10,032.19
Guangzhou	Guangzhou Tianyue (廣州天樾府)	53,537.40	3.47	14,999.46
Xiamen	Xiamen Century (廈門世紀)	68,556.00	3.73	31,520.00
Chongqin	Chongqin Lan Bay (重慶瀾灣)	80,284.28	18.25	6,189.33
Jinhua	Jinhua Mei Di Jun Lan Jiang Shan (金華美的君蘭江山)	70,895.53	7.78	12,550.00
Hangzhou	Hangzhou Lan Sky (Konggang) (杭州瀾天(空港))	43,083.27	6.13	5,100.74
Shaoxing	Shengzhou Creating Century (嵊州創世紀), Shengzhou Mansion (嵊州學院府)	130,679.84	67.88	2,576.72
Hangzhou	Hangzhou Century (杭州世紀)	165,090.88	7.95	30,816.04
Ningbo	Fenghua Nanshan (奉化南山府)	17,902.19	3.09	8,772.53
Zhengzhou	Zhengzhou Cheng Shi Zhi Chuang (鄭州城市之窗)	16,277.70	21.89	911.79
Hangzhou	Hangzhou Lvcheng Wang Yin Yun Lu (杭州綠城望隱雲廬)	18,776.00	1.32	26,106.20
Hangzhou	Hangzhou Lvcheng Xi Xi Yun Lu (杭州綠城西溪雲廬)	7,740.39	0.58	27,278.95
Nanjing	Nanjing Wanke Du Hui Tian Di (南京萬科都薈天地)	30,499.94	3.97	12,129.86
Nanjing	Nanjing Xu Hui Shi Dai Tian Yue (南京旭輝時代天樾)	14,790.00	2.32	9,464.35
Hangzhou	Hangzhou Gu Cui Yin Xiu (杭州古翠隱秀)	385,288.13	13.52	40,541.60
Hangzhou	Hangzhou Wanke Zhong Cheng Hui (杭州萬科中城匯)	55,810.50	3.40	24,703.96
Hangzhou	Hangzhou De Xin Yin Jiang Nan (杭州德信印江南)	51,770.12	4.60	16,579.62

Region	Name of Projects	Total Land Value (RMB'0,000)	Total GFA of reserve (10,000 sq.m.)	Average cost per sq.m. (RMB/sq.m.)
Fuzhou	Fuzhou Wanke Zhen Lu Yuan (福州萬科臻麓園)	13,817.28	2.53	7,339.71
Hangzhou	Hangzhou Jin Di Yue Hong Wan (杭州金地悦虹灣)	151,100.14	9.37	22,949.96
Zhengzhou	Zhengzhou Jiangwancheng – Supai-1 (鄭州江灣城－蘇派－1)	22,211.56	52.19	470.25
Fuzhou	Fuzhou Lan Sky (福州瀾天)	129,085.50	7.77	21,972.88
Zhoushan	Zhoushan Chuang Shi Ji (舟山創世紀)	27,698.71	5.46	4,323.62
Hangzhou	Hangzhou Bao Li He Guang Chen Yue (杭州保利和光塵樾)	85,459.17	7.33	16,004.79
Fuzhou	Changle Yujingwan (長樂御景灣)	8,364.00	3.94	2,137.35
Tongling	Tongling Lanshan Fu (銅陵瀾山府)	2,351.87	4.54	713.65
Ganzhou	Ganzhou Rongxita (贛州榕璽台)	18,832.00	6.32	3,510.62
Nantong	Nantong Yue Rong Shu (悦榕墅)	2,963.80	0.69	4,665.27
Fuyang	Hai Liang Yue Fu (海亮 • 悦府)	13,029.89	14.34	990.00
Fuyang	The Riverside Mansion (海亮 • 江灣城)	4,695.25	3.35	1,662.31
Fuyang	Hai Liang Long Yuan (海亮 • 瓏園)	4,063.51	2.34	2,320.54
Fuyang	Hai Liang Xing Cheng (海亮 • 星城)	1,360.65	0.93	1,934.00
Fuyang	Xingfu Li East County (幸福里 • 東郡)	8,254.36	5.32	2,235.35
Fuyang	Xingfu Li North County (幸福里 • 北郡)	10,375.09	5.91	2,190.22
Bengbu	Bengbu Hai Liang Xi Yuan (蚌埠海亮熙園)	666.71	0.45	1,691.38
Hefei	Tang Ning Fu-Hefei (唐寧府–合肥)	18,445.59	1.40	18,155.55
Zhengzhou	Hailiang time ONE (海亮時代ONE)	28,114.34	12.39	3,284.25
Xi'an	Hai Liang De Wen Jun (海亮 • 德文郡)	24,282.22	9.46	2,545.62
Xi'an	Hai Liang Tang Ning Fu (海亮 • 唐寧府)	10,148.95	6.98	1,960.03
Xi'an	Chang'an Xi Yue (長安熙悦)	685.61	1.84	445.76
Lanzhou	Lanzhou Binhe Yi Hao (濱河一號)	23,958.00	19.48	1,545.70
Lanzhou	Lanzhou Xi'an Hua Fu (熙岸華府)	5,826.98	5.10	1,293.40
Yinchuang	Haimao No.1 Project (海茂壹號院)	3,719.44	3.59	1,319.04
Yinchuang	Shiyuefu Project (世悦府)	9,413.10	10.04	1,280.77
Zhenjiang	Jurong Tianyuefu Project (句容天悦府)	8,161.68	2.25	4,837.12
Hangzhou	Hangzhou Liwang NEO1 (杭州厘望NEO1)	35,469.90	1.65	31,551.04
Jiaxing	Jiaxing Country Garden Chongde (嘉興碧桂園崇德府)	8,861.92	3.53	3,219.19

Region	Name of Projects	Total Land Value (RMB'0,000)	Total GFA of reserve (10,000 sq.m.)	Average cost per sq.m. (RMB/sq.m.)
Jiaxing	Haining Lanting (海寧瀾庭)	49,590.00	9.60	7,199.70
Hangzhou	Hangzhou Dexin Shixin (杭州德信市心府)	19,381.86	1.62	8,441.83
Ningbo	Ningbo Country Garden Siji Longyue (寧波碧桂園四季朧玥華府)	18,635.40	4.56	5,599.13
Hangzhou	Hangzhou Xianghu Yuezhang (杭州湘湖悦章)	324,532.91	27.07	17,133.99
Huzhou	Anji Yuejiang (安吉悦江府)	5,165.91	2.43	2,985.69
Zhengzhou	Zhengzhou Jiangwancheng – Zhongqiao-1 (鄭州江灣城－中喬－1)	21,280.30	37.93	722.41
Chengdu	Chengdu Lan Sky (成都瀾天)	20,765.26	7.03	4,200.01
Fuyang	Fuyang Lvdi Zifeng House (阜陽綠地紫峰公館)	4,634.42	3.36	1,695.69
Dongtai	Dongtai Project (東台項目)	3,024.34	1.46	2,761.11
Mengcheng	Mengcheng Age Xingfu Li (蒙城時代幸福里)	6,890.40	4.08	2,102.04
Zhengzhou	Zhengzhou Jiangwancheng – Supai-2 (鄭州江灣城－蘇派-2)	10,709.40	28.98	550.09
Qingdao	The Ocean Costal (青島海月星灣)	35,539.81	17.01	3,503.70
Fuzhou	Fuzhou Park Left Bank Project (福州公園左岸)	12,421.49	0.80	21,731.19
Haining	Haining Lanting Qihang (海甯瀾庭啟杭)	38,454.00	13.02	3,938.78
Fuyang	Fuyang Shangjun (阜陽上郡)	4,668.65	3.37	1,721.42
Shanghai	Shanghai Yangpu Lot (上海楊浦平涼地塊)	15,547.02	0.99	25,396.66
Fuzhou	Fuzhou Country Garden Yuelinglong (福州碧桂園悦玲瓏)	2,222.50	0.40	7,686.59
Xi'an	Hai Liang • Yuchen (海亮 • 御宸)	11,039.21	3.10	4,820.70
Hangzhou	Tianyang Oriental Residence (天陽東方邸)	42,603.90	3.49	17,161.86
Bengbu	Bengbu Golden Age (蚌埠黃金時代)	9,919.89	6.18	1,933.34
Zhengzhou	Zhengzhou Jiangwancheng – Delan-1 (鄭州江灣城－德藍－1)	11,750.40	29.40	520.13
Zhengzhou	Zhengzhou Olympic Century-1 (鄭州奧體世紀-1)	25,528.52	15.34	2,263.60
Suzhou	Suzhou Haiyue Pingjiang (蘇州海月平江)	62,301.47	4.35	19,235.00
Hangzhou	Hangzhou Qinlan (杭州沁瀾)	31,996.11	2.30	21,211.47
Wenzhou	Wenzhou Yueqing Boyuewan (溫州樂清柏悦灣)	12,882.38	2.11	8,215.74
Fuzhou	Changle Lanshan (長樂瀾山)	34,930.12	9.22	5,005.05
Chongqin	Chongqing Haiyue Pinghu (重慶海月平湖)	44,556.00	6.70	11,149.04
Jiangmen	Jiangmen Guoyue House (江門國樾府)	6,854.18	1.60	5,847.32
Hangzhou	Hangzhou Tianlang House (杭州天琅府)	62,377.68	4.76	19,432.86

Region	Name of Projects	Total Land Value (RMB'0,000)	Total GFA of reserve (10,000 sq.m.)	Average cost per sq.m. (RMB/sq.m.)
Huzhou	Huzhou Country Garden Huyue Mansion (湖州碧桂園湖悅天境)	36,237.00	8.83	6,094.93
Wenzhou	Wenzhou Jinlin House (溫州金麟府)	19,866.00	3.07	8,499.93
Huzhou	Huzhou Rongjing Garden (湖州融璟園)	8,460.00	2.68	5,456.95
Jinhua	Tianyang River Mansion (天陽雲棲江境)	25,859.87	3.63	10,561.64
Tianjin	Tianjin Lanyue 3 (天津瀾悦3號)	33,092.70	3.53	13,000.90
Tianjin	Tianjin Lanyue 4 (天津瀾悦4號)	28,200.00	3.37	11,741.91
Changzhou	Changzhou Lanyue (常州瀾悦)	37,126.05	5.25	9,313.49
Zhangzhou	Changtai Luxi County (長泰鷺西郡)	5,898.40	6.58	1,126.54
Hangzhou	Baolong Lin'an Project (寶龍臨安項目)	26,340.79	5.51	6,128.16
Fuzhou	Pingtan Lanchen (平潭瀾宸)	76,225.89	17.97	5,549.16
Jiujiang	Jiangxi Country Garden Jiutang (江西碧桂園九棠)	24,788.57	6.48	5,167.48
Fuyang	Fuyang Linquan Project (阜陽臨泉項目)	10,719.78	6.47	2,114.95
Wenzhou	Wenzhou Hai Yue Qing Feng (溫州海月清風)	52,350.48	10.10	7,490.88
Hangzhou	Mei Hao Bao Long Lan Sky (美好寶龍瀾天)	25,543.11	5.05	5,546.25
Shaoxing	Shengzhou Chuang Shi Ji Pin Ge (嵊州創世紀品閣)	12,425.35	4.73	3,491.73
Zhengzhou	Zhengzhou Shi Guang Zhi Cheng (鄭州時光之城)	86,235.54	27.25	3,166.61
Jiangmen	Jiangmen Mansion(江門學院府)	31,247.95	8.82	4,800.01
Wenzhou	Wenzhou Ou Hai Xi Yue Li (溫州甌海熙悦里)	28,220.68	3.19	13,003.51
Suzhou	Suzhou Wu Zhong Lin Hu Zhen Lot (蘇州吳中臨湖鎮地塊)	28,841.50	5.46	6,842.72
Chengdu	Shui Nian River (水碾河)	12,224.23	1.23	13,500.35
Chengdu	Chengdu Ruilian (成都瑞聯)	17,370.89	1.92	14,300.05
Chongqing	Chongqing Hai Yue Yu Zhou (重慶海月渝州)	33,679.37	5.20	9,599.94
Chongqing	Tan Zi Kou (灘子口)	6,184.26	0.96	9,255.27
Nantong	Nantong Lan Chen (南通瀾宸)	85,245.35	15.32	8,537.19
Fuzhou	Fuzhou CBD49 Lot (福州CBD49地塊)	42,234.12	3.93	14,497.28
Suzhou	Suzhou High-Speed Rail New Town Project (蘇州高鐵新城項目)	78,288.40	7.44	15,299.07
Shaoxing	South Lot of Shaoxing Vocational & Technical College (紹興職業學院南側地塊)	74,500.00	13.21	7,943.48
Wenzhou	Wenzhou Xinlian Village Plot (溫州新聯村地塊)	25,989.60	4.37	8,509.74
Qingdao	Qingdao Manshan Lanting (青島縵山蘭亭)	7,465.48	4.53	2,386.36
Chengdu	Chengdu Jinniu 16 mu (成都金牛16畝)	18,274.40	1.77	14,199.62

Region	Name of Projects	Total Land Value (RMB'0,000)	Total GFA of reserve (10,000 sq.m.)	Average cost per sq.m. (RMB/sq.m.)
Nanjing	Nanjing 2019G87 (南京2019G87)	76,560.00	6.46	16,628.30
Nanjing	Nanjing 2019G94 (南京2019G94)	122,000.00	9.62	19,018.68
Suzhou	Kunshan Bacheng Lot (昆山巴城地塊)	17,208.80	3.08	5,581.61
Hangzhou	Xiaoshan Innovation Polis Lot (蕭山科技城地塊)	44,615.28	3.06	14,578.44
Zhengzhou	Zhengzhou Olympic Century-2 (鄭州奧體世紀-2)	59,646.64	25.60	3,133.70
Taiyuan	Taiyuan Shi Guang Zhi Cheng (太原時光之城)	46,183.77	42.43	1,355.06
Zhengzhou	Zhengzhou Jiangwancheng – Zhongqiao -2 (鄭州江灣城－中喬－2)	1,570.35	2.48	789.63
Zhengzhou	Zhengzhou Jiangwancheng – Supai-3 (鄭州江灣城－蘇派－3)	1,538.25	2.75	751.07
Zhengzhou	Zhengzhou Jiangwancheng – Delan -2 (鄭州江灣城－德藍－2)	7,841.25	15.63	717.12
Total		6,834,859.92	1,331.76	6,897.29

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 49.75% from RMB34,366.50 million for the year ended 31 December 2018 to RMB51,462.50 million for the year ended 31 December 2019. The Group derived its revenue primarily from (i) the sales of properties in the PRC; (ii) certain construction services with local PRC governments with respect to the construction of resettlement housing and (iii) the rental income generated from the lease of investment properties, hotel operation and others.

The following table sets forth the details of the Group's revenue recognised from such sources for the period indicated:

	For the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change in percentage
Revenue			
Sales of properties	**50,253,131**	33,406,515	50.43%
Construction services	**725,974**	650,637	11.58%
Rental income, hotel operation and others	**483,397**	309,348	56.26%
Total	**51,462,502**	34,366,500	49.75%

The increase in the Group's revenue was mainly attributable to:

(i) the increase in the recognised GFA of properties delivered by the Group by approximately 79.63% from 2,302,275 sq.m. for the year ended 31 December 2018 to 4,135,483 sq.m. for the year ended 31 December 2019;

(ii) the increase in revenue generated from construction services by approximately 11.58% from RMB650.64 million for the year ended 31 December 2018 to RMB725.97 million for the year ended 31 December 2019; and

(iii) the increase in rental income generated from investment properties from RMB136.04 million for the year ended 31 December 2018 to RMB157.35 million for the year ended 31 December 2019. The others comprise mainly hotel operation and consultation service. During the Year, revenue from hotel operation of the Group was RMB155.94 million.

Revenue generated from the sales of properties amounted to RMB50,253.13 million for the year ended 31 December 2019. The following table sets forth the details of the revenue generated from the sales of properties of the Group by geographical location for the year ended 31 December 2019:

	For the year ended 31 December					
	2019			2018		
	Revenue ***(RMB million)***	**GFA delivered by the Group** ***(sq.m.)***	**Average selling price** ***(RMB/sq.m.)***	Revenue *(RMB million)*	GFA delivered by the Group *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Hangzhou	**17,765**	**663,662**	**26,768**	13,331	700,069	19,042
Fuzhou	**7,224**	**648,177**	**11,145**	4,705	291,075	16,164
Suzhou	**3,801**	**216,226**	**17,579**	4,683	146,864	31,887
Fuyang	**3,515**	**610,006**	**5,762**	2,637	432,349	6,099
Quzhou	**2,966**	**206,663**	**14,352**	–	–	–
Others	**14,982**	**1,790,749**	**8,366**	8,051	731,918	11,000
Total	**50,253**	**4,135,483**	**12,152**	33,407	2,302,275	14,510

Cost of sales

The Group's cost of sales increased by approximately 48.23% from RMB26,301.56 million for the year ended 31 December 2018 to RMB38,987.33 million for the year ended 31 December 2019. This increase mainly refers to the costs incurred directly from its property development activities, including cost of construction, land use rights, interest capitalized and tax surcharge.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 54.68% from RMB8,064.94 million for the year ended 31 December 2018 to RMB12,475.17 million for the year ended 31 December 2019.

The Group's gross profit margin increased from 23.47% for the year ended 31 December 2018 to 24.24% for the year ended 31 December 2019, primarily because the Group delivered different portfolios of properties in 2019 compare with 2018.

Selling and marketing costs

The Group's selling and marketing costs include (i) staff costs for sales personnel; (ii) advertisement expenses; (iii) property management fees; and (iv) others costs including rental expense and office expense.

The Group's selling and marketing costs increased by approximately 5.46% from RMB1,137.01 million for the year ended 31 December 2018 to RMB1,199.04 million for the year ended 31 December 2019, primarily due to the increased sales cost of the Group and properties management expenses as a result of increase in the number of new projects and projects under construction of the Group.

Administrative expenses

The Group's administrative expenses include (i) staff costs for administrative personnel; (ii) consulting fees; (iii) office and travel expenses; (iv) entertainment expenses; (v) other taxes; (vi) office lease expenses; and (vii) others.

The Group's administrative expenses increased by approximately 10.29% from RMB1,341.19 million for the year ended 31 December 2018 to RMB1,479.24 million for the year ended 31 December 2019, mainly attributable to the increases in staff cost of the Group and consulting activities due to the increase in the number of new projects and project under construction of the Group.

Fair value gains on investment properties

The decrease in fair value gains on investment properties by approximately 85.24% from RMB336.64 million for the year ended 31 December 2018 to RMB49.68 million for the year ended 31 December 2019 was due to the different development progress of the investment properties which are under development.

Other income and other gains — net

The Group's other income and other gains primarily includes (i) interest income; (ii) gains from certain unlisted equity securities; and (iii) deposits forfeited from some of the Group's prospective customers who breached the relevant property purchase agreements. The Group's other income and other gains – net increased from RMB123.46 million for the year ended 31 December 2018 to RMB298.15 million for the year ended 31 December 2019.

Operating profit

The Group's operating profit for the year increased by approximately 67.77% from RMB6,046.85 million for the year ended 31 December 2018 to RMB10,144.72 million for the year ended 31 December 2019.

Finance costs — net

Finance income primarily consists of interest income from bank deposits. Finance cost primarily consists of net foreign exchange losses and interest expenses of borrowings. The Group recorded a net finance costs of RMB291.88 million for the year ended 31 December 2018 and a net finance costs of RMB379.57 million for the year ended 31 December 2019. This variance primarily due to the increase of non-capitalised interest expenses of RMB475.54 million and decrease of net foreign exchange losses of RMB381.00 million.

Profit before income tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before income tax increased by approximately 60.13% from RMB6,657.65 million for the year ended 31 December 2018 to RMB10,660.81 million for the year ended 31 December 2019.

Income tax expense

The Group's income tax expense comprise provisions made for corporate income tax (including deferred income tax) and land appreciation tax in the PRC.

The Group's income tax expense increased by approximately 49.62% from RMB3,186.12 million for the year ended 31 December 2018 to RMB4,767.02 million for the year ended 31 December 2019. Specifically, corporate income tax (including deferred income tax) increased by approximately 97.84% from RMB1,255.91 million for the year ended 31 December 2018 to RMB2,484.74 million for the year ended 31 December 2019, and land appreciation tax increased by approximately 18.24% from RMB1,930.21 million for the year ended 31 December 2018 to RMB2,282.27 million for the year ended 31 December 2019.

Amounts due from related parties

The Group's amounts due from related parties decreased by approximately 32.36% from RMB8,359.55 million as of 31 December 2018 to RMB5,654.60 million as of 31 December 2019, which was mainly attributable to repayment from related parties which was generated from proceeds of properties sales.

Profit for the period attributable to owners of the Company

The Group's profit for the period attributable to owners of the Company increased by approximately 46.72% from RMB2,149.66 million for the year ended 31 December 2018 to RMB3,154.06 million for the year ended 31 December 2019.

Profit for the period attributable to non-controlling interests

Profit for the period attributable to non-controlling interests increased by approximately 135.74% from a profit of RMB1,157.67 million for the year ended 31 December 2018 to a profit of RMB2,729.12 million for the year ended 31 December 2019. This increase was primarily attributable to the recognition of revenue from sales of properties during the year ended 31 December 2019 in the respective projects, which were jointly developed with non-controlling parties.

FINANCING ACTIVITIES

Exchange Offer and Consent Solicitation in relation to outstanding senior notes

Reference is made to the announcements of the Company dated 25 January 2018, 26 January 2018, 2 February 2018, 12 February 2018, 13 February 2018, 1 March 2018, 27 March 2018, 10 July 2018, 11 July 2018, 17 July 2018, 30 August 2018, 31 August 2018 and 6 September 2018 in relation to the Company's outstanding 8.25% senior note due 2021 (ISIN (Reg S): XS1747665922, Common Code (Reg S): 174766592), comprising US$325,000,000 8.25% senior notes due 2021 first issued by the Company on 1 February 2018, with additional issuances of US$100,000,000 8.25% senior notes due 2021 issued on 27 February 2018, US$225,000,000 8.25% senior notes due 2021 issued on 12 July 2018 and US$150,000,000 8.25% senior notes due 2021 issued on 4 September 2018 (the "**2018 Notes**").

On 8 February 2019, the Company offered to exchange the outstanding 2018 Notes (the "**Old Notes**") for new notes which are the US$ denominated senior notes due 2021 to be issued by the Company (the "**New Notes**"), to be exchanged in accordance with the exchange offer (the "**Exchange Offer**") and commenced the solicitation of consent of holders of the Old Notes (the "**Consent Solicitation**"), upon the terms and subject to the conditions set forth in the exchange offer memorandum dated 8 February 2019.

On 22 February 2019, US$390,466,000 principal amount of the Old Notes were exchanged and the Company delivered US$392,238,000 of the New Notes and US$1,083,282.69 in cash in full satisfaction of the exchange consideration for the Old Notes. Following the completion of the Exchange Offer and the Consent Solicitation, US$390,466,000 principal amount of the Old Notes were cancelled. Application was also sought to list the New Notes on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). No listing of the New Notes had been sought in Hong Kong.

On the same date, the Company issued additional new notes in the aggregated principal amount of US$207,762,000 due in 2021 (the "**Additional New Notes**") on SGX-ST pursuant to the concurrent offering ("**Concurrent New Money Issuance**") by the Company to issue and sell the Additional New Notes that will form a single series with the corresponding New Notes issued in the Exchange Offer. For further details, please refer to the paragraph headed "Issuance of 2019 First Senior Notes due 2021" in this section.

On 18 June 2019, US$64,945,000 principal amount of the 2018 Notes, representing 15.86% of the aggregate principal amount of the outstanding 2018 Notes, were repurchased by the Company and were cancelled. As at the date of this annual report, US$323,729,000 in aggregate principal amount of the 2018 Notes remained outstanding.

For further details, please refer to the announcements of the Company dated 8 February 2019, 12 February 2019, 18 February 2019, 19 February 2019, 22 February 2019, 27 February 2019 and 19 June 2019.

Issuance of 2019 First Senior Notes due 2021

Reference is made to the announcements of the Company dated 8 February 2019, 12 February 2019, 18 February 2019 and 22 February 2019 in relation to, among other things, the Exchange Offer and Consent Solicitation, and the Concurrent New Money Issuance.

On 22 February 2019, the Company issued Additional New Notes in the aggregated principal amount of US$207,762,000 due in 2021 on SGX-ST. The Additional New Notes will be consolidated and form a single series with the US$392,238,000 principal amount of New Notes exchanged in accordance with the Exchange Offer (the "**2019 First Senior Notes**"). Upon consolidation, the total outstanding principal amount of the 2019 First Senior Notes will be US$600,000,000, with an interest rate of 11.25% per annum payable semi-annually in arrears.

The maturity date of the 2019 First Senior Notes is 22 August 2021. At any time and from time to time before the maturity date, the Company may at its option redeem the 2019 First Senior Notes, at a pre-determined redemption price.

For more details, please refer to the announcements of the Company dated 12 February 2019, 19 February 2019, 22 February 2019 and 27 February 2019 and the relevant offering memorandum.

As at the date of this annual report, the Group had utilised all the net proceeds from the issuance of the 2019 First Senior Notes in the manner consistent with the proposed allocations stated in the offering memorandum.

Issuance of 2019 Second Senior Notes due 2022

On 25 February 2019, the Company issued senior notes in the aggregate principal amount of US$300,000,000 due in 2022 (the "**Original 2019 Second Senior Notes**") on SGX-ST, with an interest rate of 10.50% per annum payable semi-annually in arrears. The maturity date of the Original 2019 Second Senior Notes is 1 March 2022. At any time and from time to time before the maturity date, the Company may at its option redeem the Original 2019 Second Senior Notes, at a pre-determined redemption price.

On 29 April 2019, the Company issued additional notes in the aggregate principal amount of US$200,000,000 (to be consolidated and form a single series with the Original 2019 Second Senior Notes) (the "**Consolidated 2019 Second Senior Notes**" and together with the Original 2019 Second Senior Notes, "**2019 Second Senior Notes**"). The maturity date of the Consolidated 2019 Second Senior Notes is 1 March 2022. At any time and from time to time before the maturity date, the Company may at its option redeem the Consolidated 2019 Second Senior Notes, at a pre-determined redemption price.

For more details, please refer to the announcements of the Company dated 26 February 2019, 30 April 2019 and 10 May 2019 and the relevant offering memorandums.

As at the date of this annual report, the Group had utilised all of the net proceeds from the issuance of the 2019 Second Senior Notes in the manner consistent with the proposed allocations stated in the offering memorandum.

Public Offering of the 2019 Domestic Corporate Bonds in the PRC

On 28 February 2019, Rongxin (Fujian) Investment Group Co., Ltd.* (融信（福建）投資集團有限公司) ("**Rongxin Investment**"), an indirect subsidiary of the Company established in the PRC, proposed to lodge an application to the Shanghai Stock Exchange to undertake public offering(s) of domestic corporate bonds to qualified investors with an aggregate principal amount of not more than RMB4.0 billion (RMB4.0 billion inclusive) (the "**2019 Domestic Corporate Bonds**"). Upon receipt of the approval from the Shanghai Stock Exchange, the 2019 Domestic Corporate Bonds shall be issued by Rongxin Investment in certain tranches in the PRC.

The 2019 Domestic Corporate Bonds are non-guaranteed bonds, and satisfy the basic conditions for conducting securities-pledged repurchase. For further details, please refer to the announcement of the Company dated 28 February 2019.

Placing in 2019

Reference is made to the Company's announcement dated 4 April 2019 (the "**2019 Placing Announcement**"). The Group successfully raised a net proceeds of HK$1.18 billion through the placing (the "**2019 Placing**") of 108,000,000 existing shares (the "**2019 Placing Shares**") by Dingxin Company Limited ("**Dingxin**"), a controlling Shareholder, to not less than six independent professional, institutional and/or individual investors at the placing price of HK$10.95 each on 11 April 2019 for the Company's development purposes and as general working capital of the Group. The Company subsequently allotted and issued 108,000,000 new shares to Dingxin.

The 2019 Placing Shares have a nominal value of HK$1,080 and a market value of HK$1,272,240,000, based on the closing price of HK$11.78 on 2 April 2019, being the date on which the terms of the 2019 Placing were fixed.

Upon the completion of the 2019 Placing, the Company received gross proceeds of HK$1,182,600,000 and net proceeds, after deducting all applicable costs and related expenses, of HK$1,171,460,000, representing a net issue price of HK$10.85 per 2019 Placing Share.

As at the date of this annual report, the Group had utilised all the net proceeds from the 2019 Placing for the Company's development purposes and as general working capital of the Group, which was consistent with the purposes disclosed in the 2019 Placing Announcement.

Issuance of 2019 Third Senior Notes due 2022

On 17 April 2019, the Company issued senior notes in the aggregate principal amount of US$200,000,000 due in 2022 (the "**Original 2019 Third Senior Notes Due 2022**") on SGX-ST, with an interest rate of 8.75% per annum payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2019.

The maturity date of the Original 2019 Third Senior Notes Due 2022 is 25 October 2022. At any time and from time to time before the maturity date, the Company may at its option redeem up to 35% of the aggregate principal amount of the Original 2019 Third Senior Notes Due 2022 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.75% of the principal amount of the Original 2019 Third Senior Notes Due 2022, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

On 6 June 2019, the Company issued additional notes in the aggregate principal amount of US$235,000,000 (to be consolidated and form a single series with the Original 2019 Third Senior Notes Due 2022) (the "**First Consolidated 2019 Senior Notes Due 2022**").

On 9 October 2019, the Company issued additional notes in the aggregate principal amount of US$265,000,000 (to be consolidated and form a single series with the Original 2019 Third Senior Notes Due 2022) (the "**Second Consolidated 2019 Senior Notes Due 2022**" and together with the First Consolidated 2019 Senior Notes Due 2022 and the Original 2019 Third Senior Notes Due 2022, "**2019 Third Senior Notes**"). The maturity date of the First Consolidated 2019 Senior Notes Due 2022 and the Second Consolidated 2019 Senior Notes Due 2022 is 25 October 2022. At any time and from time to time before the maturity date, the Company may at its option redeem the First Consolidated 2019 Senior Notes Due 2022 and the Second Consolidated 2019 Senior Notes Due 2022 at a pre-determined redemption price.

For more details, please refer to the announcements of the Company dated 18 April 2019, 30 April 2019, 9 June 2019, 19 June 2019 and 10 October 2019 and the relevant offering memorandums.

As at the date of this annual report, the Group had utilised most of the net proceeds from the issuance of the 2019 Third Senior Notes to refinance certain existing indebtedness, which was consistent with the purposes disclosed in the aforesaid announcements.

Completion of the partial redemption at the option of holders of Senior Notes due 2019

Reference is made to the announcements of the Company dated 2 December 2016 and 15 February 2017 in relation to the issue of the 6.95% senior notes due 2019 (the "**2019 Notes**"). On 20 December 2018, the Company announced that it has, at the put option of the holders, repurchased an aggregate principal amount of US$229,735,000 of the 2019 Notes held by such holder from 8 December 2018 to 20 December 2018 at 100.00% of the principal amount of the 2019 Notes plus accrued and unpaid interest to (but not including) the repurchase dates. The aggregate repurchase price paid by the Company is US$229,811,421.99. For more details, please refer to the announcement of the Company dated 20 December 2018.

On 13 June 2019, the Company announced that it has, at the put option of the holders, repurchased an aggregate principal amount of US$46,640,000 of the 2019 Notes held by such holders till 13 June 2019 at 100.00% of the principal amount of the 2019 Notes plus accrued and unpaid interest to (but not including) the repurchase dates. The aggregate repurchase price paid by the Company is US$46,943,730. As at 13 June 2019, the aggregate principal amount of the 2019 Notes repurchased by the Company is US$276,375,000, and following cancellation of the repurchased notes, the outstanding aggregate principal amount of the 2019 Notes will be US$123,625,000. For more details, please refer to the announcement of the Company dated 13 June 2019.

On 8 December 2019, the 2019 Notes reached its maturity and have been redeemed as at the date of this annual report.

Early Redemption of Private Corporate Bonds

Reference is made to the announcements the Company dated 25 January 2016 and 26 January 2016 in relation to, among other things, the First Tranche Private Corporate Bonds with an aggregate principal amount of RMB3.1 billion at the interest rate of 7.89% per annum and issued by Rongxin Investment, a wholly-owned subsidiary of the Company, on 26 January 2016.

On 17 June 2019, as proposed by Rongxin Investment and pursuant to a resolution passed by the bondholders of the First Tranche Private Corporate Bonds, Rongxin Investment exercised its right of early redemption in full the First Tranche Private Corporate Bonds before its maturity at the redemption price equal to its aggregate principle amount together with all accrued and unpaid interest thereon for a total amount of RMB1,830,716,849.32. Upon redemption, the First Tranche Private Corporate Bonds were delisted from the Shenzhen Stock Exchange and cancelled with effect from 17 June 2019. For more details, please refer to the announcement of the Company dated 17 June 2019.

Issuance of 2019 Fourth Senior Notes due 2023

On 16 July 2019, the Company issued notes in the aggregate principal amount of US$300,000,000 due in 2023 (the "**Original 2019 Fourth Senior Notes Due 2023**") on SGX-ST, with an interest rate of 8.95% per annum payable semi-annually in arrears on 22 January and 22 July of each year, beginning on 22 January 2020.

The maturity date of the Original 2019 Fourth Senior Notes Due 2023 is 22 January 2023. At any time and from time to time before the maturity date, the Company may at its option redeem up to 35% of the aggregate principal amount of the Original 2019 Fourth Senior Notes Due 2023 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.95% of the principal amount of the Original 2019 Fourth Senior Notes Due 2023, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

On 18 October 2019, the Company issued additional notes in the aggregate principal amount of US$120,000,000 (to be consolidated and form a single series with the Original 2019 Fourth Senior Notes Due 2023) (the "**Consolidated 2019 Fourth Senior Notes Due 2023**", and together with the Original 2019 Fourth Senior Notes Due 2023, "**2019 Fourth Senior Notes**"). The maturity date of the Consolidated 2019 Fourth Senior Notes Due 2023 is 22 January 2023. At any time and from time to time before the maturity date, the Company may at its option redeem the Consolidated 2019 Fourth Senior Notes Due 2023, at a pre-determined redemption price.

For more details, please refer to the announcements of the Company dated 17 July 2019 and 18 October 2019 and the relevant offering memorandums.

As at the date of this annual report, the Group had utilised most of the net proceeds from the 2019 Fourth Senior Notes to refinance certain existing indebtedness of the Company, which was consistent with the purposes disclosed in the aforesaid announcement.

Issuance of 2019 Fifth Senior Notes due 2023

On 3 December 2019, the Company issued notes in the aggregate principal amount of US$324,000,000 due in 2023 (the "**2019 Fifth Senior Notes Due 2023**") on SGX-ST, with an interest rate of 8.10% per annum payable semi-annually in arrears on 9 June and 9 December of each year, beginning on 9 June 2020.

The maturity date of the 2019 Fifth Senior Notes Due 2023 is 9 June 2023. At any time and from time to time before the maturity date, the Company may at its option redeem up to 35% of the aggregate principal amount of the 2019 Fifth Senior Notes Due 2023 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.10% of the principal amount of the 2019 Fifth Senior Notes Due 2023, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

For more details, please refer to the announcement of the Company dated 4 December 2019 and the relevant offering memorandum.

As at the date of this annual report, the Group had utilised most of the net proceeds from the 2019 Fifth Senior Notes Due 2023 to refinance certain existing indebtedness of the Company, which was consistent with the purposes disclosed in the aforesaid announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's net current assets amounted to RMB65,083.01 million (2018: RMB52,798.12 million). Specifically, the Group's total current assets increased by approximately 6.11% from RMB180,468.55 million as at 31 December 2018 to RMB191,489.97 million as at 31 December 2019. The Group's total current liabilities decreased by approximately 0.99% from RMB127,670.43 million as at 31 December 2018 to RMB126,406.96 million as at 31 December 2019. The increase in the Group's total current assets was primarily attributable to (i) the increase in amounts due from minority interests by approximately 26.08% from RMB6,503.83 million as at 31 December 2018 to RMB8,199.97 million as at 31 December 2019, (ii) the increase in cash and bank balances by 37.26% from RMB24,995.66 million as at 31 December 2018 to RMB34,308.57 million as at 31 December 2019.

As at 31 December 2019, the Group had cash and bank balances of RMB34,308.57 million (2018: RMB24,995.66 million), total borrowings of RMB63,177.81 million (2018: RMB62,532.83 million) and a weighted average effective interest rate for outstanding borrowings of approximately 6.85% (including bank borrowings, trust and other borrowings, the Domestic Corporate Bonds, the Additional Senior Note and the Asset-backed Securities) (2018: approximately 7.09%).

As at 31 December 2019, the aggregated issued amount of the Domestic Corporate Bonds was RMB12,167.52 million, representing approximately 19.26% of the total borrowings of the Group.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's borrowings were secured by the Group's assets of RMB43,318.48 million (2018: RMB47,269.6 million), which include (i) completed properties held for sale; (ii) properties under development; (iii) property, plant and equipment; (iv) land use rights; (v) restricted cash and (vi) investment property. Certain borrowings from financial institution were also secured by the equity interests of certain subsidiaries.

PROVISION OF A GUARANTEE IN FAVOUR OF A BANK FOR HANGZHOU RONGHAO PROPERTY CO., LTD.

On 23 August 2019, Rongxin Investment, as guarantor, entered into a guarantee agreement in favour of Ping An Bank Co., Ltd Hangzhou Branch* (平安銀行股份有限公司杭州分行) (the "**Creditor**"), pursuant to which Rongxin Investment agreed to provide guarantee for the due performance of the repayment obligations of Hangzhou Ronghao Property Co., Ltd.* (杭州融浩置業有限公司) ("**Hangzhou Ronghao**"), a company established in the PRC with limited liability which is indirectly owned as to 45.28% by the Company as at the date of this annual report, to the Creditor under the loan agreement entered into between Hangzhou Ronghao and the Creditor on the same date in relation to the grant of loan in the principal amount of RMB750 million.

For further details, please refer to the announcement of the Company dated 23 August 2019.

DISCLOSURE UNDER LISTING RULE 13.21

On 23 September 2019, the Company as borrower entered into a facility agreement with, among others, (i) Rongda Company Limited and Rongtai Company Limited, being the wholly-owned subsidiaries of the Company, as the original guarantors, (ii) Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank (Asia) Corporation Limited, and Chiyu Banking Corporation Limited as the mandated lead arrangers; and (iii) Hang Seng Bank Limited, as the coordinator, agent and security trustee (the "**Original Lenders**"), pursuant to which the Original lenders have agreed to make available dual-currency term loan facilities in the amount of HK$815,500,000 (the "**Loan Facilities**", each a "**Loan Facility**") to the Company for a term of 36 months from the date of the Facility Agreement.

As one of the conditions of the facility agreement, it will be an event of default if (i) Mr Ou Zonghong (歐宗洪) ("**Mr. Ou**"), his spouse and the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (the son of Mr. Ou) as the settlor with Mr. Ou being the protector and TMF (Cayman) Ltd. as the trustee, (collectively the "**Ou Family**") ceases to (1) remain as the single largest shareholder of the Company; (2) own at least 51% of the issued shares of the Company; or (3) maintain control of the Company, and (ii) Mr. Ou ceases to remain or continue to act as the Chairman of the Board. In case of an event of default, the commitments under the Loan Facilities may be cancelled and all or part of the loans, together with accrued interest, may become immediately due and payable and/or all or part of the loans may become payable on demand.

As at the date of this annual report, the Ou Family beneficially owns approximately 65.52% of the issued share capital of the Company through Dingxin Company Limited, and is the controlling shareholder of the Company within the meaning of the Listing Rules.

Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

CONTINGENT LIABILITIES

The Group's contingent liabilities primarily include guarantees that the Group has provided to PRC banks in respect of the mortgage loans granted by the banks to purchasers of the Group's properties. The purchaser mortgage guarantees are typically released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place after the properties are delivered to the purchasers. The borrowing guarantees represent the maximum exposure of the guarantees provided for the borrowings of related parties at the respective balance sheet dates. The total outstanding guarantee amounts provided by the Group amounted to RMB37,486.46 million as at 31 December 2019 (31 December 2018: RMB32,066.20 million).

The Directors believe that, in case of a default by the Group's purchasers on their mortgage payments, the net realisable value of the relevant properties will be sufficient to repay the outstanding mortgage loans, together with any accrued interest and penalty. Therefore, the Group did not make any provision in connection with these guarantees. The Group also provides various quality warranties to purchasers of its properties, with a term ranging from one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are covered by back-to-back warranties provided to the Group by the respective construction contractors. In addition, the Group has, from time to time, also been a party to lawsuits and other legal proceedings in the normal course of business.

Current ratio

As at 31 December 2019, the current ratio of the Group was 1.51 times (31 December 2018: 1.41 times). The increase in the Group's current ratio was mainly attributable to the increase of cash and bank balances included in current assets.

Gearing ratio

As at 31 December 2019, the gearing ratio of the Group was 0.70 (2018: 1.05), mainly due to the increase of cash and bank balances. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents, restricted cash and term deposits.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to focus on its existing property development business and acquiring high-quality land parcels in the first-tier and second-tier cities in the PRC. No concrete plan for future investments is in place for the Group as at the date of this annual report.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi ("**RMB**"). The Group's foreign currency transactions comprised mainly the raises of funds in capital market and financial institutions in Hong Kong. As at 31 December 2019, the Group's borrowings denominated in United States dollars and Hong Kong dollars totaled to approximately RMB22,292.03 million. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to its shareholders outside of the PRC. The Group has entered into certain forward foreign exchange contracts with reputable banks to mitigate the foreign exchange risk during the year ended 31 December 2019. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

MATERIAL ACQUISITION AND DISPOSAL

On 15 March 2019, Fujian Taikun Trading Company Limited* (福建泰坤貿易有限公司) ("**Seller**"), a wholly-owned subsidiary of the Company, entered into an agreement ("**Agreement**") with Greenland Property Group Co., Ltd* (綠地地產集團有限公司) ("**Purchaser**"), pursuant to which the Seller conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase, the sale equity interest representing 50% of the equity interest of Shanghai Kaitai Property Development Co., Ltd. (上海愷泰房地產開發有限公司), a limited liability company established in the PRC on 3 September 2013 and a joint venture between the Group and the Purchaser, at an aggregate consideration of RMB1,005,000,000 (equivalent to approximately HK$1,175,146,500) (the "**Disposal**"). The Company intends to use the net proceeds from the Disposal as general working capital of the Group and funding of possible investment in the property development industry.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors were of the view that the terms of the Agreement were on normal commercial terms and were fair and reasonable and in the interests of the Company and its shareholders as a whole.

For further details, please refer to the announcements of the Company dated 18 March 2019 and 19 March 2019.

Save as disclosed above, the Group did not perform any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2019.

Significant Events After the Reporting Period

Outbreak of COVID-19

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. 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.

Renewal of Continuing Connected Transaction

Reference is made to the announcements of the Company dated 15 September 2017 and 29 September 2017 in relation to the 2017 Landscape Engineering Services Framework Agreement, pursuant to which Xiujing Landscape agreed to provide the Landscape Engineering Services to the property projects of the Group in the PRC, including but not limited to those in Fuzhou, Xiamen, Zhangzhou, Shanghai and Hangzhou for a term commencing from the date of the 2017 Landscape Engineering Services Framework Agreement (i.e. 15 September 2017) and ended on 31 December 2019 (both days inclusive).

The annual caps under the 2017 Landscape Engineering Services Framework Agreement for the period between 15 September 2017 to December 2017 and the year ending 31 December 2018 and 2019 were RMB150 million, RMB400 million and RMB490 million, respectively. The actual transaction amount in relation to the Landscape Engineering Services for the year ended 31 December 2019 was RMB286 million.

On 10 January 2020, Xiujing Landscape and the Company entered into the 2020 Landscape Engineering Services Framework Agreement to renew the 2017 Landscape Engineering Services Framework Agreement for a term of three years commencing from the date of the 2020 Landscape Engineering Services Framework Agreement (i.e. 10 January 2020) to 31 December 2022 (both days inclusive).

Xiujing Landscape was, at the date of entering into the 2020 Landscape Engineering Services Framework Agreement, owned as to 99% by Mr. Ou Zonghong, an executive Director, a controlling Shareholder, the chief executive officer and the chairman of the Company, and 1% by Mr. Ou Guopeng, the son of Mr. Ou Zonghong. As Xiujing Landscape is an associate of Mr. Ou Zonghong , it is therefore a connected person of the Company for the purpose of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). Accordingly, the provision of the Landscape Engineering Services by Xiujing Landscape pursuant to the 2020 Landscape Engineering Services Framework Agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

For further details, please refer to the section headed "Report of Directors — Continuing Connected Transactions" — 1. Landscape Engineering Services Framework Agreement in this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ou Zonghong, aged 51, is the founder of the Group. Mr. Ou has been a Director since 11 September 2014, the chairman of the Board since 1 December 2014 and was re-designated as the executive Director and appointed as the chief executive officer of the Company on 15 December 2014. Mr. Ou is the chairman of the nomination committee and a member of the remuneration committee of the Company since 13 January 2017. Mr. Ou is primarily responsible for the overall development strategy and daily operation of the Group. He has more than 20 years of experience in the property development and construction industries. Mr. Ou established Putian Transport Engineering Company Limited* (莆田市交通工程有限公司) on 1 August 1995, which engaged in construction of motorways. On 20 April 2000, Mr. Ou started his engagement with the property related business and established Putian Transport and Real Estate Development Company Limited (莆田市交通房地產開發有限公司). On 23 September 2003, Mr. Ou established Rongxin (Fujian) Investment Company Limited* (融信（福建）投資集團有限公司). Mr. Ou has been a director of Renmin University of China* (中國人民大學) since 18 October 2011. Mr. Ou has also been the managing vice president of the Federation of Fujian Enterprise and Entrepreneur * (福建省企業與企業家聯合會) since April 2012, respectively.

Mr. Ou has also assumed various positions in the subsidiaries of the Company, including a director of Rongda Company Limited since 11 September 2014, a director of Rongtai Company Limited (融泰有限公司) since 26 September 2014, a director of Rongxin (Fujian) Investment Company Limited * (融信（福建）投資集團有限公司) since 23 September 2003, a director of Rongxin (Zhangzhou) Property Company Limited * (融信（漳州）房地產有限公司) from 7 January 2011 to 1 February 2013 and a director of Shanghai Ronglai Business Management Consulting Ltd. (上海融錸企業管理諮詢有限公司) since 28 October 2014.

Mr. Ou was awarded a member of the fourteenth and fifteenth sessions of the Excellent Entrepreneurs of Fujian in December 2011 and June 2014, respectively. He also received the Silver Award of the Ten Young Entrepreneurs of Fujian in April 2008.

Ms. Yu Lijuan, aged 39, was appointed as an executive Director on 22 March 2019. Ms Yu possesses extensive experience in real estate development and management. Ms. Yu has been engaged in the real estate industry for 15 years. Ms. Yu first joined the Group in September 2007, she has since served in various positions within the Group, including serving as the marketing director of the Group, the deputy general manager of the East China region of the Company and the general manager of the Hangzhou region of the Company. Ms. Yu is currently the vice president of the Group, and concurrently serves as the president of division 1 and division 3 of the Group. Ms. Yu graduated from Fuzhou University (福州大學) in Fujian Province, China with a bachelor's degree in administrative management in July 2004. In November 2018, Ms. Yu was also awarded the title of "Top Ten Outstanding Professional Managers of Zhejiang Province for 2018" (2018年度浙江省十大傑出職業經理人).

Ms. Zeng Feiyan, aged 45, has been an executive Director since 27 July 2015. She joined the Group in August 2013. Ms Zeng was the joint company secretary of the Company from 15 December 2014 to 20 February 2019. Before joining the Group, Ms. Zeng Feiyan has more than 10 years of finance related experiences in various entities. Ms. Zeng Feiyan had served as the manager of the operation and financial management center and the vice director of the supervisory committee in Hopson Development Holdings Limited* (合生創展集團有限公司) (a property development company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 754) from May 2003 to October 2007. She was the vice general manager responsible for finance and investment management of Guangdong Pearl River Investment Management Group Company Limited* (廣東珠江投資管理集團有限公司) (a company principally engaged in the investment in energy and infrastructure projects) from October 2007 to September 2011, and the vice president and secretary of the board of directors of Cnhomeland Environmental Co., Ltd.* (浩藍環保股份有限公司) (an environmental-protection company engaged in the provision of environmental solutions services) from September 2011 to August 2013.

Ms. Zeng Feiyan has been a certified public accountant authorised by the Institute of Certified Public Accountants of Guangdong Province since 7 January 2003. She has also been a senior economist as credentialed by the Senior Professional Titles Evaluation Committee of Dezhou Private Economic Organisations since 26 September 2013 and a Registered Tax Agents authorised by the Certified Tax Agents Association of Guangdong Province since 13 December 2011. Ms. Zeng Feiyan graduated from Changsha Communication College* (長沙交通學院) (now known as Changsha University of Science and Technology)* (長沙理工大學) in Changsha, Hunan province in June 1998 where she obtained a bachelor degree in accounting. Ms. Zeng Feiyan is currently a candidate of executive master of business administration in Guanghua School of Management of Peking University* (北京大學光華管理學院) since March 2013.

Mr. Ruan Youzhi, aged 45, was appointed as an executive Director on 16 November 2018. Mr. Ruan graduated from Fujian Normal University* (福建師範大學) in July 2005 with a bachelor's degree in Chinese literature. Mr. Ruan currently serves as the vice president of the Company and is mainly responsible for managing the Company's investments and public relations. From August 1997 to August 2001, Mr. Ruan taught at Xianyou Fengjiang Middle School* (仙遊楓江中學). From March 2003 to May 2008, he was the reporter for Straits News* (海峽都市報). Since joining the Company in June 2008, Mr. Ruan successively worked as the director of the president office, the general manager of the brand center, the general manager of the investment development center, the assistant to the chairman of the Board and the vice president of the Company.

Mr. Zhang Lixin, aged 42, was appointed as an executive Director on 16 November 2018. Mr. Zhang is the chief financial officer of the Company and is primarily responsible for the financial affairs of the Company. Mr. Zhang graduated from Dongbei University of Finance and Economics* (東北財經大學) in July 2001 with a bachelor's degree in Management. He further obtained a master degree of Economics (Regional Economics) in April 2004. Mr. Zhang has extensive experience in financial management. From April 2003 to September 2007, Mr. Zhang held various positions, as the finance supervisor, deputy finance manager and finance manager within a subsidiary of Dalian Wanda Group* (大連萬達集團). From September 2009 to April 2012, Mr. Zhang served initially as the deputy finance manager and subsequently as the chief financial officer in the business department of Shanghai Greenland Holdings Corporation Limited* (綠地控股集團股份有限公司房地產業務部). From May 2012 to August 2015, he was the general manager of the financial management center within Hailiang International Holdings Limited* (海亮地產集團財務管理中心). From August 2015 to date, Mr. Zhang is the general manager of the Company's finance center.

NON-EXECUTIVE DIRECTOR

Ms. Chen Shucui, aged 46, was appointed as a non-executive Director on 18 June 2018. Ms. Chen graduated from Hebei University of Economics and Business (河北經貿大學) in the People's Republic of China, where she obtained a bachelor degree of trade economics in June 1997. She further obtained a master degree of currency banking from Xiamen University (廈門大學) in October 2000. Ms. Chen has over 20 years of experience in asset management and securities trading. She has been the general manager assistant of China Everwin Asset Management Co., Ltd. (華夏久盈資產管理有限責任公司) since June 2017. From July 1997 to November 2006, Ms. Chen was the general manager assistant of (i) the sales department in Beijing and (ii) the securities and asset management department in Hebei of Hebei Securities Co., Ltd. (河北證券有限責任公司). From December 2006 to April 2009, she served as the deputy general manager at the securities investment department of New Times Securities Co., Ltd. (新時代證券有限責任公司). From April 2009 to February 2013, Ms. Chen has been serving a number of positions in Huarong Securities Co., Ltd. (華融證券股份有限公司), including (i) deputy general manager of the asset management department and (ii) deputy general manager of its futures intermediate business. From February 2013 to December 2016, she was the general manager of the securities investment department of Dongxing Securities Co., Ltd. (東興證券股份有限公司). From December 2016 to June 2017, Ms. Chen was the assistant to the president of New Times Trust Co., Ltd. (新時代信託股份有限公司). Ms. Chen currently serves as an independent director of the board at Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) since June 2018, a company listed on the Shanghai Stock Exchange (stock code: 600208), a non-independent director of Beijing Jetsen Technology Co., Ltd* (北京捷成世紀科技股份有限公司) since April 2019, a company listed on the Shenzhen Stock Exchange (stock code: 300182), a non-independent director of Zhejiang Hai Liang Co., Ltd.* (浙江海亮股份有限公司) since September 2019, a company listed on the Shenzhen Stock Exchange (stock code: 002203), and a non-executive director of Fosun International Limited (復星國際有限公司) since December 2019, a company listed on the Main Board of the Stock Exchange (stock code: 656).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ren Yunan, aged 45, has been an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company since 13 January 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Ren obtained a bachelor degree in law from Peking University* (北京大學) in Beijing in July 1997 and a master degree in law from Harvard University in the U.S. in June 1999. Mr. Ren has been qualified to practice law in New York, the U.S. since March 2000 and also admitted to practice in Hong Kong since March 2003 and currently is not in private practice in Hong Kong. Mr. Ren currently focuses on technology investment.

Mr. Ren currently holds or has in the past three years held directorship in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Prosperous Future Holdings Limited (未來發展控股有限公司) (formerly known as China ChildCare Corporation Limited)* (中國兒童護理有限公司)	a company principally engaged in the design and provision of children care products	listed on the Main Board of the Stock Exchange (stock code: 1259)	an independent non-executive director from February 2011 to October 2015 and a non-executive director from October 2015 to April 2018
Labixiaoxin Snacks Group Limited* (蠟筆小新休閒食品集團有限公司)	a snack food provider	listed on the Main Board of the Stock Exchange (stock code: 1262)	a non-executive director since February 2015
SPI Energy Co., Ltd. (formerly known as Solar Power, Inc.)	a photovoltaic project developer	shares are traded on the NASDAQ in the U.S. (stock code: SPI)	an independent director from April 2015 to May 2017
International Entertainment Corporation* (國際娛樂有限公司)	a hotel and entertainment company in the Philippines	listed on the Main Board of the Stock Exchange (stock code: 1009)	an independent non-executive director from May 2017 to July 2018
OKG Technology Holdings Limited* (歐科雲鏈控股有限公司) (formerly known as LEAP Holdings Group Limited)* (前進控股集團有限公司)	an investment holding company, which together with its subsidiaries is principally engaged in provision of foundation works and ancillary services, construction wastes handling services, technical services, money lending business and investments in securities	listed on the Main Board of the Stock Exchange (stock code: 1499)	an executive director, chairman of the board and the chief executive officer since July 2018

Directors and Senior Management

Mr. Qu Wenzhou, aged 48, has been an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company since 13 January 2016. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Qu served as a professor at the School of Management of Xiamen University* (廈門大學管理學院) since 2005. He is currently serving as the dean of The Jinyuan Institute for Financial Studies at Xiamen University* (廈門大學金圓研究院), director at the MBA Education Center under School of Management at Xiamen University (廈門大學管理學院MBA教育中心), and director at the China Capital Market Research Center of Xiamen University* (廈門大學中國資本市場研究中心) Mr. Qu has served as an independent non-executive director or independent director in several listed companies, including those set out below:

Name of entity	Principal business	Place of listing and stock code	Position and period of time
Mingfa Group (International) Company Limited* (明發集團(國際)有限公司)	a property development company	listed on the Main Board of the Stock Exchange (stock code: 846)	non-executive director and chairman of the audit committee from 19 August 2010 to 4 September 2018
Fujian Cosunter Pharmaceutical Co., Ltd* (福建廣生堂藥業股份有限公司)	a pharmaceutical company	listed on Shenzhen Stock Exchange (stock code: 300436)	an independent director from 2 December 2014 to 20 December 2017
Guangdong Baolihua New Energy Stock Co., Ltd* (廣東寶麗華新能源股份有限公司)	a energy company	listed on Shenzhen Stock Exchange (stock code: 000690)	an independent director since 24 March 2015
Fujian Septwolves Industry Co., Ltd* (福建七匹狼實業股份有限公司)	a fashion design and manufacturing company	listed on Shenzhen Stock Exchange (stock code: 002029)	an independent director from 9 July 2016 to 8 July 2019
Geo-Jade Petroleum Corporation* (洲際油氣股份有限公司)	a petroleum company	listed on Shanghai Stock Exchange (stock code: 600759)	an independent director from 27 July 2016 to 26 July 2019

Name of entity	Principal business	Place of listing and stock code	Position and period of time
China Merchants Shekou Industrial Zone Holdings* (招商局蛇口工業區控股股份有限公司)	a China-based company principally engaged in the development and operation of industrial parks, communities and cruise business	listed on Shenzhen Stock Exchange (stock code: 001979)	an independent director from 12 September 2018 to 11 September 2021
Fuyao Glass Industry Group Co.,Ltd.* (福耀玻璃工業集團股份有限公司)	a China-based company principally engaged in manufacture of automobile safety glass and industrial technical glass	listed on Shanghai Stock Exchange (stock code: 600660)	an independent director from 30 October 2019 to 7 January 2021
Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司)	a joint stock company incorporated in the PRC principally engaged in providing total solutions of safety glass for various transportation vehicles	listed on the Main Board of the Stock Exchange (stock code: 3606)	an independent non-executive director since 30 October 2019

Mr. Qu has been a member of the eleventh All-China Youth Federation since August 2010. He was awarded the Youth May 4th Medal of Fujian Province in May 2008. He has been a certified public accountant authorised by The Chinese Institute of Certified Public Accountants since November 2003 and a chartered financial analyst authorised by the Chartered Financial Analyst Institute since November 2004. Mr. Qu graduated from Xiamen University* (廈門大學) in Xiamen, Fujian province with a bachelor degree in science in July 1995. He also obtained his master degree in economics in June 1999, master degree in business administration in October 2001 and doctor degree in economics in December 2003 from Xiamen University.

Mr. Ruan Weifeng, aged 43, was appointed as an independent non-executive Director on 22 March 2019. Mr. Ruan is a practising full-time lawyer in the People's Republic of China for 19 years. He graduated from the Faculty of Law of the Northwest University of Political Science and Law (西北政法學院) (previously known as Northwest College of Political Science and Law) in July 1999, and obtained a bachelor's degree in law upon finishing its full-time legal undergraduate program. Mr. Ruan was admitted as a lawyer in the PRC in 1999. From June 2000 to September 2001, he served as a full-time lawyer of Fujian Mentors Law Firm* (福建名仕律師事務所), where he was mainly responsible for handling non-performing asset businesses for financial institutions and asset management companies. From October 2001 to April 2006, he served as a full-time lawyer in Fujian Huiyang Law Firm* (福建輝揚律師事務所). He also successively served as a legal advisor to a number of banks, enterprises and institutions, and had handled nearly 100 civil and commercial cases. From April 2006 to July 2012, he served as a partner of the Fuzhou branch of Beijing Horizon Lawyers* (北京市地平線律師事務所福州分所), where he was primarily responsible for the business development and management of the non-litigation department. Since August 2012, he has established Fujian Gong Lue Law Firm* (福建攻略律師事務所), where he held the position of partner and director. Fujian Gong Lue Law Firm* is mainly engaged in advising on corporate legal matters, non-contentious legal practice areas such as finance, insurance, investment, mergers and acquisitions, global wealth planning (civil trust) matters, as well as handling other complex litigation and arbitration cases.

SENIOR MANAGEMENT

The senior management of the Group include the five executive Directors as disclosed above.

JOINT COMPANY SECRETARIES

Mr. Yu Zuoyi and Ms. Ng Wing Shan are the joint company secretaries of the Company.

Mr. Yu Zuoyi, aged 46, holds a Bachelor of Accounting degree from Hainan University* (海南大學) (formerly known as South China University of Tropical Agriculture* (華南熱帶農業大學) in the People's Republic of China. From August 1995 to March 2011, Mr. Yu worked as a company accountant, finance manager, audit manager, finance director and securities manager within Tahoe Group Co., Ltd. (泰禾集團股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code 000732, during which he was mainly responsible for financial management, financial and auditing related matters, internal system construction, asset and debt restructuring, mergers and acquisitions, internal standardization and administration, disclosure of information, and other matters related to listing. Since April 2011, Mr. Yu has been serving variously as the Company's finance supervisor, senior manager and senior director and is mainly responsible for other matters related to listing, such as financial management and disclosure of information.

Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Save as otherwise disclosed in this annual report, there is no relationship (including financial, business, family or other material or relevant relationship) between the Directors and senior management of the Company, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

Report of Directors

The Directors are pleased in presenting this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Laws of the Cayman Islands (the "**Cayman Companies Law**"). The shares of the Company (the "**Shares**") were listed on the Stock Exchange on 13 January 2016.

Principal Activities

The Company is an investment holding company and together with its subsidiaries, joint ventures and associates is a property developer in the PRC primarily engaged in the development of mid- to high-end residential properties and commercial properties in cities in the Western Taiwan Straits Economic Zone, Yangtze River Delta Economic Region and selected first- and second-tier cities in the PRC. The Western Taiwan Straits Economic Zone is an area centering on the coastal areas of Fujian province known for entrepreneurship and economic growth.

Details of the principal activities of the principal subsidiaries of the Group are set out in note 11a to the consolidated financial statements of the Group in this annual report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2019. As at the date of this annual report, the Board has no intention to significantly change the principal business of the Group.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income of the Group in this annual report. The Group's business review and future business development are provided in the section headed "Chairman's Statement" in this annual report. An analysis of the Group's performance using financial key performance indicators and events that have occurred since the end of the reporting period are set out in the section headed "Management Discussion and Analysis" in this annual report.

A five year financial summary of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 is set out on page 206 in this annual report.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the section headed "Management Discussion and Analysis — Material acquisition and disposal" in this annual report, during the year ended 31 December 2019, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements of the Group in this annual report.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2019 are set out in note 27 to the consolidated financial statements of the Group in this annual report.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity in this annual report. As at 31 December 2019, the distributable reserve of the Company amounted to approximately RMB2,481.5 million.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Friday, 5 June 2020, a notice of which will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.60 (equivalent to RMB0.54) per Share for the year ended 31 December 2019 (the "**Final Dividend**"), totaling HK$1,029 million, to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 16 June 2020 (2018: HK$0.365 per share). If the resolution for the proposed Final Dividend is passed at the AGM, the proposed Final Dividend will be payable on or before Friday, 28 August 2020.

As at 31 December 2019, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 1 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 29 May 2020.

For the purpose of determining the entitlement of the Final Dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitling the Final Dividend, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 10 June 2020.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group primarily targets customers from middle to upper-middle income households who are looking to either purchase their first homes or upgrade their living environment. The Group also derived revenue from certain local governments in Fuzhou City for the Group's services under construction contracts. For the year ended 31 December 2019, the five largest customers of the Group accounted for 1.63% of the revenue of the Group, and the single largest customer of the Group accounted for 0.57% of the revenue of the Group during the same period.

All of the five largest customers of the Group (except local governments as counter-parties to the Group's construction contracts) for the year ended 31 December 2019 are individual purchasers of the Group's properties, and all of them are independent third parties. To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group during the year ended 31 December 2019.

Major Suppliers

For the year ended 31 December 2019, the five largest suppliers of the Group, primarily comprising construction companies which are the Group's contractors and each an independent third party, accounted for 31.72% of the total purchases of the Group, and the single largest supplier of the Group accounted for 18.82% of the Group's total costs of sales during the same period.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers of the Group during the year ended 31 December 2019.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that the employees, customers and suppliers are the keys to corporate sustainability and is keen on developing long-term relationships with its stakeholders.

The Company places significant emphasis on human capital and strives to foster an environment in which employees can develop their full potential and to assist their personal and professional growth. The Company provides a fair and safe workplace, promoting diversity to our staff, providing competitive remuneration and benefits and career development opportunities based on their merits and performance.

The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Company understands that it is important to maintain good relationship with customers. The Group has established procedures in place for handling customers' complaints and customer satisfaction surveys in order to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers as long-term business partners to ensure stable supplies of materials and timely delivery of power plants under construction. The Group reinforces business partnerships with suppliers and contractors by recurring communication in proactive and effective manner so as to ensure quality and delivery.

SHARE CAPITAL

On 11 April 2019, the Company allotted and issued 108,000,000 shares of HK$10.95 each to Dingxin upon completion of the 2019 Placing. For further details, please refer to the section headed "Management Discussion and Analysis — Financing Activities" in this annual report.

During the Year, the Company repurchased an aggregate 10.626 million Shares at a cumulative consideration of approximately HK$97.48 million. For further details, please refer to the section headed "Report of Directors — Purchase, Sale or Redemption of Listing Securities of the Company" in this annual report.

As at 31 December 2019, the Company had 1,715,526,262 Shares in issue.

Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements of the Group in this annual report.

ISSUANCE OF SENIOR NOTES

Details of the issuance of senior notes of the Company during the year ended 31 December 2019 are set out in the section headed "Management Discussion and Analysis — Financing Activities" in this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors

Mr. Ou Zonghong *(Chairman and Chief Executive Officer)*
Ms. Yu Lijuan (appointed on 22 March 2019)
Ms. Zeng Feiyan
Mr. Ruan Youzhi
Mr. Zhang Lixin *(Chief Financial Officer)*

Non-executive Director

Ms. Chen Shucui

Independent Non-executive Directors

Mr. Ren Yunan
Mr. Qu Wenzhou
Mr. Ruan Weifeng (appointed on 22 March 2019)
Dr. Lo Wing Yan William (retired on 5 June 2019)

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" in this annual report.

In accordance with Article 84(1) of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at the annual general meeting at least once every three years.

Accordingly, Mr. Ou Zonghong, Mr. Ren Yunan and Mr. Qu Wenzhou shall retire by rotation as Directors at the AGM according to Article 84(1) of the Articles of Association. Mr. Ou Zonghong, Mr. Ren Yunan and Mr. Qu Wenzhou, being eligible, have offered themselves for re-election as Directors at the AGM.

Directors' Service Contracts

Mr. Ou Zonghong had entered into a service contract with the Company to act as an executive Director for a term of three years commencing from 13 January 2016 (the "**Listing Date**"). Mr. Ou has renewed his service contract with the Company to act as an executive Director for a term of 3 years commencing from 13 January 2019, which may be terminated pursuant to the terms of his service contract.

Ms. Zeng Feiyan has entered into a service contract with the Company to act as an executive Director for a term of three years commencing from her date of appointment (i.e. 18 June 2016), and may be terminated pursuant to the terms of her service contract. Ms. Zeng has renewed her service contract with the Company to act as an executive Director for a term of 3 years commencing from 5 June 2019, which may be terminated pursuant to the terms of her service contract.

Each of Mr. Ruan Youzhi and Mr. Zhang Lixin has entered into a service contract to act as an executive Director with the Company for a term of three years commencing from their respective date of appointment (i.e. 16 November 2018), and may be terminated pursuant to the respective terms of the service contracts.

Ms. Yu Lijuan has entered into a service contract with the Company to act as an executive Director for a term of three years commencing from her date of appointment (i.e. 22 March 2019) and may be terminated pursuant to the terms of her service contract.

Ms. Chen Shucui entered into a service contract with the Company to act as a non-executive Director for a term of one year commencing from her date of appointment (i.e. 18 June 2018) and may be terminated pursuant to the terms of her service contract.. She has renewed her service contract with the Company to act as non-executive Director for a term of 2 years commencing from 18 June 2019, which may be terminated pursuant to the terms of her service contract.

Each of the independent non-executive Directors apart from Mr. Ruan Weifeng entered into an appointment letter with the Company to act as an independent non-executive Director for a term of three years commencing from the Listing Date. Each of the independent non-executive Directors apart from Mr. Ruan Weifeng has renewed their respective appointment letter with the Company, for a term of 3 years commencing from 1 April 2019, which may be terminated pursuant to the terms of the respective terms of the appointment letters.

Mr. Ruan Weifeng has entered into an appointment letter with the Company to act as an independent non-executive Director for a term of three years commencing from his date of appointment (i.e. 22 March 2019) and may be terminated pursuant to the terms of his appointment letter.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in note 8 to the consolidated financial statements of the Group in this annual report.

During the year ended 31 December 2019, Ms. Chen Shucui, a non-executive Director, has waived her emoluments (2018: nil).

Save as disclosed above, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ou Zonghong, the chairman and an executive Director of the Company, through his interests in a family trust, the Ou Family Trust, is interested in 65.52% shareholding of the Company as at 31 December 2019. Apart from holding interests in the Group as a result of the Ou Family Trust, Mr. Ou Zonghong also owns equity interest in certain other companies which are engaging in the businesses of hotel operation and property management, details of which are set out below.

(i) Hotel Operation

Hemei (Zhangzhou) Hotel Investment Company Limited (和美(漳州)酒店投資有限公司) is a member of the Fujian Dingcheng Investment Company Limited, (福建鼎誠投資有限公司) which owns and operates Zhangzhou Rongxin Crowne Plaza Holiday Hotel (漳州融信皇冠假日酒店) ("**Zhangzhou Rongxin Hotel**"). Zhangzhou Rongxin Hotel is a high-end hotel in Zhangzhou, Fujian province and was opened in August 2014. For further details, please refer to the section headed "Relationship with Controlling Shareholders — No Competition and Delineation of Business" on pages 260 to 263 in the Prospectus.

(ii) Pre-delivery Property Management

Fujian Rongxin Shiou Property Management Company Limited (福建融信世歐物業管理集團有限公司) ("**Fujian Rongxin Shiou Property Management**") is beneficially owned as to 90% by Mr. Ou Zonghong. Fujian Rongxin Shiou Property Management is engaged in the provision of pre-delivery property management services and it has been providing pre-delivery property management services to certain of the Group's property projects during the year ended 31 December 2019 and will continue to do so afterward. For further details, please refer to the announcements of the Company dated 8 November 2016 and 23 November 2018 in relation to the renewal, and the paragraph headed "Continuing Connected Transactions — 2. 2016 Master Pre-delivery Property Management Agreement" in this section.

Due to inadvertent clerical error, Fujian Rongxin Shiou Property Management (formally known as Fujian Shiou Property Management Company Limited) was mistakenly disclosed as being held as to 60% by Mr. Ou Zonghong in the Company's annual report for the year ended 31 December 2016 and 54% by Mr. Ou Zonghong in the Company's annual reports for the years ended 31 December 2017 and 2018. The Company would like to clarify that, Fujian Rongxin Shiou Property Management was beneficially owned as to 100% by Mr. Ou Zonghong in 2016 and thereafter has been beneficially owned as to 90% by Mr. Ou Zonghong since 2017, including 54% interests indirectly held by Mr. Ou Zonghong and 36% interests held by an independent third party on trust for and on behalf of Mr. Ou Zonghong. Despite the aforesaid, the Company hereby confirmed that the clerical error has no impact to the financial statements and related disclosure previously made by the Company, and Fujian Rongxin Shiou Property Management remains to be a connected person of the Company under Chapter 14A of the Listing Rules.

(iii) Property Management

Rongxin (Fujian) Property Management Company Limited (融信(福建)物業管理有限公司) ("**Rongxin Fujian Property Management**") is owned as to 52% by Mr. Ou Zonghong. Rongxin Fujian Property Management is engaged in the provision of property management services and it has been providing property management services to certain of the Group's property projects during the year ended 31 December 2019 and will continue to do so afterward. For further details, please refer to the section headed "Relationship with Controlling Shareholders — No Competition and Clear Delineation of Business" on pages 260 to 263 in the Prospectus.

Save as disclosed above, as at 31 December 2019, none of the controlling Shareholders of the Company or the Directors was engaged or had interest in any business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Deed of Non-Competition

The Company's controlling Shareholders, namely, Mr. Ou Zonghong, Mr. Ou Guofei, Honesty Global Holdings Limited and Dingxin Company Limited (together, the "**Covenantors**") entered into a deed of non-competition on 22 December 2015 (the "**Deed of Non-Competition**") in favour of the Company, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that, save for the businesses carried on by them as already disclosed in the Prospectus, the Covenantors shall not, and shall procure that their close associates (other than members of the Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time ("**Restricted Business**").

The Deed of Non-Competition shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling Shareholder) of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

For details of the Deed of Non-Completion, please refer to the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" in the Prospectus.

Annual Review

The Covenantors have confirmed that they did not refer, or to procure the referral of, any investment or commercial opportunities relating to the Restricted Business to the Group during the year ended 31 December 2019.

The Company has received a written confirmation from each of the Covenantors in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the Covenantors and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that each of the Covenantors has complied with his/its undertakings under the Deed of Non-Competition during the year ended 31 December 2019.

CONTINUING CONNECTED TRANSACTIONS

Set forth below are the details of the continuing connected transactions of the Group during the year ended 31 December 2019, which were exempted from the requirements of independent Shareholders' approval, but subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Landscape Engineering Services Framework Agreement

The Company, as service recipient, entered into a landscape engineering services framework agreement (the "**2017 Landscape Engineering Services Framework Agreement**") with Xiujing (Fujian) Landscape Engineering Company Limited* (秀景（福建）園林工程有限公司) ("**Xiujing Landscape**"), as service provider, on 15 September 2017, pursuant to which Xiujing Landscape has agreed to provide, among others services, (i) landscape engineering design services; (ii) landscape construction; and (iii) sale and nursery of horticultural plants (collectively, the "**Landscape Engineering Services**") to the property projects of the Group in the PRC, including but not limited to those in Fuzhou, Xiamen, Zhangzhou, Shanghai and Hangzhou, for a term commencing from the date of the 2017 Landscape Engineering Services Framework Agreement and ending on 31 December 2019 (both days inclusive).

As Xiujing Landscape is owned as to 99% by Mr. Ou Zonghong, one of the controlling Shareholders and an executive Director, and 1% by Mr. Ou Guopeng, the son of Mr. Ou Zonghong, Xiujing Landscape is an associate of Mr. Ou Zonghong and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The service fees payable by the Company for the Landscape Engineering Services shall be determined with reference to (i) the total area of the property projects of the Group in the PRC for which the Landscape Engineering Services is required; (ii) the costs to be incurred by Xiujing Landscape for the provision of the Landscape Engineering Services (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties); and (iii) comparable market price for the provision of the Landscape Engineering Services by other similar providers. The amount of management fees paid by the Group to Xiujing Landscape for the Landscape Engineering Services under the 2017 Landscape Engineering Services Framework Agreement during the year ended 31 December 2019 amounted to RMB286 million.

The annual cap amounts of management fees payable by the Group to Xiujing Landscape for the period from 15 September 2017 to 31 December 2017 and the years ended 31 December 2018 and 2019 were RMB150 million, RMB400 million and RMB490 million, respectively, which were determined with reference to, among others, (i) the estimated operating income of Xiujing Landscape for each of the years ended 31 December 2017, 2018 and 2019 by providing the Landscape Engineering Services to the existing property projects requiring the Landscape Engineering Services and the future property projects expected to be undertaken by the Group which require the Landscape Engineering Service; (ii) the historical costs incurred by the Group on landscape engineering in respect of the Group's previous property projects; and (iii) the general market prices in respect of the Landscape Engineering Services.

As one or more of the applicable percentage ratios (other than the profits ratio) of the highest annual caps for the provision of the Landscape Engineering Services were more than 0.1% but less than 5%, the transactions contemplated under the 2017 Landscape Engineering Services Framework Agreement were subject to the announcement, reporting and annual review requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 15 September 2017 and 29 September 2017.

On 10 January 2020, Xiujing Landscape and the Company entered into the 2020 Landscape Engineering Services Framework Agreement to renew the 2017 Landscape Engineering Services Framework Agreement for a term of three years commencing from the date of the 2020 Landscape Engineering Services Framework Agreement (i.e. 10 January 2020) to 31 December 2022 (both days inclusive). Xiujing Landscape was, at the date of entering into the 2020 Landscape Engineering Services Framework Agreement, owned as to 99% by Mr. Ou Zonghong, an executive Director, a controlling Shareholder, the chief executive officer and the chairman of the Company, and 1% by Mr. Ou Guopeng, the son of Mr. Ou Zonghong. As Xiujing Landscape is an associate of Mr. Ou Zonghong , it is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the provision of the Landscape Engineering Services by Xiujing Landscape pursuant to the 2020 Landscape Engineering Services Framework Agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The annual caps under the 2020 Landscape Engineering Services Framework Agreement for the period from the date of the 2020 Landscape Engineering Services Framework Agreement (i.e. 10 January 2020) and ending on 31 December 2020 (both days inclusive), and each of the two years ending 31 December 2022 are RMB400 million, RMB500 million and RMB600 million, respectively.

The Directors (including the independent non-executive Directors) considered that the terms of the 2020 Landscape Engineering Services Framework Agreement (including the annual caps) and the transactions contemplated thereunder were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms based on an arm's length basis and on terms no less favourable than terms available to independent third parties of the Group; and (iii) fair and reasonable. The Directors (including independent non-executive Directors) were also of the view that the continuing connected transactions and the annual caps to the 2020 Landscape Engineering Services Framework Agreement were in the interests of the Group and the Shareholders as a whole.

For further details, please refer to the announcement of the Company dated 10 January 2020.

2. 2016 Master Pre-delivery Property Management Agreement

The Company as service recipient entered into a master pre-delivery property management agreement (the "**2016 Master Pre-delivery Property Management Agreement**") with Rongxin Shiou Property Management Group Limited ("**Rongxin Shiou Property**") (formerly known as Fujian Shiou Property Management Company Limited) as service provider on 8 November 2016, pursuant to which Rongxin Shiou Property agreed to provide pre-delivery property management services to the Group at the pre-sale and pre-delivery stages including but not limited to security, cleaning, maintenance service and other related pre-delivery property management and maintenance services as well as car park management services (collectively, the "**Pre-delivery Property Management Services**") for a term commencing from the date of the 2016 Master Pre-delivery Property Management Agreement (i.e. 8 November 2016) and ending on 31 December 2018 (both days inclusive).

As Rongxin Shiou Property is indirectly beneficially owned as to 90% by Mr. Ou Zonghong, one of the controlling Shareholders, an executive Director, Rongxin Shiou Property is an associate of Mr. Ou Zonghong and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The management fees payable by the Group to Rongxin Shiou Property shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable than those provided by independent third parties to the Group, with reference to (i) the total area of the property projects of the Group in the PRC for which Pre-delivery Property Management Services is required; (ii) the costs to be incurred by Rongxin Shiou Property for the provision of the Pre-delivery Property Management Services (including the salaries and benefits, costs incurred for the use of facilities and disbursements to third parties etc.); and (iii) comparable market price where the normal costs of pre-delivery property management services concerned will be taken into account. The amounts of management fees paid by the Group to Rongxin Shiou Property under the 2016 Master Pre-delivery Property Management Agreement during the year ended 31 December 2019 amounted to RMB157 million.

The annual cap amounts of management fees payable by the Group to Rongxin Shiou Property for each of the years ended 31 December 2016, 2017 and 2018 were RMB40 million, RMB55 million and RMB65 million, respectively, which were determined with reference to (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the nine months ended 30 September 2016; and (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of Pre-delivery Property Management Services with reference to (a) the anticipated increases in demand of Pre-delivery Property Management Services required by the Group during the term of the Pre-delivery Property Management Service Agreement taking into account of the expected growth in the number of property development projects of the Group in the PRC and the expected area to be completed for each year during the term of the Pre-delivery Property Management Service Agreement; and (b) the unit price per sq.m. as agreed from time to time.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the provision of Pre-delivery Property Management Services by Rongxin Shiou Property under the 2016 Master Pre-delivery Property Management Agreement were over 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2016 Master Pre-delivery Property Management Agreement were subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

On 23 November 2018, the Company as service recipient entered into a supplemental and renewal agreement ("**Supplemental and Renewal Agreement**") with Rongxin Shiou Property as service provider to renew the 2016 Master Pre-delivery Property Management Agreement and to revise the annual cap for the year ended 31 December 2018, due to the expected increases in the demand for the Pre-delivery Property Management Services.

Under the Supplemental and Renewal Agreement, the annual cap for the year ended 31 December 2018 was revised from RMB65 million to RMB140 million, due to the expected increases in the demand for the Pre-delivery Property Management Services. Save for the revised cap, all other material terms under the 2016 Master Pre-delivery Property Management Agreement remained unchanged. The revised cap was determined after arm's length negotiation between the Group and Rongxin Shiou Property with reference to (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the two years ended 31 December 2017 and the ten months ended 31 October 2018; (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of the Pre-delivery Property Management Services as a result of new services provided by the Shiou Group, including information consulting, project construction and agency sales etc.; (iii) fees incurred for certain one time services including construction maintenance and repair service and marketing promotion services; and (iv) the unit price per square meter as agreed from time to time.

Under the Supplemental and Renewal Agreement, the parties agreed to renew the transactions contemplated under the 2016 Master Pre-delivery Property Management Agreement for a further term of two years from 1 January 2019 to 31 December 2020. The annual caps for each of the three years ending 31 December 2020 are RMB140 million, RMB220 million and RMB250 million, respectively.

The annual caps for the Pre-delivery Property Management Services for each of the two financial years ending 31 December 2020 were determined by reference to: (i) the historical transaction amounts payable by the Group to Rongxin Shiou Property for the two years ended 31 December 2017 and the ten months ended 31 October 2018; and (ii) the expected amount of service fees payable to Rongxin Shiou Property for the provision of Property Management Services with reference to (a) the anticipated increases in demand Property Management Services required by the Group during the term of the Supplemental and Renewal Agreement taking into account of the expected growth in the number of property development projects of the Group in the PRC and the expected area to be completed for each year during the term of the Supplemental and Renewal Agreement; and (b) the unit price per square meter as agreed from time to time.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the provision of Pre-delivery Property Management Services by Rongxin Shiou Property under the Supplemental and Renewal Agreement is over 0.1% but less than 5% on an annual basis, the transactions contemplated under the Supplemental and Renewal Agreement are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Annual review

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

PricewaterhouseCoopers, the Company's independent auditor, was 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 the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with paragraph 14A.56 of the Listing Rules.

A copy of the independent auditor's letter has been provided by the auditor to the Company, and has been submitted to the Stock Exchange.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2019 is contained in note 35 to the consolidated financial statements of the Group in this annual report. The transactions summarised in note 35 to the consolidated financial statements of the Group fall under the definition of "connected transactions" under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than those transactions disclosed in note 35 to the consolidated financial statements of the Group in this annual report and in the paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or controlling Shareholder of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Principal risks and uncertainties facing the Group includes, among others, that:

(i) the Group is and will continue to be dependent on the performance of its PRC property sector;

(ii) the Group may not be able to identify suitable land or acquire land use rights for future development at commercially reasonable costs;

(iii) the Group has substantial indebtedness and may incur additional indebtedness in the future, and may not be able to generate sufficient cash to satisfy its outstanding and future debt obligations and to fund its capital expenditures;

(iv) the results of operations of the Group may fluctuate due to factors such as the schedule of the Group's property development and the timing of property sales;

(v) the Group may not be able to complete its projects according to schedule;

(vi) the Group has significant cash outflow from operations and may not be able to timely obtain sufficient financing to fund the Group's land acquisitions or property developments; and

(vii) the Group is subject to certain restrictive covenants in and risks associated with bank borrowings and trust and other borrowings which may limit or otherwise materially and adversely affect the Group's business, results of operations and financial condition.

For further details of the principal risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" on pages 35 to 70 in the Prospectus.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at 31 December 2019, except as disclosed in the Prospectus, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at 31 December 2019, the Company's joint ventures and associates companies were not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "**Share Option Scheme**") on 28 December 2015. The Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(1) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contributions to the Group. It is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(2) Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares (collectively the "**Eligible Participants**"):

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any members of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any members of the Group.

(3) The maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 135,000,000 Shares. 135,000,000 Shares represents approximately 7.87% of the total Shares in issue as at 31 December 2019.

(4) The maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

(5) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. 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 on a day after the date upon which 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 under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(6) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will 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 on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering (as defined in the Prospectus) shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1 is payable upon acceptance of the grant of an option.

(7) The remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e. 28 December 2015.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — Other information — Share Option Scheme" in Appendix V to the Prospectus.

Details of the Share Option Granted

On 5 January 2017, 81,140,880 share options were granted to certain Eligible Participants pursuant to the Share Option Scheme with an exercise price of HK$5.96 per Share, exercisable from 5 January 2018 to 4 January 2022 in three tranches: (i) 30% of which shall be vested on the first anniversary of the date of grant, i.e. 5 January 2018; (ii) another 30% of which shall be vested on the second anniversary of the date of grant, i.e. 5 January 2019; and (iii) the remaining of which shall be vested on the third anniversary of the date of grant, i.e. 5 January 2020. The closing price of the Shares immediately before the date on which such share options were granted was HK$5.98.

On 30 April 2019, a total of 26,571,973 share options were granted to certain Eligible Participants pursuant to the Share Option Scheme with an exercise price of HK$10.80 per Share, exercisable from 5 January 2020 to 4 January 2022. The closing price of share of the Company immediately before the date on such share options granted was HK$10.82.

Movements in the share options granted under the Share Option Scheme during the year ended 31 December 2019 were as follows:

					Changes during the year ended 31 December 2019				
Name of grantees	Date of grant	Exercise price per share (HK$)	Exercise periods	Balance as at 1 January 2019	Granted	Exercised	Cancelled	Lapsed	Balance as at 31 December 2019
Directors									
Ms. Yu Lijuan (appointed on 22 March 2019)	5 January 2017	5.96	5 January 2018 to 4 January 2022	1,032,756	–	–	–	–	1,032,756
	30 April 2019	10.80	5 January 2020 to 4 January 2022	–	1,319,380	–	–	–	1,319,380
Ms. Zeng Feiyan (note 1)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	780,000	–	–	3,901,205
Mr. Ruan Youzhi (note 2)	5 January 2017	5.96	5 January 2018 to 4 January 2022	4,681,205	–	57,000	–	–	4,624,205
Mr. Zhang Lixin (note 3) (Chief Financial Officer)	5 January 2017	5.96	5 January 2018 to 4 January 2022	1,282,256	–	180,000	–	–	1,102,256
	30 April 2019	10.80	5 January 2020 to 4 January 2022	–	1,319,380	–	–	–	1,319,380
Others									
Mr. Ou Guofei (note 4)	30 April 2019	10.80	5 January 2020 to 4 January 2022	–	1,244,480	–	–	–	1,244,480
Other employees (note 5)	5 January 2017	5.96	5 January 2018 to 4 January 2022	32,646,578	–	15,874,500	1,520,674	326	15,251,078
	30 April 2019	10.80	5 January 2020 to 4 January 2022	–	22,688,733	–	4,636,973	–	18,051,760
Total				44,324,000	26,571,973	16,891,500	6,157,647	326	47,846,500

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the share options were exercised by Ms. Zeng Feiyan was approximately HK$10.25.

(2) The weighted average closing price of the Shares immediately before the dates on which the share options were exercised by Mr. Ruan Youzhi was approximated HK$10.32.

(3) The weighted average closing price of the Shares immediately before the date on which the share options were exercised by Mr. Zhang Lixin was HK$9.38.

(4) Mr. Ou Guofei, the assistant president, is the son of Mr. Ou Zhonghong ("**Mr. Ou**"), the Chairman and an executive Director, and therefore is an associate of Mr. Ou.

(5) The weighted average closing price of the Shares immediately before the dates on which the share options were exercised by other employees was HK$10.54.

Save as disclosed above, no option was granted or agreed to be granted under the Share Option Scheme during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year ended 31 December 2019 were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE AND REDEMPTION OF SHARES OF THE COMPANY

During the year ended 31 December 2019, the Company repurchased a total of 10,626,000 Shares at an aggregate consideration of HK$97,482,260 (before expenses) on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") funded by internal resources of the Group.

Particulars of the Shares repurchased during the year ended 31 December 2019 are as follows:

Month in which the Shares were repurchased in 2019	Date of cancellation	Aggregate number of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Total consideration paid *(HK$)*
September	15 November 2019	1,661,000	9.18	8.60	14,762,985
October	15 November 2019	8,515,000	9.42	8.92	78,647,535
November	2 December 2019	450,000	9.14	8.83	4,071,740
Total		10,626,000			97,482,260

The above share repurchases were made by the Directors pursuant to the general mandate granted by the Shareholders at the annual general meeting of the Company being held on 5 June 2019, with a view to place much emphasis on the Shareholders' interest.

Save as disclosed in this annual report, during the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listing securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"), are set out below:

INTERESTS IN SHARES OF THE COMPANY

Name of Director	Nature of Interest/Capacity	Number of Shares or underlying Shares (Note 1)	Approximate percentage of shareholding (Note 1)
Mr. Ou Zonghong (Note 2)	Beneficiary of a trust	1,123,974,411 (L)	65.52%
Ms. Zeng Feiyan (Note 3)	Beneficial owner	3,901,205 (L)	0.23%
Mr. Ruan Youzhi (Note 3)	Beneficial owner	5,501,205 (L)	
	Interest of spouse	322,000 (L)	
		Total: 5,823,205 (L)	0.34%
Mr. Zhang Lixin (Note 3)	Beneficial owner	2,421,636 (L)	0.14%
Ms. Yu Lijuan (Note 3)	Beneficial owner	2,521,554 (L)	0.15%

Notes:

(1) As at 31 December 2019, the Company issued 1,715,526,262 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Mr. Ou is a beneficiary of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (the son of Mr. Ou) as the settlor with Mr. Ou being the protector. TMF (Cayman) Ltd., the trustee of Ou Family Trust, through a wholly owned British Virgin Islands ("**BVI**") company, namely Honesty Global Holdings Limited, which in turn wholly-owned another BVI company, namely Dingxin Company Limited, held 1,123,974,411 Shares as at 31 December 2019.

(3) The Company adopted the Share Option Scheme on 28 December 2015. As at 31 December 2019, according to the Share Option Scheme, Ms. Zeng Feiyan had 3,901,205 outstanding share options, Mr. Ruan Youzhi had 4,624,205 outstanding share options, Mr. Zhang Lixin had 2,421,636 outstanding share options and Ms. Yu Lijuan had 2,352,136 outstanding share options.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at 31 December 2019, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company:

Name of Shareholder	Nature of Interest/ Capacity	Number of Shares or underlying Shares (Note 1)	Approximate percentage of shareholding (Note 1)
Dingxin Company Limited (Note 2)	Beneficial owner	1,123,974,411 (L)	65.52%
Honesty Global Holdings Limited (Note 2)	Interest in controlled corporation	1,123,974,411 (L)	65.52%
TMF (Cayman) Ltd. (Note 2)	Trustee of a trust	1,123,974,411 (L)	65.52%
Mr. Ou Guofei (Notes 2, 3)	Settlor of a trust	1,123,974,411 (L)	
	Beneficial owner	1,244,480 (L)	
		Total: 1,125,218,891 (L)	65.59%
Ms. Xu Lixiang (Note 4)	Beneficiary of a trust/ Interest of spouse	1,123,974,411 (L)	65.52%

Notes:

(1) As at 31 December 2019, the Company issued 1,715,526,262 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Dingxin Company Limited is a BVI company wholly owned by Honesty Global Holdings Limited, another BVI company, which is wholly owned by TMF (Cayman) Ltd., the trustee of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (as the settlor) with Mr. Ou Zonghong being the protector. Accordingly, each of Honesty Global Holdings Limited, TMF (Cayman) Ltd. and Mr. Ou Guofei is deemed to be interested in the Shares held by Dingxin Company Limited.

(3) Mr. Ou Guofei is the son of Mr. Ou Zonghong. As at 31 December 2019, according to the Share Option Scheme, Mr. Ou Guofei had 1,244,480 outstanding share options and therefore is deemed to be interested in 1,244,480 unlisted and physically settled derivatives.

(4) Ms. Xu Lixiang is the spouse of Mr. Ou Zonghong and is therefore deemed under the SFO to be interested in the Shares held by Mr. Ou Zonghong.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 3,389 full-time employees (2018: 3,487 full-time employees). For the year ended 31 December 2019, the staff cost recognised of the Group amounted to RMB1,347.0 million (2018: RMB1,300.0 million).

The remuneration policy of the Group is to provide remuneration packages including salary, bonuses and various allowances, so as to attract and retain top quality staff. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed a periodical review system to assess the performance of its employees, which forms the basis of the determination on salary rises, bonuses and promotions. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Furthermore, the Group has implemented systematic, specialty-focused vocational training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiative and responsibility. The Group believes that these initiatives have contributed to increased employee productivity.

The Group's employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the year ended 31 December 2019, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

The Group is subject to a number of environmental-related laws and regulations in the PRC including the PRC Environmental Protection Law, the PRC Prevention and Control of Noise Pollution Law, the PRC Environmental Impact Assessment Law and the Administrative Regulations on Environmental Protection for Development Projects. Pursuant to these laws and regulations, the Group has engaged independent third-party environmental consultants to conduct environmental impact assessments at all of the construction projects of the Group, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, the Group is required to be examined by a third party designated by the relevant governmental authorities and are subject to governmental authorities' acceptance. Only property development projects which have passed such examination and acceptance can be delivered. Under the typical construction contracts of the Group, the Group requires its contractors to strictly comply with relevant environmental-related laws and regulations. The Group inspects the construction sites regularly and require its contractors to immediately rectify any default or non-compliance identified.

During the year ended 31 December 2019, the Group incurred RMB0.3 million as cost for compliance with applicable environmental rules and regulations (2018: RMB2.8 million). The Directors expect that the Group will continue to incur compliance costs with respect to applicable environmental rules and regulations at a similar level. As at 31 December 2019, the Group did not encounter any material issues in passing inspections conducted by the relevant environmental authorities upon completion of the property development projects of the Group. During the year ended 31 December 2019, no material fines or penalties were imposed on the Group for non-compliance of PRC environmental laws and regulations. As at 31 December 2019, the Group had obtained all required approvals in relation to the environmental impact reports, where applicable, for the projects of the Group under development.

Social Responsibility

The Group has entered into employment contracts with its employees in accordance with the applicable PRC laws and regulations.

The Group maintains social welfare insurance for its full-time employees in the PRC, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with the relevant PRC laws and regulations.

Health and Work Safety

The employee's administrative measures adopted by the Group contain policies and procedures regarding work safety and occupational health issues. The Group provides its employees with annual medical checks and safety training, and the construction sites of the Group are equipped with safety equipments including gloves, boots and hats.

The chairman's office of the Group is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

During the year ended 31 December 2019, the Group did not encounter any material safety accident, there were no material claims for personal or property damages and no material compensation was paid to employees in respect of claims for personal or property damages related to safety accident.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or subsisted during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to 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 as required under the Listing Rules.

CHARITABLE DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations in a total amount of RMB12.4 million (2018: RMB7.5 million).

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, the auditor of the Company, who shall retire at the AGM.

A resolution will be proposed at the AGM for the re-appointment of PricewaterhouseCoopers as the auditor of the Company. There is no change in the auditor of the Company in the preceding 3 financial years.

PROFESSIONAL TAX ADVICE RECOMMENDED

The Directors are not aware of tax relief exemption available to the Shareholders by reason of their holding in the Company's listed securities.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

For and on behalf of the Board
Ronshine China Holdings Limited
Ou Zonghong
Chairman

Hong Kong, 24 March 2020

Corporate Governance Report

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Board is pleased in presenting this Corporate Governance Report for the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted the corporate Governance Code Contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") as its own code on corporate governance and, to the best knowledge of the Directors, the Company complied with all applicable code provisions under the Corporate Governance Code throughout the year ended 31 December 2019, save and except for the deviation from code provision A.2.1 of the Corporate Governance Code disclosed below.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are both performed by Mr. Ou Zonghong, an executive Director. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Ou Zonghong's extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Ou Zonghong continues to act as the chairman and chief executive officer of the Company, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries to each of the Directors, the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2019.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, by-laws, laws, rules and regulations. The Company will continue to arrange regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his/her duty.

For the year ended 31 December 2019, each of the Directors has attended training in connection with their responsibilities as a director of the Company, and the attendance of each Director is set out in the table below:

Name of Director	Type of training (Note 1)	Subject of training (Note 2)
Executive Directors		
Mr. Ou Zonghong	1, 2	A, B
Ms. Yu Lijuan	1, 2	A, B
Ms. Zeng Feiyan	1, 2	A, B
Mr. Ruan Youzhi	1, 2	A, B
Mr. Zhang Lixin	1, 2	A, B
Non-Executive Director		
Ms. Chen Shucui	1, 2	A, B
Independent Non-Executive Directors		
Mr. Ren Yunan	1, 2	A, B
Mr. Qu Wenzhou	1, 2	A, B
Mr. Ruan Weifeng	1, 2	A, B

Note 1:
1. Attending in-house briefing/training, seminars, conferences or forums
2. Reading newspapers, journals and updates

Note 2:
A. Businesses related to the Company
B. Laws, rules and regulations, accounting standards

THE BOARD

1. Responsibilities

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The Board delegates to the management authority and responsibility for the Company's daily operations and businesses management according to the Board's instructions. The Board has established various committees and has delegated to the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), and the nomination committee (the "**Nomination Committee**") of the Board (collectively, the "**Board Committees**") various duties. All the Board Committees perform their distinct roles in accordance with their respective written terms of reference.

All Directors shall at all times ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders.

2. Board Composition

The composition of the Board during the year ended 31 December 2019 and up to the date of this annual report are as follows:

Executive Directors	Mr. Ou Zonghong *(Chairman and Chief Executive Officer)* Ms. Yu Lijuan (appointed on 22 March 2019) Ms. Zeng Feiyan Mr. Ruan Youzhi Mr. Zhang Lixin *(Chief Financial Officer)*
Non-Executive Director	Ms. Chen Shucui
Independent Non-Executive Directors	Mr. Ren Yunan Mr. Qu Wenzhou Mr. Ruan Weifeng (appointed on 22 March 2019) Dr. Lo Wing Yan William (retired on 5 June 2019)

There is no material financial, business, family or other relationship between any members of the Board. The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this annual report. All the Directors, including the independent non-executive Directors, bring 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 invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

During the year ended 31 December 2019, the Board at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules by the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board. The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years.

The non-executive Director, Ms. Chen Shucui, has renewed her service contract with the Company to act as non-executive Director for a term of 2 years commencing from 18 June 2019, which may be terminated pursuant to the terms of her service contract.

3. Chairman and Chief Executive Officer

The roles of the chairman and the chief executive officer of the Company have not been separated as required by code provision A.2.1 of the Corporate Governance Code. The roles of the chairman and chief executive officer of the Company are both performed by Mr. Ou Zonghong, an executive Director. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Ou Zonghong's extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Ou Zonghong continues to act as the chairman and chief executive officer of the Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

4. Board Meetings

Code provision A.1.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. For other committee meetings, 14 days notice is given. The agenda and accompanying board papers are despatched to the Directors or committee members at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When Directors or committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and committee meetings are recorded in detail and include the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments. Apart from regular Board meetings, the chairman also held a meeting solely with the non-executive Directors (including independent non-executive Directors) during the year ended 31 December 2019.

The Board convened one annual general meeting and five board meetings during the year ended 31 December 2019. The table below sets forth the details of the attendance at these meetings:

Name of Director	Number of meetings attended/held Board meetings	Annual general meeting
Executive Directors		
Mr. Ou Zonghong	5/5	1/1
Ms. Yu Lijuan (appointed on 22 March 2019)	4/4	1/1
Ms. Zeng Feiyan	5/5	1/1
Mr. Ruan Youzhi	5/5	1/1
Mr. Zhang Lixin	5/5	1/1
Non-Executive Director		
Ms. Chen Shucui	5/5	1/1
Independent Non-Executive Directors		
Mr. Ren Yunan	5/5	1/1
Mr. Qu Wenzhou	5/5	1/1
Mr. Ruan Weifeng (appointed on 22 March 2019)	4/4	1/1
Dr. Lo Wing Yan William (retired on 5 June 2019)	3/3	1/1

BOARD COMMITTEE

The Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has specific written terms of reference which deal clearly with their authority and duties. The chairmen of these committees will report their findings and recommendations to the Board after each meeting.

1. Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems and internal audit function of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee currently consists of three members, namely Mr. Qu Wenzhou, Mr. Ren Yunan and Mr. Ruan Weifeng, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Qu Wenzhou who possesses appropriate professional qualifications.

The Audit Committee convened two meetings during the year ended 31 December 2019. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Number of meetings attended/held
Mr. Qu Wenzhou *(Chairman)*	2/2
Mr. Ren Yunan	2/2
Mr. Ruan Weifeng (appointed on 5 June 2019)	1/1
Dr. Lo Wing Yan William (retired on 5 June 2019)	1/1

At the above meetings, members of the Audit Committee have reviewed the audited annual results of the Group for the year ended 31 December 2018 and the unaudited interim results of the Group for the six months ended 30 June 2019. The Audit Committee have also reviewed the significant issues on the financial reporting and compliance procedures, internal control and risk management systems and internal audit function of the Group, connected transactions of the Company, and have discussed with the auditor of the Company about the tasks they performed.

The Audit Committee has reviewed, and has agreed with the auditor of the Company on, the annual results of the Group for the year ended 31 December 2019.

The Audit Committee has reviewed the remuneration of the auditor for the year ended 31 December 2019 and has recommended the Board to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2020, subject to approval by the Shareholders at the AGM.

The works performed by the Audit Committee during the year ended 31 December 2019 included, among others, the following:

- reviewed the interim and annual consolidated financial statements of the Group;
- reviewed the cash flow projections and monitored the Group's overall financial condition;
- reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Group and made recommendations to the Board on the improvement of the risk management and internal control systems of the Group;
- reviewed the appropriateness and effectiveness of the internal audit function of the Group and made recommendations to the Board on the improvement of the internal audit function of the Group;
- reviewed the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies; and
- met with external auditor in the absence of executive Directors and senior management to discuss matters in relation to the audit.

2. Remuneration Committee

The Board has established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Remuneration Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on the Group's policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, to make recommendation to the Board on the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time. The Remuneration Committee currently consists of three members, namely Mr. Ou Zonghong, an executive Director, Mr. Ren Yunan and Mr. Qu Wenzhou, independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Ren Yunan.

The Remuneration Committee convened two meetings during the year ended 31 December 2019. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Number of meetings attended/held
Mr. Ren Yunan *(Chairman)*	2/2
Mr. Ou Zonghong	2/2
Mr. Qu Wenzhou	2/2

The major work performed by the Remuneration Committee during the year ended 31 December 2019 included, among others, reviewing and making recommendation to the Board of the remuneration of Mr. Yu Lijuan and Mr. Ruan Weifeng in relation to their appointment to the Board, and reviewing and making recommendation to the Board of the remuneration of the Directors and the senior management of the Group for the year ending 31 December 2020.

The senior management of the Group also act as executive Directors. Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2019 are set out in note 8 to the consolidated financial statements of the Group in this annual report.

3. Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Nomination Committee has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com).

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors.

As set out in the nomination policy adopted by the Board pursuant to the Corporate Governance Code, in assessing the suitability of a proposed candidate, the following factors would be considered:

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant interest
- Diversity in all its 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

In assessing the Board composition, the Nomination Committee will take into account various aspects set out in the Board diversity policy, for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

As set out in the nomination policy, the nomination procedure is as follows:

(1) The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

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

(3) Pursuant to the Articles of Association, a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting who wish to recommend a candidate for election to the office of Director at any general meeting must submit a signed written notice, for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

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

(5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting of the Company.

The Nomination Committee currently consists of three members, namely Mr. Ou Zonghong, an executive Director, Mr. Qu Wenzhou and Mr. Ruan Weifeng, independent non-executive Directors. The chairman of the Nomination Committee is Mr. Ou Zonghong.

The Nomination Committee convened two meetings during the year ended 31 December 2019. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Number of meetings attended/held
Mr. Ou Zonghong *(Chairman)*	2/2
Mr. Qu Wenzhou	2/2
Mr. Ruan Weifeng (appointed on 5 June 2019)	1/1
Dr. Lo Wing Yan William (retired on 5 June 2019)	1/1

The works performed by the Nomination Committee during the year ended 31 December 2019 included, among others, the following:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the independent non-executive Directors; and
- made recommendations to the Board on the appointment and re-appointment of Directors.

The Company has adopted the board diversity policy (the "**Board Diversity Policy**") to assess the composition of the Board. The Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. In assessing the Board composition, the Nomination Committee takes 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 character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity before making recommendation to the Board.

Pursuant to Rule 13.92 of the Listing Rules, the Board amended the Board Diversity Policy at a board meeting held during the Year. A summary of the amended Board Diversity Policy is set out below.

The Nomination Committee has primary responsibility for identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships while taking into account diversity. The selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee will consider the diversity perspectives set out in the Board Diversity Policy to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As a measurable objective for the implementation of the Board Diversity Policy, all Board appointments shall be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board without focusing on a single diversity aspect.

DIVIDEND POLICY

According to the dividend policy of the Company, the Company may, subject to the Cayman Companies Law, from time to time in general meetings declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

The Board has the discretion to declare dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and taking into consideration factors set out below:

(i) financial results;

(ii) cash flow situation;

(iii) business conditions and strategies;

(iv) future operations and earnings;

(v) capital requirements and expenditure plans;

(vi) shareholders' interest;

(vii) any restrictions on payment of dividends; and

(viii) any other factors that the Board may deem relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Cayman Companies Laws, any applicable laws, rules and regulations and the Articles of Association.

CORPORATE GOVERNANCE FUNCTIONS

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

During the year ended 31 December 2019, the Board met twice to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows:

	Year ended 31 December 2019
	RMB million
Audit and related service:	6.68
Non-audit service:	
– services rendered in respect of senior notes	3.75

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the relevant period. The Directors consider that the consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Group and for reviewing their effectiveness.

The Company continues to adopt best practices and industry standards for risk management and internal control. The Group's risk management and internal control systems include a well-established organisational structure with clearly defined lines of responsibility and authority. Such system is 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.

Day-to-day departmental operations are entrusted to individual departments, which are accountable for their own conduct and performance and are required to operate their own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments in the department's business and of the implementation of the policies and strategies set by the Board on a regular basis.

Systems and procedures are also in place in the Group to identify, control and report on the major types of risks the Group encounters. Each department is responsible for the assessment of individual types of risk arising under their areas of responsibility. Relevant risks identified are reported to the Board for oversight and monitoring. The Group's risk management systems are monitored and reviewed regularly by the Board.

The Audit Committee and the Board oversee the Group's risk management and internal control systems on an ongoing basis, and have reviewed the internal audit findings of the Group's from financial, operational, compliance and risk management controls perspectives for the year ended 31 December 2019. The Board is satisfied that the internal control and risk management systems are effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, the qualifications and experience of the staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget. The Board expects that a review of the internal control and risk management systems will be reviewed annually.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. In particular, the Group has put in place a robust framework for the disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. The framework and its effectiveness are subject to review by the Board on a regular basis.

INTERNAL AUDIT

The Group has an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of risk management, control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the risk management and internal control systems of the Group.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to pursue active dialogue with Shareholders as well as to provide timely disclosure of information concerning the Company's material developments to its Shareholders, investors and other stakeholders. Annual general meeting of the Company serves as an effective forum for communication between the Shareholders and the Board. Notice of annual general meeting together with the meeting materials will be despatched to all Shareholders not less than 21 clear days and not less than 20 clear business days before the annual general meeting. As one of the measures to safeguard the Shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. In addition, the Company regards annual general meeting as an important event, and all Directors, the chairmen of all Board Committees, senior management and external auditor will attend the annual general meeting of the Company to address Shareholders' inquiries. If the chairmen of the Board or each Board Committee fail to attend the meeting, then other members of each Board Committee will be invited to attend the annual general meeting and answer Shareholders' inquiries thereat. All resolutions proposed at general meetings will be voted by poll. The voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rongxingroup.com) on the same day of the relevant general meetings.

To promote effective communication, the Company maintains a website (www.rongxingroup.com), where the latest information and updates on its business operation and development, corporate governance practice, contact information of investor relations and other information are published for the public's access.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at the general meetings of the Company shall at all times have the rights, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to process to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Articles of Association and the Cayman Islands Companies Law. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations which contact details are as follows:

Strategic Financial Relations (China) Limited

Address:	24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong
Tel:	(852) 2527 1628
Fax:	(852) 2527 1271
Email:	sprg-ronshine@sprg.com.hk

JOINT COMPANY SECRETARIES

Ms. Zeng Feiyan resigned as the joint company secretary of the Company with effect from 20 February 2019 in order to focus on her existing role as an executive Director of the Company, and Mr. Yu Zuoyi was appointed as the joint company secretary of the Company with effect from 20 February 2019.

Currently, Mr. Yu Zuoyi and Ms. Ng Wing Shan are the joint company secretaries of the Company. Ms. Ng Wing Shan is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and is not an employee of the Company. The current primary contact person of the Company with Ms. Ng Wing Shan is Mr. Yu Zuoyi, the joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, each of them has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

For further details of Mr. Yu Zuoyi and Ms. Ng Wing Shan, please refer to the biographical details disclosed in the section headed “Directors and Senior Management” in this annual report.

AMENDMENT TO THE ARTICLES OF ASSOCIATIONS

During the year ended 31 December 2019, the Company has not made any amendments to the Articles of Associations.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

Ronshine China Holdings Limited (the "**Company**", "**Ronshine**" or "**we/us**") and its subsidiaries (collectively, the "**Group**") is pleased to present its Environmental, Social and Governance Report (the "**Report**"). This report shows that the Group spares no effort in performing its corporate social responsibility while focusing on business development. The Group hopes to make full use of this report to demonstrate its efforts in performing its environmental, social and governance responsibility while maintaining effective communication with its stakeholders.

Criteria of Reporting

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The reporting contents covered herein comply with the "comply or explain" provisions required in the Guide. For information about our corporate governance, please refer to the section headed "Corporate Governance Report" in this annual report.

Scope of the Report

This report describes the Group's business operations from 1 January 2019 to 31 December 2019 (the "**Reporting Period**" or the "**Year**"), including the environmental key performance indicators (KPIs) of our headquarters in Shanghai and regional offices in Shanghai, Fuzhou and Hangzhou as well as the social KPIs of the Group as a whole (for details of our key performance in sustainability, please refer to the Sustainability Data Summary).

Language of the Report

This Report is available in two languages, including Traditional Chinese and English versions. Should there be any inconsistency between them, the Traditional Chinese version shall prevail.

Feedback on the Report

The Group highly values your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us through the following email address (IR@rxgcn.com).

2. PRINCIPLE OF SUSTAINABLE DEVELOPMENT

The Group focuses on real estate development and provides one-stop customer-oriented services in such areas as property services, landscape engineering and asset management operations, with a vision of being "A Leader in Quality Real Estate and A Service Provider for Better Life". In addition, we are in firm belief that we can integrate the concept of sustainable development into our daily operations, and effectively reduce our operating costs and enhance our brand image under the guidance of our effective policies or strategies to enhance the development of Ronshine.

We will elaborate on our concerns and goals in this report by the following categories:

Category	Concerns	Targets
Environment	• Waste disposal	• Reduce unnecessary waste • Reduce impact of the environment with proper handling
Employees	• Qualification of employees • Sense of belonging of employees • Working arrangement • Promotion • Training and development • Communication with employees	• Provide targeted trainings to employees • Increase communication with employees to understand their needs and expectations • Provide promotion opportunities to motivate and retain employees
Products and services	• Brand of the Group • Quality of customer service • Regular communication	• Strict acceptance procedures • Increase customer understanding through satisfaction surveys and other communication channels
Governance	• Governance structure (including anti-corruption, risk management, etc.) • Data protection and privacy • Anti-corruption • Employee Code of Conduct	• Strengthen risk management • Always remind employees to follow the Code of Conduct • Provide anti-corruption training to increase staff awareness
Society	• Charitable activities • Donation	• Pay attention to social developments and provide necessary support • Increase employee's devotion

Communication with Stakeholders

This report is intended to understand the opinions and expectations of our stakeholders, through which we can positively improve the Group's operations. We identify our internal and external stakeholders, including shareholders, investors, employees, customers, the media, the community/non-government organizations and suppliers. We will take the initiative to listen to and understand their concerns through an open attitude, aiming to manage the risks and opportunities related to the underlying issues effectively. The following are the main ways of communication between Ronshine and its stakeholders:

Major stakeholders	Communication methods
Shareholders and investors	Annual general meetings and other general meetings, interim reports and annual reports, results announcements and investor meetings
Customers	Customer satisfaction surveys and opinion form, customer consultation groups, customer service centers, customer loyalty enhancing campaigns, daily operation/communication and telephone/mailbox
Employees	Employee opinion surveys, performance appraisals, special advisory committees/symposiums, seminars/workshops/lectures, publications (such as employee communications), staff communication conferences, volunteer activities and staff intranet
Suppliers	Supplier management procedure, conferences, supplier/contractor evaluation system and onsite inspections
Partners	Strategic cooperation projects, exchange activities, meetings and visits, etc.
Government/Industry associations	Organize industrial events, lectures and inspections, etc.
Regulatory authorities	Meetings, responses to public consultations, compliance reports, etc.
Green group	Working group on green building, environmental information disclosure, green construction and environmental protection
Communities/Non-government organizations	Volunteer activities, donations, community investment plans and community activities as well as seminars/workshops/lectures, etc.
Media	Press releases, senior management interviews, results announcements, etc.
Public	Media information, our website and Group activities, etc.

3. CONCERN ON THE ENVIRONMENT

Dealing with environmental risks is a key task for real estate developers. The Group strictly abides by the "Environmental Protection Law of the People's Republic of China" during operations, and promotes economic and technological policies and measures which are beneficial to natural harmony so as to maintain the coordination among the development of economy, social development and environmental protection. In this section, we will elaborate on our environmental protection measures in the construction sites and offices during the Year and review our environmental performance based on the data of our headquarters in Shanghai and regional offices in Shanghai, Fuzhou and Hangzhou, and compare it with our past performance in order to suggest targeted improvements.

Carbon Emission Management

In consideration of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Group clearly disclosed and compared its greenhouse gas (GHG) emissions and energy consumption in the report, and strived to reduce its carbon emissions during operations and achieve a low-carbon economy. In the future, the Group will begin to identify, quantify and report climate-related risks and opportunities, propose environmental protection measures to reduce impact or cost according to the nature of its business, and explore for new business markets and opportunities. In addition, China has issued policies such as China's National Plan on Climate Change (2014-2020) and the National Climate Change Adaptation Strategy in order to tackle climate changes, reflecting a global level of concern on this issue.

Our performance of GHG emissions will continue to be gauged in accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 standards set by the International Standards Organization. Our emissions profile for the Year is as follows:

GHG Emissions Performance	Unit	2018	2019
GHG emissions			
Direct GHG emissions (Scope 1)	tonnes CO_2e	85.96	**169.46#**
Indirect GHG emissions (Scope 2)	tonnes CO_2e	176.61	**332.55^**
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	142.37	**480.30***
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	404.94	**982.31**
GHG Emissions Intensity			
Total GHG emissions per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/square meter	0.05	**0.09**

Scope 1: Direct GHG emissions generated from sources owned and controlled by the Company.

Scope 2: GHG emissions indirectly generated from electricity generation, heating and cooling or steam purchased by the Company.

Scope 3: GHG emissions that are not owned or directly controlled by the Company but are indirectly generated from sources related to the Company's business activities.

Updated the calculation method for Scope 1

^ The Group's electricity consumption increased this year, resulting in increased emissions in Scope 2

* During the Year, the business air travel by employees is increased compared with last year. Furthermore, it increases the calculation of wastewater discharge. The above factors resulted an increase in Scope 3 emissions.

GHGs are divided into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3), which include emissions of Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), fluorocarbons (PFCs) and sulfur hexafluoride (SF_6). The categories in each scope include fuel consumption by fixed equipment, that by vehicles under the Group's name (Scope 1), electricity consumption during operation (Scope 2) and water use, wastewater treatment, emissions from employees' overseas air business trips, waste dumps and paper consumption (Scope 3).

During the Year, the Group's GHG emissions amounted to 982.31 tonnes CO_2e, and the GHG emissions intensity was 0.09 tonnes CO_2e per square meter of floor area.

3.1 Green Construction Site

Ronshine focuses on the development of multiple property types such as high-end apartments, villas, serviced apartments, office buildings, and commercial complexes. The Group conducts environmental impact assessment for each of its projects in accordance with laws and regulations such as the Environmental Impact Assessment Law of the People's Republic of China and the Building Law of the People's Republic of China. This report will analyze, predict and evaluate the potential impact of our projects on the environment during the planning and construction stages, propose countermeasures to prevent or reduce such impacts, and keep track and monitoring during operations, so as to reduce the impact on the environment throughout the development, construction and operation cycles.

Featured Project Development

In addition to the green building projects, the Group focuses on urban renewal development models, which involves nearly 10 typical projects such as ancient buildings, urban villages, and old residential complexes. We hope to conserve and revitalize the project in a "Repair the Old as It Is Old" way. In addition, in the business scope of landscape engineering, we have added the elements of garden engineering construction, landscape design, sapling planting and plants maintenance as well as the core concept of creating a beautiful ecological environment, aiming to create a healthy ecological chain for the gardening industry, and strive to be a leader in the industry.

Pollutant Treatment

We have high standards for air pollutants in our construction projects from the beginning of construction to operation in addition to complying with the "Air Pollution Control Law of the People's Republic of China", which aims to increase the coordinated control of air pollutants such as the particles, sulfur dioxide, nitrogen oxides, volatile organic compounds and ammonia to ensure that the requirements for emissions and quality are met. The construction contractors must specify their responsibility for the prevention and control of dust pollution in the contract, formulate the following effective prevention and control plans, and regularly monitor them.

– The construction sites should have strong fences built around it, and materials must be stored according to the specific requirements;

– Dust suppression measures such as continuous water spray and flushing the ground and vehicles with water to suppress and reduce dust;

- The persons in charge and the dust management department will regularly monitor the effectiveness of dust pollution prevention;

- Dispose of construction waste properly and convert them into resources;

- For construction land that will not be used within a short period, the construction contractor shall cover the bare ground with proper material; if it is expected to be idling for more than three months, it shall be afforested, paved or covered; and

- Operate in different zones to ensure targeted and effective implementation of dust pollution prevention work, etc.

As the scope of environmental collection involves gas fuel consumption and vehicle emissions, the Group's emissions during the Reporting Period are as follows:

Type of emissions	Unit	Quantified value
Sulfur dioxide (SO_X)	kilogram	0.92

We regularly perform maintenance on our fleet, repair and replace parts in time when we spot low-efficiency conditions, and we inflate tires regularly to maintain the correct tire pressure. In addition, we will provide trainings to teach our drivers how to use the vehicles properly. The Group also regularly collects fuel bills and mileage for monitoring purposes, in an attempt to reduce the impact on the environment.

Sewage Treatment

In terms of sewage treatment, we strictly abide by the requirements of the Comprehensive Sewage Discharge Standard (GB8978-1996) and the Design Code for Water Supply and Drainage of Buildings (GB50015-2003) during project construction process or after completion, which include 1) splitting rain water from sewage; 2) building adequate septic tanks according to the amount of sewage generated, and maintain an appropriate distance between the septic tank and the drinking water tank; (3) the waste water must be treated through 3 septic tanks of 100 cubic meters before flowing into municipal pipelines; 4) domestic sewage shall not be used before treated in the sewage treatment plant; and 5) ensuring that the annual sewage discharge be lower than the standards.

As for measures to save water in the office, we use water-saving reminder stickers to arouse our employees' awareness of saving water, including switching off the faucets after use, lowering water pressure and repairing the dripping faucets in a timely manner. We also use recycled grey water or rainwater for irrigation. In addition, to reduce water wastage due to leakage, we will conduct tests for hidden water pipe leaks, check water meter readings and overflowing water tanks. During the Year, the Group's total water consumption within the scope of environmental data collection was 1,505.00 cubic meters, with a total water consumption intensity of 0.14 cubic meters per square meter, representing a decrease of 26.32% from the previous year, demonstrating achievements in water conservation of Ronshine.

Noise Management

The Group especially concerns about noise generated from site projects and our contractors are required to comply with construction noise management regulations of relevant government authorities. The Emission Standard of Environmental Noise for Boundary of Construction Site (GB12523-2011) must be met during construction, while the Environmental Quality Standard for Noise must be met regarding to noise generated from the region of a project under operation. A project not only needs to strictly follow the working timeline for construction, but also has to allocate noisy equipment rationally, choose equipment with lower noise, install sound insulation windows and build green belts to reduce the negative impact of noise pollution on personal life and environment.

3.2 Green Office

In addition to site projects, we are committed to implementing energy-saving measures within the office, and consistently disclosing power consumption, water consumption and waste data of our 4 offices, as well as comparing the environmental performance of the Group with previous year in terms of intensity.

Resource Management

During the Year, the total energy consumption of the Group's four offices is 472,706.70 kilowatt-hours (kWh), and the energy consumption intensity is 45.38 kWh per square meter. Among which, the Group's headquarters and regional offices in Shanghai and Fuzhou had been relocated, with the total area increased by 20% compared with previous year. The Group's new headquarters and new regional offices have increased public spaces which need increasing requirements of lighting and air conditioning system, leading to the significant increase of the energy consumption intensity per square meter. The energy consumption in the Year can't be compared with last year as the data of last year have a significant discrepancy and are inaccurate due to the reason that certain energy consumption data of last year have been lost or provided by estimation for the reason of property management transfer followed by the relocation of the Group's new headquarters and regional offices in Shanghai in previous year. While at the same time, every office will not be relocated in a short term and we will ensure the accuracy of the data for the next year and take that of this year as a benchmark for further effective comparison.

Both the Group's headquarters and regional office in Shanghai are green offices and different areas within the office are equipped with different lamps, which not only can match the office atmosphere, but also decrease the consumption of high-brightness lamps, and different lighting areas are also divided with independent control, so as to cultivate the good habit of turning off when not in use. The Fuzhou office also used energy-saving and environmental lamps during the Year to save energy consumption. In addition, glass material is applied in the interior partition of the office to use daylighting. In addition, we purchase equipment with energy efficiency labels, and pay attention to whether the high energy consumption appliances are properly turned off before long holidays, which on the one hand increases safety awareness, and on the other hand reduces unnecessary energy consumption. All of the Group's office buildings are operated under a central control and self-monitoring system. However, it is necessary for employees to set the system at a minimum temperature of 25.5 °C; at the same time, employees are allowed not to wear ties and full suits in hot weather and put on casual wear every Friday for the purpose of reducing the pressure of air-conditioning system.

Reducing Waste

The Group strictly abides by the laws and regulations on waste disposal, such as handling and categorizing waste generated from the site in accordance with the guidelines of the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China. Different types of waste are stored at designated areas at the sites, disposed and delivered effectively and correctly; and as for hazardous waste generated from the sites, there are more strict supervision, clear storage guidelines and safety considerations to ensure the minimum impact on environment during disposal.

The Group has implemented the following measures, striving to reduce the non-hazardous waste generated from office:

– adopting an office automation (OA) system for the office administrative system instead of documenting in paper;

– delivering all discarded paper to the waste paper recyclers for recycling except for paper with confidential information;

– using electronic means of communication instead of paper;

– setting classification and recycling bins to acquire good recycling habits and the recovery rate of the Year reached to 26.8%;

– purchasing materials after evaluation, avoiding excessive inventory;

– reusing envelopes, folders, file cards and other stationeries; and

– reducing the use of disposable, non-recyclable products etc.

A total of 16,792.00 kg non-hazardous waste was generated by the Group for the Year, representing a total decrease of 11.19% compared with the previous year, which is because the relocation of offices have completed and waste needs to be disposed is less than previous year. In addition, we also add the paper consumption disclosure to the environmental data collection scope, and a total of 6,258.80 reams of papers were consumed for the Year. In the future, the Group will continue to monitor in the form of paper statistics and put forward suggestions for improvement.

The Group identifies hazardous waste such as waste ink cartridges, waste toner cartridges or batteries in the office, and will endeavor to reduce the amount of production and focus on the correct treatment manner. During the Reporting Period, a total of hazardous wastes of 195.00 kg waste ink cartridges and 105.00 waste toner cartridges were used respectively within the environmental data collection cope. The ink cartridges and toner cartridges in the office are recyclable and can be refilled to reduce the negative impact on the environment when disposed of. We will also purchase rechargeable batteries to replace the disposable batteries. All hazardous waste is either disposed of in special collection boxes or sent to a qualified disposal company for further processing.

4. EMPLOYEE-ORIENTED

The Group considers our employee as an important asset and builds harmonious working environment in terms of employment, benefits, health and safety, training development and others in compliance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Law on the Protection of Minors of the People's Republic of China, sharing our achievements with employee. For the Year, the employees of the Group are summarized as follows:

Indicator	Unit	Quantified value
Total number of employees (by gender)		
Total number of employees	no. of people	3,389
Total number of male employees	no. of people	1,987
Total number of female employees	no. of people	1,402
Total number of employees (by region)		
Total number of employees in North China	no. of people	514
Total number of employees in East China	no. of people	1,269
Total number of employees in South China	no. of people	649
Total number of employees in other places (including Hong Kong, Macao and Taiwan)	no. of people	957

4.1 Equal Employment and Benefits

Ronshine follows the below areas concerned by employees to safeguard their legal rights and interests of induction, promotion and resignation, and enjoys the greatest satisfaction in providing such benefits:

Areas concerned by employees	The Group's practice
Recruitment	• recruiting employees through pubic, campus and other channels • selecting talents based on suitability, education, work experience, skill and other requirements of the position • providing equal interview opportunities
Diversification	• accepting employees across China • prohibiting discrimination for the reasons of nationality, religions, age, gender, family, health and other factors
Induction	• verifying the identity documents of the employees and never hiring those below the legal working age • signing labor contract • providing "New Employees Induction Handbook" (《新員工入職手冊》), combined with necessary knowledge and procedure for work • utilizing e-learning course platform to deeply understand the operation of the Group
Promotion	• evaluating employee's performance regularly and taking such result as the basis of making adjustments such as salary raises and bonus • organizing two internal recruitment events every year to promote existing employees
Resignation	• interviewing with resigned employee to understand the reason and identifying the measures for the Group to make improvement by the human resources department • ensuring well hand-over arrangement to reduce the impact on the Group • maintaining communication with existing employees, and establishing a good employment relationship
Benefits	• higher compensation packages than legal requirement • statutory holidays and other leave, such as personal leave, sick leave, annual leave, marriage leave, maternity leave, work injury leave and bereavement leave • "Five Insurances and One Fund" (including basic pension insurance, basic medical insurance, work injury insurance, maternity insurance and unemployment insurance and contributions to housing provident fund) • stock options, share award plans and long-term incentive awards etc. • free breakfast and lunch on working day • staff interest groups
Forced labor	• implementing a five-day working mode in the office, maintaining eight hours of work per day, and keeping work-life balance • specifying job content, time, place, holidays and other information in contract

During the Reporting Period, the Group experienced no violation cases in relation to child labor or forced labor.

4.2 Training and Development

There is a positive impact on Ronshine from its employee's growth and development. We have established a mechanism to share training resources, and also invested a lot of resources in the following training and development programs to improve specific employees' competitiveness by positions.

Name of Program	Trainee	Training content and method
Power of Ronshine – Star Program (信力量星輝計劃)	16 high potential talents upon joining for one year	• senior management shared their personal growth and work experience, and communicated with question and answer • job description, and provision of targeted feedback, guidance etc. • learned the contents of self-cognition, corporate culture and influence without authority
Power of Ronshine – induction training	New employees	• lectured property related knowledge • shared the key and necessary capabilities at different stage of career plan • summarized the training contents and expects of the future in group
Marketing conference	80 representatives from brand promotion center, each business division and marketing team of regional companies	• updated the concepts and explained three major work of orientation, experience and supply • shared through replay, and focused on capturing market opportunities by strategy adjustment • recognized the performance of the branch during the year

4.3 Health and Safety

One of the major works of the Group is safeguarding the health and safety of construction workers and office employees in compliance with relevant laws and regulations such as the Law of the PRC on Prevention and Control of Occupational Diseases, the Construction Law of the PRC and the Production Safety Law of the PRC. The Group has formulated the Human Resources Management Measures (《員工管理辦法》, provided its employees with annual medical checks and safety training to increase their safety awareness. During the Year, the Group experienced no accidents due to work-related deceases and work related injuries, and would also forwarding with the goal of zero work related decrease or injuries in future.

Construction safety

When carrying out construction at site, the construction personnel must build the facilities within the site and abide by the specified material stacking requirements according to the standards of the Standard Atlas on Safety and Civilization of Project of Ronshine (《融信集團項目安全文明標準圖集》), achieving a safe and civilized conduct. The Group has strict requirements on contractor's safe and civilized construction, and implements the following measures to protect employees:

1. purchasing of insurance;

2. adding safe devices (such as fire-fighting facilities, safety belts, protective measures, safety warning signs);

3. updating civilized construction billboards (major hazardous source, work-related casualties, safety education and goals and other information);

4. regular supervising and inspecting by safety personnel, ensuring that construction personnel carry out works in accordance with the safety code and identifying the issues to be improved and rectifying in a timely manner for the purpose of reducing accidents;

5. arranging safety education training; and

6. establishing notification mechanisms for major casualties and other safety incidents, ensuring individual cases are properly handled etc..

Safety at office

From the perspective of employee, the Group deeply convinces the official environment is particularly important to employee health. Our employees are excited with and highly praised the new offices of Shanghai headquarters relocated in previous year, including, among the others, the OFFICE+ concept, smart ventilation system which can exchange of indoor harmful gases in a timely manner and other highlights. The office is also designed in the concept of commodious and open with the purpose of reducing sense of pressure and providing spare room for employees to conduct discussion; in respect of canteen, on one hand, the Group ensures the hygiene and safety of food, on the other hand, provides a comfortable feeling to employees from the deployment and arrangement of tables and chairs.

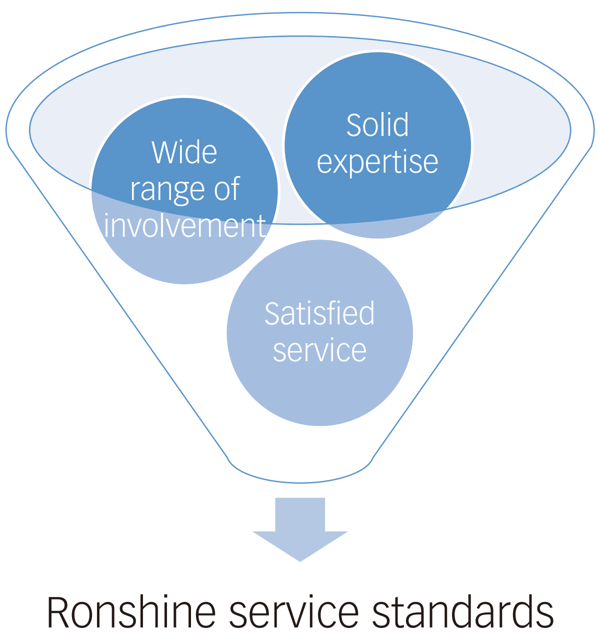
In addition, the employee table tennis challenge game of "Ronshine • Party Construction Cup (融信 • 黨建杯)" held by the Group successfully completed in July 2019. Employees shared skills during the game and also strengthened communication with each other, which benefited to improve work efficiency.

5. Growing on Quality

Ronshine promotes its brand in marketing system and product quality, and creates corporate value. We will provide innovative products, and constantly improve residential function and bring delicate family life for property owners with the spirits of profession, concentration, and dedication, and will extend such to the areas including supply chain management, compliance operation and information security. During the Year, the Group experienced no recovery of project due to safe and health issues.

5.1 Customer Relationship Management

The service system of Ronshine takes the people as the first priority and establishes a customer relationship team with the theme of "Ronshine Falcon (融客獵鷹)", targeting to identify different problems in service process with keen insight; explore and resolve management defects, with a strong ability to survive in various environments. During the Reporting Period, the first professional training regarding to the establishment of relationship with customers was held to create Ronshine's specific "all-round" customer relationship staff.



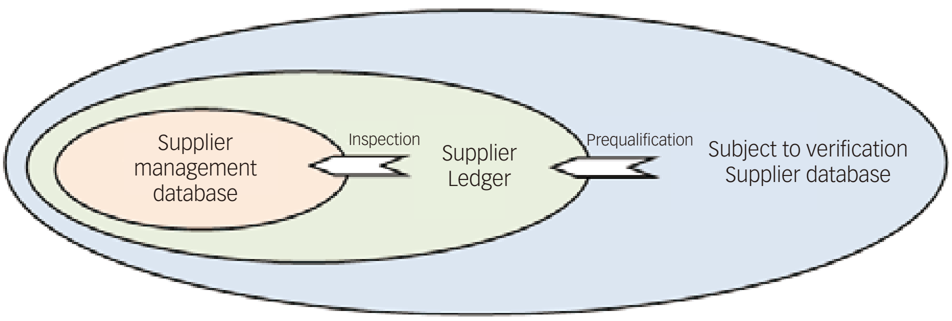
In respect of the Group 's project, it will take nearly 2 years from sales to delivery and involve 7 functional departments including marketing, engineering, and design. We are committed to providing our customers with considerate services from design, construction to delivery cycle, including focusing on various issues that may have negative impact on living, avoiding various defects from the beginning, paying attention to every detail during construction, and arranging monthly security patrol for the community upon delivery, and bring a comfortable and dedicate service experience for customers.

We have developed standard procedures for handling complaints, focusing on improving customer satisfaction through prompt and effective treatment. Every compliant should be recorded and reviewed in detail and dealt with a best measure resulted from internal discussion, then response to customer within a specific time. In the coming year, we will gradually improve the quality of our services with the objective of reducing and avoiding similar complaints.

In addition, Ronshine publishes the Group's latest news, articles, advertising and other information on platforms such as WeChat, intranet and official websites, as well as collects and summarizes annual positive and negative news for record. Our brand operation department verifies the authenticity of the information prior to publication and adopts a zero-tolerance attitude towards the use of false and misleading information to deceive customers in accordance with relevant laws and regulations including the Advertising Law of the People's Republic of China and the Law on Protection of the Rights and Interests of Consumer.

5.2 Supply Chain Management

The Group is aware of the close relationship between supply chain and product quality and, thanks to the adoption of the "Supplier Management System"(《供應商管理制度》),, it has established the following systematic management system and supplier database, and created the supplier selection and evaluation mechanism and the incentive mechanism which are open, fair and just, so as to attract and consolidate the relationship with excellent partners.



Suppliers are required to submit supporting documents for preliminary assessment when making application. The Group will deepen the understanding of the qualifications, performance capability, technology and other aspects of suppliers by way of inspection, interview and background check. Upon completion of such inspection, each inspector fills in an inspection evaluation form in accordance with quality management ability, progress management ability, external coordination ability, safe and civilized construction, data management ability and other criteria, so as to ensure quality assurance and improve the awareness of risk prevention. In adhering to its environmental and social responsibility concept, the Group prioritizes the procurement of green products and never selects the suppliers which do not operate in compliance with relevant regulations.

In order to track the performance of suppliers, we regularly give a rating to the suppliers upon completion of their work, and they are divided into four levels of excellent, qualified, unqualified and blacklist based on the rating results, which may directly affect their cooperation opportunities in future. In addition, we may also raise our quality standards and establish a good relationship through sampling inspections, coordination and interviews with suppliers and other methods.

5.3 Compliant Operation

We strive to build a standardized governance structure and value the mutual growth of the Company and investors. The Group has established a corporate culture of integrity, openness, fairness and transparency in accordance with the "Anti-Corruption and Bribery Law of the People's Republic of China", the "Criminal Law of the People's Republic of China" and other laws and regulations. During the year, the Group had no employees involved in any corruption lawsuits.

We require our employees to sign the "Employee Integrity Agreement" (《員工廉潔協議》) when they join the Company, which clearly sets out the rules that our employees shall follow to prevent corruption, money laundering, extortion and misconducts. In future, the Group's various relevant departments will cooperate closely with each other, and continuously improve themselves by enhancing integrity education and system construction.

Our employees can also report improper cases through confidential channels such as mailbox, phone, letter and online means, and they are not allowed to hold back such cases. The person being reported must cooperate on fair and impartial investigations. Once a violation is confirmed, we will strictly take appropriate actions and impose severe punishments so as to warn other employees and related persons.

5.4 Information Security

The Group mainly uses the office automation (OA) system for daily work communications, and properly saves and protects the customer information and important documents of the Company. Employees are required to process information in accordance with relevant guidelines, and we improve their awareness of information security through signing an agreement and training. The Group also handles data leaks in accordance with the required procedures, and regularly reviews its effectiveness to avoid similar incidents. Certain internal documents in the OA system shall be approved by a superior before releasing to the public, and confidential documents shall not be downloaded and printed.

6. Public Welfare Practices

Ronshine continues to practice public welfare, operates Ronshine Public Welfare Foundation, uses our corporate culture to solicit supports, and actively rewards to the society. It has also been recognized as a charitable organization, covering (1) funding the education-oriented poverty alleviation, and supporting the elderly, the disabled and vulnerable groups; (2) funding the public welfare projects for community developments such as culture, environmental protection and volunteers; (3) funding emergency relief and disaster relief for major disasters; and (4) funding other public welfare charity activities which meet the foundation's purpose. Since its inception, the foundation has donated more than RMB200 million to various public welfare undertakings such as disaster relief, public welfare alliance and student aids, contributing its part for a better China.

Children Aids

Ronshine has established the "Public Welfare Scholarship" to continuously provide teens with learning resources, financial supports and awards. At the same time, it also commends and motivates diligent and outstanding teachers, and supports their teaching work.

Children's Health

Ronshine Public Welfare is concerned about the children with biliary atresia and pediatric liver transplantation. It teamed up with "Tencent 99 Public Welfare Day" Foundation to set up a national donation platform, bringing hope to the children with biliary atresia through offline donations. In addition to donating money to cure patients, we also attach great attention to training of grassroots doctors and parents of children. Ronshine also made joint efforts with Beijing Angelmom Charity Foundation in holding seminars on biliary atresia and pediatric liver transplantation, helping grassroots doctors and parents to understand related diseases, and is committed to disseminating the medical knowledge about "critical illness" to the public.

Case: Acquaintance with Beijing Angelmom Charity Foundation
The team of Beijing Angelmom Charity Foundation raises medical funds, arranges surgery and offers rehabilitation assistance for the children whose families are unable to pay medical bills, especially those with serious illness, helping them recover from illness. As the demand for help increased, it has gradually developed into a full-time and professional team, with a group of core volunteers and cooperative institutions from the U. S., Beijing, Shanghai, Guangzhou, Shenzhen and other places.

Children Education

Ronshine is committed to bringing hope of schooling to children in poverty-stricken mountain areas. Ronshine Public Welfare Foundation cooperated with China Youth Development Foundation to donate a total of 53 Hope reading rooms. Through reading books, the program helps children in mountain areas to recognise themselves, believe in themselves, build up their aspirations and study hard for their country and home. In addition to the reading rooms, we also donated two Hope playgrounds, hoping that they can enjoy the fun of running and physical exercises while studying, and they can optimistically sail through the rough sea when encountering the challenges of life in future.

Case: the "Young China" Public Welfare Libraries
In terms of community charity, Ronshine donated 30 sets of equipment for the "Young China" public welfare libraries in 16 communities in 2019, promoted the launch of "Children's Education" under the "Young China" public welfare brand in those communities to offer the children's books lending service to property owners, conducted book rafting, and set up a children's reading community for property owners, in an effort to build the "humanity and arts community" of Ronshine.

In the past, Ronshine once won the Corporate Social Responsibility Practice Benchmarking Award of China Urban Development Summit, the Annual Innovation Enterprise Award for Targeted Poverty Alleviation Contribution, the Annual Social Care Award, the Annual Social Responsibility Contribution Award, the Corporate Social Responsibility Award for Targeted Poverty Alleviation and other honours, and was named as the "Best Partner" by China Youth Development Foundation. In future, the foundation will continue to do its part for China's philanthropy and promote its further development.

Appendix I: Sustainability Data Statements

Environmental KPIs	Unit	2019
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2e	**169.46**
Indirect GHG emissions (Scope 2)	tonnes CO_2e	**332.55**
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	**480.30**
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	**982.31**
GHG Emissions Intensity		
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/square meter	**0.09**
Fuel consumption		
Fuel consumption by fleets of vehicles	Liter	**62,579.94**
Energy consumption		
Total energy consumption	kWh	**472,706.70**
Total energy consumption intensity (per square meter of floor area)	kWh/square meter	**45.38**
Water consumption		
Total water consumption	cubic meter	**1,505.00**
Total water consumption intensity (per square meter of floor area)	cubic meter/square meter	**0.14**
Hazardous Waste		
Total amount of hazardous waste	kilogram	**195.00**
Total amount of hazardous waste	Ink cartridges and toner cartridges discarded	**105.00**
Non-hazardous Waste		
Total amount of non-hazardous waste	kilogram	**16,792.00**
Total non-hazardous waste intensity (each employee)	kilogram/employee	**21.36**
Paper consumption		
Total paper consumption	Ream	**6,258.80**
Paper consumption intensity	Ream/employee	**7.96**

Appendix II: HKEX ESG Reporting Guide Index

Content of Indicators			Related Section(s)
A. Environmental			
A1 Emissions	General Disclosure	Information on (i) the policies and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Concern on the environment
	A1.1	The types of emissions and respective emissions data.	3.1 Green Construction Site
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	3. Concern on the environment
	A1.3	Total hazardous waste produced and, where appropriate, intensity.	3.2 Green Office Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	3.2 Green Office Appendix I: Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	3.1 Green Construction Site
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.2 Green Office
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2 Green Office
	A2.1	Direct and/or indirect energy consumption by type (i.e. power, gas or oil) in total and intensity.	3.2 Green Office Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	3.2 Green Office Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Green Office

Content of Indicators			Related Section(s)
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2 Green Office
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable; the Company's business does not involve packaging materials
A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3. Concern on the environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Concern on the environment
B. Social			
B1 Employment	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.	4. Employee-oriented 4.1 Equal Employment and Benefits
	B1.1	Total number of employees by gender, employment type, age group and region.	4. Employee-oriented
	B1.2	Employee turnover rate by gender, age group and region.	Intend to Disclose in Future
B2 Health and Safety	General Disclosure	Information on providing a safe working environment and protecting employees from occupational hazards:	4.3 Health and Safety
	B2.1	Number and percentage of work-related deaths.	4.3 Health and Safety
	B2.2	Number of working days lost due to work-related injuries.	4.3 Health and Safety
	B2.3	Description of the occupational health and safety measures adopted, as well as the related implementation and monitoring methods.	4.3 Health and Safety

Content of Indicators			Related Section(s)
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Training and Development
	B3.1	Percentage of employees trained by gender and employee category.	Intend to Disclose in Future
	B3.2	Classification by gender and employee category, and the average number of training hours completed by each employee.	Intend to Disclose in Future
B4 Labour Standards	General Disclosure	Measures for the prevention of child or forced labor:	4.1 Equal Employment and Benefits
	B4.1	Describe the measures to review recruitment practices, so as to avoid child or forced labor.	4.1 Equal Employment and Benefits
	B4.2	Describe the steps taken to eliminate violations when it is identified.	4.1 Equal Employment and Benefits
B5 Supply Chain Management	General Disclosure	The environmental and social risk policies for management of supply chain.	5.2 Supply Chain Management
	B5.1	Number of suppliers by region.	Intend to Disclose in Future
	B5.2	Description of the supplier hiring practices, the number of suppliers to which the practices are implemented, and the methods for implementation and monitoring of such practices.	5.2 Supply Chain Management
B6 Product Responsibility	General Disclosure	Product liability: the health and safety, advertising, labeling, privacy matters and their remedies for the products and services provided:	5. Growing on Quality
	B6.1	Percentage of the products which shall be recalled for safety and health reasons to the total products sold or delivered.	5. Growing on Quality
	B6.2	Number of complaints received about products and services and the countermeasures.	5.1 Customer Relationship Management
	B6.3	Description of the practices related to the maintenance and protection of intellectual property.	5.4 Information Security
	B6.4	Description of the quality inspection process and product recall procedures.	5. Growing on Quality
	B6.5	Description of the consumer data protection and privacy policies, and the related implementation and monitoring methods.	5.4 Information Security

Content of Indicators			Related Section(s)
B7 Anticorruption	General Disclosure	Information on prevention of bribery, extortion, fraud and money laundering:	5.3 Compliant Operation
	B7.1	The number and conclusions of corruption lawsuits filed and judged against the issuer or its employees during the reporting period.	5.3 Compliant Operation
	B7.2	Description of the preventive measures and reporting procedures, as well as the related implementation and monitoring methods.	5.3 Compliant Operation
B8 Community Investment	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.	6. Public Welfare Practices
	B8.1	Focused areas of contribution.	6. Public Welfare Practices
	B8.2	Resources used in the focused areas of contribution.	6. Public Welfare Practices

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Ronshine China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ronshine China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 205, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")
- Classification of investment in subsidiaries, joint ventures and associates

Key Audit Matters (continued)

Provisions for properties under development ("PUD") and completed properties held for sale ("PHS")	How our audit addressed the Key Audit Matter
Refer to Note 4(a) and Note 20 to the consolidated financial statements. The total of PUD and PHS of the Group amounted to approximately RMB122,973 million as at 31 December 2019, accounting for approximately 57% of the total assets of the Group. The carrying amounts of PUD and PHS are stated at the lower of cost or net realisable value ("NRV"). The Group assessed the NRV of PUD and PHS based on the realisable value of these properties. As a result, provisions for PUD and PHS involve critical accounting estimates on the future selling prices and direct related selling expenses for the properties, as well as the costs to completion for PUD.	Our key procedures in relation to management's assessment on the provision for PUD and PHS included: 1. We understood, evaluated and validated management's key internal controls over the Group's process in determining the costs to completion of PUD and the net realisable values of PUD and PHS based on prevailing market conditions. 2. We assessed management's key estimates for: • Selling prices which were estimated based on the prevailing market conditions. We selected PUD and PHS on a sample basis to compare their estimated selling prices to the recent market transactions, making reference to the Group's selling prices of the sold units in the same project or the prevailing market prices of comparable properties with similar sizes, usages and locations, after considering future market development; • Direct related selling expenses were estimated based on certain percentages of selling prices. We compared the above estimated percentages with the actual average selling expenses to revenue ratio of the Group in recent years; and • For the estimated costs to completion for PUD, we reconciled them to the budgets approved by management, examined the signed construction contacts on a sample basis, and compared the anticipated completion costs to the actual costs of comparable properties with similar sizes, usages and locations of the Group in recent years. We found that the key estimates used in management's assessment on the provision for PUD and PHS were properly supported by the available evidence.

Key Audit Matters (continued)

Classification of investments in subsidiaries, joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 4(b), Note 11 and Note 12 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focused on the classification of investments as subsidiaries, joint ventures or associates as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following key procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements amongst co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, cooperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association, and/or management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including but not limited to the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidences.

Other Information

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

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company 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.

Those charged with governance 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2020

Consolidated Income Statement

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	6	**51,462,502**	34,366,500
Cost of sales	7	**(38,987,328)**	(26,301,557)
Gross profit		**12,475,174**	8,064,943
Selling and marketing costs	7	**(1,199,042)**	(1,137,009)
Administrative expenses	7	**(1,479,244)**	(1,341,193)
Fair value gains on investment properties	17	**49,682**	336,643
Other income	9	**248,785**	58,524
Other gains — net	9	**49,367**	64,939
Operating profit		**10,144,722**	6,046,847
Finance income	10	**249,911**	243,063
Finance costs	10	**(629,483)**	(534,943)
Finance costs — net	10	**(379,572)**	(291,880)
Share of net profit of associates and joint ventures accounted for using the equity method		**895,660**	902,681
Profit before income tax		**10,660,810**	6,657,648
Income tax expenses	13	**(4,767,017)**	(3,186,122)
Profit for the year		**5,893,793**	3,471,526
Profit for the year is attributable to:			
— Owners of the Company		**3,154,064**	2,149,660
— Non-controlling interests		**2,729,121**	1,157,671
— Holders of Perpetual Capital Instruments	26	**10,608**	164,195
		5,893,793	3,471,526
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic earnings per share	14	**1.87**	1.38
— Diluted earnings per share	14	**1.85**	1.37

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**5,893,793**	3,471,526
Other comprehensive income	**—**	—
Total comprehensive income for the year	**5,893,793**	3,471,526
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**3,154,064**	2,149,660
— Non-controlling interests	**2,729,121**	1,157,671
— Holders of Perpetual Capital Instruments	**10,608**	164,195
	5,893,793	3,471,526

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
	Note	**2019** **RMB'000**	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,567,616**	1,447,648
Investment properties	17	**13,224,100**	12,031,700
Right-of-use assets	16	**463,555**	—
Land use rights	2.2	**—**	449,296
Intangible assets		**5,580**	7,516
Investments accounted for using the equity method	12	**6,256,491**	7,697,952
Financial assets at fair value through profit or loss	18	**755,773**	802,087
Deferred tax assets	28	**444,954**	539,127
Total non-current assets		**22,718,069**	22,975,326
Current assets			
Properties under development	20	**115,299,354**	116,692,069
Completed properties held for sale	20	**7,673,170**	8,806,284
Contract assets	22	**999,576**	530,514
Trade and other receivables and prepayments	23	**25,015,169**	18,482,121
Amounts due from related parties	35	**5,654,598**	8,359,546
Prepaid taxation		**2,539,535**	2,602,357
Cash and bank balances	21	**34,308,567**	24,995,661
Total current assets		**191,489,969**	180,468,552
Total assets		**214,208,038**	203,443,878
EQUITY			
Share capital	24	**15**	14
Share premium	24	**4,902,013**	4,423,556
Other reserves	25	**11,503,837**	8,331,258
Capital and reserves attributable to owners of the Company		**16,405,865**	12,754,828
Non-controlling interests		**24,882,365**	21,915,398
Perpetual Capital Instruments	26	**—**	948,132
Total equity		**41,288,230**	35,618,358

Consolidated Balance Sheet

		As at 31 December	
	Note	**2019 RMB'000**	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	**44,471,364**	37,709,817
Lease liabilities	16	**13,814**	—
Deferred tax liabilities	28	**2,027,669**	2,445,271
Total non-current liabilities		**46,512,847**	40,155,088
Current liabilities			
Borrowings	27	**18,706,447**	24,823,017
Lease liabilities	16	**16,982**	—
Contract liabilities	22	**60,265,275**	63,962,973
Trade and other payables	30	**33,070,355**	28,338,602
Amounts due to related parties	35	**7,293,888**	5,478,112
Derivative financial instruments		**85,250**	—
Current tax liabilities		**6,968,764**	5,067,728
Total current liabilities		**126,406,961**	127,670,432
Total liabilities		**172,919,808**	167,825,520
Total equity and liabilities		**214,208,038**	203,443,878

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 113 to 205 were approved by the Board of Directors of the Company (the "Board") on 24 March 2020 and were signed on its behalf.

Ou Zonghong **Zhang Lixin**

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Capital reserves RMB'000 (Note 25(a))	Statutory reserves RMB'000 (Note 25(b))	Share-based compensation reserves RMB'000 (Note 25(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 26)	Total equity RMB'000
Balance at 1 January 2019	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358
Comprehensive income										
— Profit for the year	—	—	—	—	—	3,154,064	3,154,064	2,729,121	10,608	5,893,793
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	3,154,064	3,154,064	2,729,121	10,608	5,893,793
Issuance of ordinary shares in connection with private placement (Note 24)	1	1,002,617	—	—	—	—	1,002,618	—	—	1,002,618
Buy-back and cancellation of shares (Note 24)	—	(87,905)	—	—	—	—	(87,905)	—	—	(87,905)
Redemption of Perpetual Capital Instruments (Note 26)	—	—	—	—	—	—	—	—	(900,000)	(900,000)
Distributions made to holders of Perpetual Capital Instruments (Note 26)	—	—	—	—	—	—	—	—	(58,740)	(58,740)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	894,894	—	894,894
Dividends distribution to non-controlling interests	—	—	—	—	—	—	—	(657,048)	—	(657,048)
Final dividend of 2018 (Note 29)	—	(552,645)	—	—	—	—	(552,645)	—	—	(552,645)
Share option scheme										
— Exercise of share options	—	116,390	—	—	(29,424)	—	86,966	—	—	86,966
— Value of employee services	—	—	—	—	47,939	—	47,939	—	—	47,939
Transfer to statutory reserves	—	—	—	400,069	—	(400,069)	—	—	—	—
Balance at 31 December 2019	15	4,902,013	851,583	1,661,304	87,183	8,903,767	16,405,865	24,882,365	—	41,288,230

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 24)	Share premium RMB'000 (Note 24)	Capital reserves RMB'000 (Note 25(a))	Statutory reserves RMB'000 (Note 25(b))	Share-based compensation reserves RMB'000 (Note 25(c))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Perpetual Capital Instruments RMB'000 (Note 26)	Total equity RMB'000
Balance at 1 January 2018	13	3,506,038	1,403,011	826,193	53,868	4,435,154	10,224,277	17,794,795	2,741,981	30,761,053
Comprehensive income										
— Profit for the year	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
— Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	2,149,660	2,149,660	1,157,671	164,195	3,471,526
Issuance of ordinary shares in connection with private placement	1	893,180	—	—	—	—	893,181	—	—	893,181
Issuance of ordinary shares in connection with exercise of share options	—	24,338	—	—	(8,783)	—	15,555	—	—	15,555
Change from a joint venture to a subsidiary	—	—	—	—	—	—	—	10,162	—	10,162
Acquisition of additional equity interest in a subsidiary	—	—	(551,428)	—	—	—	(551,428)	116	—	(551,312)
Capital injections from non-controlling interests	—	—	—	—	—	—	—	2,952,654	—	2,952,654
Redemption of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(1,800,000)	(1,800,000)
Distributions made to holders of Perpetual Capital Instruments	—	—	—	—	—	—	—	—	(158,044)	(158,044)
Share option scheme — value of employee services	—	—	—	—	23,583	—	23,583	—	—	23,583
Transfer to statutory reserves	—	—	—	435,042	—	(435,042)	—	—	—	—
Balance at 31 December 2018	14	4,423,556	851,583	1,261,235	68,668	6,149,772	12,754,828	21,915,398	948,132	35,618,358

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**9,096,467**	20,200,334
PRC corporate income tax paid		**(1,544,752)**	(1,152,815)
PRC land appreciation tax paid		**(1,581,836)**	(1,232,096)
Net cash generated from operating activities		**5,969,879**	17,815,423
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and investment properties		**(1,116,072)**	(1,186,947)
Payments for purchase of intangible assets		**(451)**	(1,711)
Proceeds from disposal of equipment		**2,555**	4,393
Capital injections to joint ventures and associates		**(662,678)**	(56,458)
Dividends from a joint venture	12	**1,994,799**	—
Disposal of a joint venture	12	**1,005,000**	—
Payments for acquisition of financial assets at fair value through profit and loss		**(4,000)**	(713,591)
Proceeds from disposal of financial assets at fair value through profit and loss		**156,684**	29,924
Interest received		**386,426**	243,063
Cash advances to related parties		**(2,922,792)**	(6,736,972)
Repayments from related parties		**5,627,740**	2,349,216
Increase in term deposits		**(14,782,866)**	(777,905)
Net cash used in investing activities		**(10,315,655)**	(6,846,988)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	31(b)	**54,273,850**	35,058,473
Repayments of borrowings	31(b)	**(53,960,344)**	(42,407,739)
Redemption of Perpetual Capital Instruments	26	**(900,000)**	(1,800,000)
Distribution to holders of Perpetual Capital Instruments	26	**(58,740)**	(158,044)
Cash advances from related parties	31(b)	**3,816,467**	4,325,477
Repayments to related parties	31(b)	**(2,098,847)**	(287,726)
Payments for buy-back and cancellation of shares	24	**(87,905)**	—
Issuance of ordinary shares in connection with private placement	24	**1,002,618**	893,181
Issuance of ordinary shares in connection with exercise of share options		**86,966**	15,555
Capital injection from non-controlling interests		**894,894**	2,952,654
Payment for acquisition of additional equity interest in a subsidiary		**—**	(551,312)
Interest paid		**(5,091,594)**	(5,085,334)
Dividends paid to the Company's shareholders		**(381,221)**	—
Dividends paid to non-controlling interests in subsidiaries		**(657,048)**	—
Principal elements of lease payments		**(20,075)**	—
Restricted cash pledged for borrowings		**1,024,180**	(547,732)
Net cash used in financing activities		**(2,156,799)**	(7,592,547)
Net (decrease)/increase in cash and cash equivalents		**(6,502,575)**	3,375,888
Cash and cash equivalents at beginning of the year		**21,848,572**	18,472,631
Exchange (losses)/gains on cash and cash equivalents		**(1,192)**	53
Cash and cash equivalents at end of the year		**15,344,805**	21,848,572

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

Ronshine China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") are principally engaged in property development business in the People's Republic of China (the "PRC").

The Company's shares were listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2016.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 24 March 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, derivative financial instruments and investment properties, which are measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New and amended standards and interpretations adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2019.

HKFRS 16	Lease
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKAS 28 (Amendment)	Long-term investment in an Associate or Joint Venture
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
Annual Improvements to HKFRSs 2015-2017 cycle	

Except for the impact of adoption of HKFRS 16 set out in Note 2.2 below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the consolidated financial statements of the Group.

(d) New standards, amendments and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined

The above standards are not expected to have a material impact on the consolidated financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.14.

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

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies(continued)

(b) Measurement of lease liabilities

	RMB'000
Operating lease commitments as at 31 December 2018	57,977
Discounted using the lessee's incremental borrowing rate of the date of initial application	53,472
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(15,696)
Lease liability recognised as at 1 January 2019	37,776
Of which are:	
Current lease liabilities	16,554
Non-current lease liabilities	21,222

(c) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The land use rights are reclassified to right-of-use assets as of 31 December 2019 and 1 January 2019, respectively.

The recognised right-of-use assets mainly relate to properties and land use rights.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB487,072,000
- lease liabilities — increase by RMB37,776,000
- land use right — decrease by RMB449,296,000

No significant impact on the Group's net profit after tax for the periods ended 31 December 2019 as a result of adoption of HKFRS 16.

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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.

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) *Business combinations (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Equity method, associates and joint arrangements

(a) Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associate or joint ventures include goodwill identified on acquisitions. Upon the acquisitions of the ownership interests in an associate or joint ventures, any differences between the costs of the associate or joint ventures and the Group's share of the net fair value of the associate's or joint ventures' identifiable assets and liabilities are accounted for as goodwill.

If the ownership interests in the associate or joint ventures are reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Group's share of losses in the associate or joint ventures equals or exceeds its interests in the associate or joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associate or joint ventures and their carrying values and recognises the amounts adjacent to "share of net profit of associates and joint ventures accounted for using the equity method" in the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.4 Equity method, associates and joint arrangements (continued)

(a) Equity method (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associate or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests in the associate or joint ventures are recognised in the consolidated income statement.

(b) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint venture is accounted for using the equity method.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and bank balances and borrowings are presented in the consolidated income statement, within "finance costs — net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains — net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20 years
Office equipment	3-5 years
Motor vehicles	4 years
Leasehold improvements and furniture, fitting and equipment	Shorter of lease term and useful life

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement within “fair value gains on investment properties”.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (“Cash-generating Units”). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain-net together with foreign exchange gains and losses. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains — net. Impairment losses are presented as separated line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains — net in the period in which it arises.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group applies the simplified approach permitted by HKFRS 9, which uses expected lifetime losses to be recognised from initial recognition of the assets for trade receivables and contract assets.

Impairment on other receivables and amounts due from related parties is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as either:

- hedges of the fair value of recognised assets or liabilities (fair value hedges).
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).
- hedges of a net investment in a foreign operation (net investment hedges).

2 Summary of significant accounting policies (continued)

2.13 Derivatives and hedging activities (continued)

At the inception of the hedging, The Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives held by the Group are only used for economic hedging purposes and not as speculative investments. If the derivative instruments do not qualify for hedge accounting, Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 3.3(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.14 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

The Group leases only offices for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets consist of properties and land use rights.

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.15 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated income statement on a straight-line basis over the operating lease periods. Land use rights to be developed for investment properties are accounted for as part of investment properties.

The land use rights are reclassified to right-of-use assets since 1 January 2019.

2.16 Properties under development and completed properties held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2 Summary of significant accounting policies (continued)

2.17 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold and services provided in the ordinary course of business. If collection of trade and other receivables and amounts due from related parties is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Cash and bank balances

In the consolidated statement of cash flow, cash and bank balances includes cash and cash equivalents, term deposits and restricted cash. Cash and cash equivalents includes cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Term deposits mainly refers to the bank deposits with initial term of over three months but within one year. Restrict cash is the bank deposits which are restricted to use.

2.19 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.20 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for construction costs or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and amounts due to related parties are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.21 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

2.23 Employee benefits

(a) Pension obligations

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contribution plans are expensed as incurred.

(b) Housing benefits

PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) Employee leave entitlements

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 balance sheet date.

2.24 Share-based payments

Share-based compensation benefits are provided to directors and employees via the Group. Information relating to these schemes is set out in Note 25(c).

Share options

The fair value of options granted by the Group is recognised as a director and employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions;

— excluding the impact of any service and non-market performance vesting conditions; and

— including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (continued)

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(b) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time based on the progress towards complete satisfaction of construction services, by reference to the Group's efforts or inputs to the satisfaction of construction services relative to the total expected efforts or input.

(c) Rental income

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(d) Service income

Service income is recognised when the related services are rendered.

(e) Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(f) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.27 Interest income

Interest income is presented as finance income where it is earned from bank deposits and is recognised using the effective interest method.

2.28 Dividend income

Dividends are received from FVPL and FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. However, the investment may need to be tested for impairment as a consequence.

2 Summary of significant accounting policies (continued)

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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 instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.31 Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (include foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the Group companies, except for certain transactions which are settled in foreign currencies. As at 31 December 2019, major non-RMB assets and liabilities are cash and bank balances, senior notes and bank borrowings denominated in United State Dollars. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group has entered into certain forward foreign exchange contracts with reputable banks to mitigate the foreign exchange risk during the year ended 31 December 2019.

The Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 amounted to approximately RMB12,426,790,000 and RMB22,548,709,000, respectively (31 December 2018: RMB699,798,000 and RMB7,680,765,000).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis in RMB against relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, respectively, the effect of increase/(decrease) on the profit for the year is:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
5% appreciation in RMB against:		
— US$	**453,561**	327,751
— HK$	**52,535**	21,297
5% depreciation in RMB against:		
— US$	**(453,561)**	(327,751)
— HK$	**(52,535)**	(21,297)

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2019, if interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year ended 31 December 2019 would increase/decrease RMB142,894,000 (2018: RMB140,995,000), which would have been capitalised in qualified assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and bank balances, trade and other receivable, amounts due from related parties and contract assets shown in the consolidated balance sheet.

As at 31 December 2019, substantially all the Group's bank deposits included in cash and bank balances were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2019 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Big four commercial banks of the PRC (Note (i))	**7,390,602**	5,087,733
Other listed banks in the PRC	**19,467,348**	11,034,119
Other non-listed banks in the PRC	**7,450,521**	8,873,217
	34,308,471	24,995,069

Note (i): big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 32. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. The other receivables are mainly due from minority interests, deposits for acquisition of the land use rights and property development projects and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.Therefore, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and bank balances or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Non–derivatives					
Borrowings	23,015,879	20,700,547	27,827,998	685,834	72,230,258
Trade and other payables, excluding accrual for staff costs and other taxes payable	29,272,335	—	—	—	29,272,335
Lease liabilities	18,527	6,855	4,486	5,553	35,421
Amounts due to related parties	7,293,888	—	—	—	7,293,888
	59,600,629	20,707,402	27,832,484	691,387	108,831,902
Derivatives					
Forward foreign exchange contracts	85,250	—	—	—	85,250
As at 31 December 2018					
Non–derivatives					
Borrowings	28,640,031	28,835,664	9,989,755	1,387,133	68,852,583
Trade and other payables, excluding accrual for staff costs and other taxes payable	24,599,291	—	—	—	24,599,291
Amounts due to related parties	5,478,112	—	—	—	5,478,112
	58,717,434	28,835,664	9,989,755	1,387,133	98,929,986

Note: Interests on borrowings were calculated on borrowings held as at 31 December 2019 (2018: same). Floating-rate interests were estimated using the current interest rate as at 31 December 2019 (2018: same).

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 32).

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owners, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. The increase of gearing ratio was primarily attributable to the enhancing performance of the Group. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 27)	**63,177,811**	62,532,834
Less: Cash and bank balances (Note 21)	**(34,308,567)**	(24,995,661)
Net borrowings	**28,869,244**	37,537,173
Total equity	**41,288,230**	35,618,358
Gearing ratio	**0.70**	1.05

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related parties, FVPL. The Group's financial liabilities include trade and other payables, amounts due to related parties, derivative financial instruments and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determined fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(ii) Valuation techniques used to determined fair values (continued)

The following table presents the Group's FVPL were measured at fair value at 31 December 2019.

Recurring fair value measurements	Notes	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
FVPL — Unlisted equity securities	18	581,828	173,945	755,773
Financial liabilities				
Derivative financial instruments				
— Forward foreign exchange contracts		85,250	—	85,250

The following table presents the Group's FVPL were measured at fair value at 31 December 2018.

Recurring fair value measurements	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
FVPL — Unlisted equity securities	697,977	104,110	802,087

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2019.

	Year end 31 December,	
	2019	2018
Unlisted equity securities		
Opening balance	104,110	42,000
Additions	—	57,731
Disposals	—	(12,965)
Gains recognised in profit or loss	69,835	17,344
Closing balance	173,945	104,110
Unrealized gain recognised for the year	69,835	17,344

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets and liabilities (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

The FVPL were measured at fair value, which was grouped into level 3 fair value measurements, subsequent to initial recognition. Techniques, such as discounted cash flow analysis, were used to determine fair value for the financial assets.

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements.

(b) Non-financial assets

The non-financial assets of the Group are mainly investment properties measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived using the direct comparison approach and residual approach. The direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. The residual approach takes into account the residual value on the completed gross development value ("GDV") after deduction of the outstanding construction costs and expenses as well as profit element. It first assesses the GDV or estimated value of the proposed developments as if completed at the date of valuation. Estimated cost of the development includes construction costs, marketing, professional fees, finance charges, and associated costs, plus an allowance for the developer's risk and profit. The development costs are deducted from the GDV. The resultant figure is the residual value of the subject property.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2019 and 31 December 2018 for recurring fair value measurements are disclosed in Note 17.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at 31 December			Range of inputs in	
Properties status	**2019** **RMB'000**	2018 RMB'000	**Unobservable inputs**	**2019**	2018
Completed	**6,073,800**	5,735,900	Capitalisation rate[1]	**2.5%~5.25%**	2.5%~5.0%
			Market rents[2] (RMB/square meter/month)	**18-1,000**	14-213
Under development	**7,150,300**	6,295,800	Market prices[2] (RMB/square meter)	**7,715-67,380**	4,792-60,726
			Anticipated developer's profit margins[3]	**25%**	25%
Total	**13,224,100**	12,031,700			

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Non-financial assets (continued)

(iv) Valuation inputs and relationships to fair value (continued)

Relationship of unobservable inputs to fair value:

— 1 The higher the capitalisation rate, the lower the fair value;

— 2 The higher the market rents and market prices, the higher the fair value;

— 3 The higher the anticipated developer's profit margins, the higher the fair value.

(v) Valuation processes

The Group's investment properties were valued at 31 December 2019 by independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and valuer at least once every six months, in line with the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

4 Critical estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

The Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the reliability of these properties and prepayments. As a result, provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights involve critical accounting estimates on the future selling prices and variable selling expenses for the properties, as well as the costs to completion for properties under development and prepayments for acquisition of land use rights.

(b) Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

4 Critical estimates and judgments (continued)

(c) Valuation of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3.3(b).

(d) Corporate income tax, land appreciation tax and deferred taxation

The Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of the Group's projects in the PRC. The Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Deferred income tax liabilities are provided to the taxable temporary differences arising from the Group's investments in subsidiaries, joint ventures and an associate unless the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Provisions for deferred land appreciation tax liabilities relating to the taxable temporary difference of investment properties are provided unless management determines that the expected manner of recovery of the properties is through rental income from the lease of the properties only. All these involve management's judgments and estimations and the actual outcome may be different.

5 Segment information

The executive directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the year ended 31 December 2019 (2018: same).

(a) As at 31 December 2019, except for parts of term deposits and financial assets at fair value through profit or loss, other assets of the Group were located in the PRC (2018: same).

(b) There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the year ended 31 December 2019 (2018: same).

6 Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers:		
Revenue from sales of properties		
— Recognised at point in time	**50,253,131**	33,406,515
Revenue from construction services, hotel operations and others:		
— Recognised at a point in time	**326,050**	173,304
— Recognised over time	**725,974**	650,637
Revenue from other sources-rental income	**157,347**	136,044
	51,462,502	34,366,500

7 Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	**38,600,677**	25,644,539
Staff costs (including directors' emoluments) (Note 8)	**1,346,966**	1,299,999
Advertising costs	**464,377**	464,037
Business taxes and other taxes	**294,469**	407,253
Consulting fees	**214,342**	118,458
Property management fees	**195,937**	185,582
Depreciation (Note 15)	**131,249**	113,397
Office and travelling expenses	**111,661**	105,001
Office lease payments	**68,600**	95,518
Entertainment expenses	**62,393**	73,413
Amortisation of intangible assets and right-of-use assets	**38,613**	17,792
Auditors' remuneration	**10,433**	15,000
Others	**125,897**	239,770
Total	**41,665,614**	28,779,759

8 Staff costs — including directors' emoluments

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,222,038**	1,201,193
Pension costs	**76,989**	75,223
Value of employee services under share option scheme	**47,939**	23,583
	1,346,966	1,299,999

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**13,006**	12,452
Pension costs	**245**	306
Value of employee services under share option scheme	**13,892**	7,919
	27,143	20,677

(i) For the year ended 31 December 2019

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	3,134	49	—	3,183
— Mr. Yu Lijuan	—	2,512	49	3,669	6,230
— Ms. Zeng Feiyan	—	2,272	49	3,333	5,654
— Mr. Ruan Youzhi (note (iv))	—	2,272	49	3,221	5,542
— Mr. Zhang Lixin (note (iv))	—	1,852	49	3,669	5,570
Non-executive directors:					
— Ms. Chen Shucui (note (v))	—	—	—	—	—
Independent non-executive directors:					
— Mr. Lo, Wing Yan William	211	—	—	—	211
— Mr. Ren Yunan	251	—	—	—	251
— Mr. Qu Wenzhou	251	—	—	—	251
— Mr. Ruan Weifeng	251	—	—	—	251
	964	12,042	245	13,892	27,143

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Pension costs RMB'000	Value of employee services under share option scheme RMB'000	Total RMB'000
Executive directors:					
— Mr. Ou Zonghong ("Mr. Ou")	—	2,239	51	—	2,290
— Mr. Wu Jian (note (iii))	—	1,690	51	1,250	2,991
— Mr. Lin Junling (note (iii))	—	2,279	51	1,250	3,580
— Ms. Zeng Feiyan	—	2,039	51	2,361	4,451
— Mr. Ruan Youzhi (note (iv))	—	2,039	51	2,361	4,451
— Mr. Zhang Lixin (note (iv))	—	1,439	51	697	2,187
Non-executive directors:					
— Ms. Chen Shucui (note (v))	—	—	—	—	—
Independent non-executive directors:					
— Mr. Lo, Wing Yan William (note (vi))	203	—	—	—	203
— Mr. Ren Yunan	203	—	—	—	203
— Mr. Qu Wenzhou	203	—	—	—	203
	609	11,725	306	7,919	20,559

During the year ended 31 December 2018 and 2019, one of the directors of the Company, Ms. Chen Shucui has waived her emoluments. Other directors of the Company did not waive their emolument nor agreed to waive their emoluments.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable (2018: same). No consideration was provided to or receivable by third parties for making available directors' services (2018: same).

8 Staff costs — including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018 (continued)

There were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities as at 31 December 2019 (2018: same).

Other than those disclosed in Note 35(e), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: same).

(iii) Mr. Wu Jian and Mr. Lin Junling have resigned the director position in November 2018.

(iv) Mr. Ruan Youzhi and Mr. Zhang Lixin were appointed as a director in November 2018.

(v) Ms. Chen Shucui was appointed as a director in June 2018.

(vi) Mr. Lo, Wing Yan William has resigned the independent non-executive directors position in June 2019.

(b) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group included four (2018: four) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2018: one) individual during the year are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees, salaries and other benefits	**1,852**	2,039
Pension costs	**49**	51
Value of employee services under share option scheme	**3,820**	2,361
	5,721	4,451

8 Staff costs — including directors' emoluments (continued)

(b) Five highest paid individuals (continued)

The emoluments payable to the remaining one (2018: one) individual falls within the following band:

	Year ended 31 December	
	2019	2018
Annual emolument band:		
— HK$5,000,000 — HK$5,500,000	**1**	1

During the year ended 31 December 2019, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: none).

9 Other income and other gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income:		
Interest income	**184,119**	—
Forfeited deposits from customer	**44,771**	44,719
Government grants	**13,210**	3,095
Miscellaneous	**6,685**	10,710
	248,785	58,524
Other gains — net		
Fair value loss on derivative financial instruments (Note (i))	**(85,250)**	—
Fair value gains on financial assets at FVPL	**134,617**	59,461
Fair value gains on the remeasurement of a joint venture	**—**	5,478
	49,367	64,939

(i) The fair value loss on derivative financial instruments was primary attributable to the fair value change of the forward exchange contracts. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2019 were US$1,200,000,000, approximating to RMB8,371,440,000 in total.

10 Finance costs — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**249,911**	243,063
	249,911	243,063
Finance costs		
— Net foreign exchange losses	**(76,869)**	(457,868)
— Interest expenses of borrowings	**(5,302,069)**	(5,226,070)
— Less: capitalised interest (Note (i))	**4,749,455**	5,148,995
	(629,483)	(534,943)
Finance costs — net	**(379,572)**	(291,880)

(i) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019 was 7.60% (2018: 7.06%).

11 Subsidiaries

(a) The Group's principal subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below. The proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of companies		Type of legal status	Place of operation/ establish-ment	Principal activities	Authorised/ registered/paid up capital and debt securities	Ownership interest held by the Group %	Ownership interest held by non-controlling interests %
Indirectly held by the Company:							
融信(福建)投資集團有限公司	Rongxin (Fujian) Investment Group Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB4,025,000,000	100	–
融信(平潭)投資發展有限公司	Rongxin (Pingtan) Investment Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB196,078,400	51	49
福建泰坤貿易有限公司	Fujian Taikun Trading Co., Ltd.	Limited liability company	PRC	Investment holdings	Registered and paid up capital of RMB5,000,000	100	–
福州市長樂區融信投資有限公司	Fuzhou Changle District Rongxin Investment Co., Ltd.	Limited liability company	PRC	Property development	Registered capital of RMB500,000,000 and paid up capital of RMB100,000,000	100	–
杭州融悦房地產開發有限公司	Hangzhou Rongyue Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	51	49
杭州融欣房地產開發有限公司	Hangzhou Rongxin Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB900,000,000	26 (i)	74
杭州融譽房地產開發有限公司	Hangzhou Rongyu Property Development Co., Ltd	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,200,000,000	51	49
上海愷冠臻房地產開發有限公司	Shanghai Kaiguanzhen Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB5,500,000,000	50	50
杭州信鴻置業有限公司	Hangzhou Xinhong Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB1,700,000,000	70	30
上海南尚置業有限公司	Shanghai Nanshang Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB800,000,000	31 (i)	69
龍岩市融信科盛房地產開發有限公司	Longyan RongxinKesh-eng Property Development Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB210,000,000	44 (i)	56
衢州融晟置業有限公司	Quzhou Rongsheng Property Co., Ltd.	Limited liability company	PRC	Property development	Registered and paid up capital of RMB847,500,000	39 (i)	61
杭州旭能投資管理有限公司	Hangzhou Xuneng Investment Co., Ltd.	Limited liability company	PRC	Investment holdings	Registered and paid up capital of RMB100,000	100	–
寧波海亮房地產投資有限公司	Ningbo Hailiang Property Investment Co.,Ltd. ("Ningbo Hailiang")	Limited liability company	PRC	Property development	Registered and paid up capital of RMB300,000,000	55	45
安徽海亮房地產有限公司	Anhui Hailiang Property Co.,Ltd. ("Anhui Hailiang")	Limited liability company	PRC	Property development	Registered capital of RMB3,150,000,000 and paid up capital of RMB2,162,500,000	55	45

* The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

11 Subsidiaries (continued)

(a) The Group's principal subsidiaries (continued)

(i) In accordance with the cooperation agreements with co-developers and articles of associations of these companies, the Group has controlling power in the shareholders' meetings and board of directors' meetings in decision on the relevant operational activities. Accordingly, the Group has exposure or rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities. Thus these companies are accounted for as subsidiaries of the Group.

(ii) Significant restriction

The conversion of RMB denominated balances of cash and bank balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. These regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends. As at 31 December 2019, the carrying amount of the cash and bank balances included within the consolidated financial statements to which these restrictions applied was denominated in RMB (2018: same).

Certain equity interests in the subsidiaries of the Company were pledged for financing arrangements of the Group as at 31 December 2019 and 2018 (Note 34).

(b) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the combined summarised financial information for Hailiang Group that has non-controlling interests that are material to the Group. Hailiang Group was acquired from a third party on 31 July 2017 (the "Acquisition Date"). The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheets as at 31 December

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	**698,886**	1,013,228
Non-current liabilities	**(481,681)**	(924,680)
Non-current net assets	**217,205**	88,548
Current assets	**23,275,012**	30,480,710
Current liabilities	**(13,988,207)**	(22,699,663)
Current net assets	**9,286,805**	7,781,047
Net assets	**9,504,010**	7,869,595
Proportionate share of the net assets attributable to non-controlling interests	**4,497,967**	3,847,428

11 Subsidiaries (continued)

(b) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised income statement and statement of comprehensive income for the year ended 31 December 2019 and 2018

	Year ended 31 December 2019	Year ended 31 December 2018
	RMB'000	RMB'000
Profit before income tax	2,561,931	574,259
Income tax expense	(837,175)	(189,918)
Profit for the year	1,724,756	384,341
Total comprehensive income for the year	1,724,756	384,341
Total profit and comprehensive income for the year allocated to non-controlling interests	839,499	160,318

Summarised statement of cash flows for the year ended 31 December 2019 and 2018

	Year ended 31 December 2019	Year ended 31 December 2018
	RMB'000	RMB'000
Net cash generated from operating activities	1,509,914	3,277,463
Net cash generated from investing activities	381,536	159,900
Net cash used in financing activities	(182,202)	(1,893,147)
Net increase in cash and cash equivalents	1,709,248	1,544,216
Cash and cash equivalents at beginning of the year	4,209,325	2,665,109
Cash and cash equivalents at end of the year	5,918,573	4,209,325

12 Investments accounted for using the equity method

(a) Investments accounted for using the equity method

The Group consider that none of the joint ventures or associates as at 31 December 2019 was significant to the Group and thus the individual financial information of the joint ventures or associates was not disclosed. The summarised financial information of individually immaterial joint ventures and associates on an aggregate basis is as follows:

(i) Amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Investments accounted for using the equity method:		
— Joint ventures	**4,812,537**	6,454,808
— Associates	**1,443,954**	1,243,144
	6,256,491	7,697,952

(ii) The amounts recognised in the consolidated income statement are as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method:		
— Joint ventures	**920,662**	788,372
— Associates	**(25,002)**	114,309
	895,660	902,681

(iii) The Group received dividend from Shanghai Kaitai Property Development Co., Ltd. ("Shanghai Kaitai") amounting to approximately RMB1,995 million, and thereafter the Group has disposed of its investment in Shanghai Kaitai at an aggregate consideration of approximately RMB1,005 million in 2019.

The Group made equity investments in certain real estate project companies where the Group has significant influence or jointly controls, with total consideration of RMB662,678,000 in 2019 (2018: RMB56,458,000). The Group accounted for these equity investments using equity method.

12 Investments accounted for using the equity method (continued)

(b) Set out below are major joint ventures and associates of the Group as at 31 December 2019. The place of incorporation or registration is also their principal place of business.

Name of entity		Place of business/ place of incorporation and business	% of ownership interest	Measurement method	Principal activities
Joint ventures					
福州利博順泰房地產開發有限公司	Fuzhou Liboshuntai Property Development Co., Ltd. ("Fuzhou Liboshuntai")	PRC	50%	Equity	Property development
海融(漳州)房地產有限公司	Hairong (Zhangzhou) Property Co., Ltd.	PRC	50%	Equity	Property development
杭州信辰置業有限公司	Hangzhou Xinchen Property Co., Ltd.	PRC	34%	Equity	Property development
上海愷岱房地產開發有限公司	Shanghai Kaidai Property Development Co., Ltd.	PRC	50%	Equity	Property development
福州裕百川房地產開發有限公司	Fuzhou Yubaichuan Real Estate Development Co., Ltd.	PRC	34%	Equity	Property development
杭州眾旭置業有限公司	Hangzhou Zhongxu Property Co., Ltd.	PRC	30%	Equity	Property development
Associates					
銀川海茂房地產有限公司	Yinchuan Hai Mao Real Estate Co., Ltd.	PRC	27%	Equity	Property development
漳州市萬科濱江置業有限公司	Zhangzhou City Wankebinjiang Property Co., Ltd.	PRC	20%	Equity	Property development
銀川世海房地產有限公司	Yinchuan Shihai Real Estate Co., Ltd.	PRC	27%	Equity	Property development

13 Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax:		
PRC corporate income tax	**2,808,172**	1,877,753
PRC LAT	**2,282,274**	1,930,210
	5,090,446	3,807,963
Deferred income tax:		
PRC corporate income tax	**(323,429)**	(621,841)
Income tax expense	**4,767,017**	3,186,122

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**10,660,810**	6,657,648
Less: share of net profits of associates and joint ventures	**(895,660)**	(902,681)
	9,765,150	5,754,967
Tax calculated at applicable corporate income tax rates	**2,584,154**	1,524,492
Effect of expenses not deductible for income tax	**471,158**	213,973
PRC LAT deductible for income tax purpose	**(570,569)**	(482,553)
PRC corporate income tax	**2,484,743**	1,255,912
PRC LAT	**2,282,274**	1,930,210
	4,767,017	3,186,122

Deferred tax liabilities of RMB1,537,807,000 (2018: RMB964,352,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries amounting to RMB15,378,070,000 as at 31 December 2019 (31 December 2018: RMB9,643,520,000). The Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

13 Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Hong Kong profits tax

The applicable Hong Kong profits tax rate was 16.5% for the year ended 31 December 2019 (2018: 16.5%). Hong Kong profits tax was not been provided as the Group did not have any assessable profit subject to Hong Kong profits tax for the year ended 31 December 2019 (2018: Nil).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**3,154,064**	2,149,660
Weighted average number of ordinary shares in issue	**1,689,067,000**	1,552,963,000
Basic earnings per share (RMB per share)	**1.87**	1.38

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	**3,154,064**	2,149,660
Weighted average number of ordinary shares in issue	**1,689,067,000**	1,552,963,000
Adjustments — share options and awarded shares	**12,823,000**	18,454,000
Weighted average number of ordinary shares for diluted earnings per share	**1,701,890,000**	1,571,417,000
Diluted earnings per share (RMB per share)	**1.85**	1.37

15 Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements and furniture, fitting and equipment RMB'000	Total RMB'000
As at 1 January 2018					
Cost	1,463,840	35,571	51,344	78,411	1,629,166
Accumulated depreciation	(50,652)	(19,515)	(23,892)	(16,969)	(111,028)
Net book amount	1,413,188	16,056	27,452	61,442	1,518,138
Year ended 31 December 2018					
Opening net book amount	1,413,188	16,056	27,452	61,442	1,518,138
Additions	346	15,838	7,122	23,713	47,019
Disposals	—	(1,329)	(1,058)	(1,725)	(4,112)
Depreciation charges	(62,304)	(7,108)	(9,170)	(34,815)	(113,397)
Closing net book amount	1,351,230	23,457	24,346	48,615	1,447,648
At 31 December 2018					
Cost	1,464,186	46,478	55,668	100,224	1,666,556
Accumulated depreciation	(112,956)	(23,021)	(31,322)	(51,609)	(218,908)
Net book amount	1,351,230	23,457	24,346	48,615	1,447,648
Year ended 31 December 2019					
Opening net book amount	**1,351,230**	**23,457**	**24,346**	**48,615**	**1,447,648**
Additions	**227,984**	**5,533**	**4,879**	**15,159**	**253,555**
Disposals	**—**	**(1,141)**	**(1,158)**	**(39)**	**(2,338)**
Depreciation charges	**(82,556)**	**(10,998)**	**(7,664)**	**(30,031)**	**(131,249)**
Closing net book amount	**1,496,658**	**16,851**	**20,403**	**33,704**	**1,567,616**
At 31 December 2019					
Cost	**1,692,170**	**50,870**	**59,389**	**115,344**	**1,917,773**
Accumulated depreciation	**(195,512)**	**(34,019)**	**(38,986)**	**(81,640)**	**(350,157)**
Net book amount	**1,496,658**	**16,851**	**20,403**	**33,704**	**1,567,616**

As at 31 December 2019, certain properties, plant and equipment of the Group are pledged as security for the borrowings of the Group (Note 34).

16 Leases

(i) Amounts recognised in the balance sheet:

	31 December 2019	1 January 2019
	RMB'000	RMB'000
Right-of-use assets		
Land-use rights (i)	434,185	449,296
Properties	29,370	37,776
	463,555	487,072
Lease liabilities		
Current	16,982	16,554
Non-current	13,814	21,222
	30,796	37,776

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets during the 2019 financial year were RMB12,709,000.

As at 31 December 2019, certain land use rights of the Group are pledged as security for the borrowings of the Group (Note 34).

16 Leases (continued)

(ii) Amounts recognised in the statement of profit or loss:

	Year ended 31 December 2019
	RMB'000
Depreciation charge of right-of-use assets:	
Land-use rights	15,111
Properties	21,115
Others	—
	36,226
Interest expense (included in finance cost)	2,554
Expense relating to short-term leases (included in administrative expenses)	68,600
	71,154

The total cash outflow for leases in 2019 was RMB90,842,000.

(iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 2 to 4 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

17 Investment properties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets — at fair value:		
Opening balance at 1 January	**12,031,700**	10,465,400
Addition	**1,142,718**	1,229,657
Fair value gains	**49,682**	336,643
Closing balance at 31 December	**13,224,100**	12,031,700
Total gains for the year recognised in profit or loss and included in "*fair value gains on investment properties*" of the consolidated income statement — unrealised	**49,682**	336,643
Rental income (Note 6)	**157,347**	136,044

(a) As at 31 December 2019, the Group had no contractual obligations for repairs, maintenance or enhancements (2018: same).

(b) As at 31 December 2019, certain investment properties of the Group are pledged as security for the borrowings of the Group (Note 34).

(c) The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019, 7.60% (2018: 7.06%).

(d) The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include no variable lease payments that depend on a rate. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(e) The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
— Not later than one year	**173,292**	155,994
— Later than one year and not later than five years	**500,972**	413,641
— Later than five years	**558,574**	496,537
	1,232,838	1,066,172

18 Financial assets at fair value through profit or loss

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
— Unlisted equity securities	**755,773**	802,087

The investments mainly represented unlisted equity investments in various real estate entities which the Group holds less than 20% equity interest and various fund products. These investments were not traded in active markets. The fair value of investment fund companies were determined in accordance with observable market data, which were categorised within level 2 of the fair value hierarchy. The fair value of unlisted real estate companies were determined based on unobservable market data, which were categorised within level 3 of the fair value hierarchy. Fair value gain on equity investment at FVPL recognised in "other (losses)/gains – net" was RMB134,617,000 (2018: RMB59,461,000) (Note 9).

19 Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortised cost		
— Trade receivable and other receivables	**11,814,660**	8,443,081
— Amounts due from related parties	**5,654,598**	8,359,546
— Cash and bank balances	**34,308,567**	24,995,661
FVPL — Unlisted equity securities	**755,773**	802,087
	52,533,598	42,600,375
Financial liabilities:		
Liabilities at amortised cost		
— Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**29,272,335**	27,138,035
— Amounts due to related parties	**7,293,888**	5,478,112
— Borrowings	**63,177,811**	62,532,834
Derivative financial instruments	**85,250**	—
	99,829,284	95,148,981

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within one operating cycle. The relevant land use rights are on leases of 40 to 70 years.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development:		
— Construction costs	**20,677,296**	24,629,424
— Capitalised interests	**13,846,033**	10,316,532
— Land use rights	**80,776,025**	81,746,113
	115,299,354	116,692,069
Completed properties held for sale:		
— Construction costs	**4,476,461**	4,314,331
— Capitalised interests	**800,098**	1,198,545
— Land use rights	**2,396,611**	3,293,408
	7,673,170	8,806,284

(a) Assigning costs to inventories

The costs of individual items of properties under development are determined where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. See Note 2.16 for the Group's accounting policies for properties under development and completed properties held for sale.

The capitalisation rate of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year ended 31 December 2019, 7.60% (2018: 7.06%).

20 Properties under development and completed properties held for sale (continued)

(b) Amounts recognised in profit or loss

Completed properties held for sale recognised as costs of sales during the year ended 31 December 2019 amounted to RMB36,546,997,000 (2018: RMB25,307,734,000).

There are no write-downs of inventories to net realisable value during the year ended 31 December 2019 (2018: Nil).

(c) Pledge information

As at 31 December 2019, certain properties under development and completed properties held for sale of the Group are pledged as security for the borrowings of the Group (Note 34).

21 Cash and bank balances

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**15,344,805**	21,848,572
Term deposits (Note (a))	**15,671,771**	888,905
Restricted cash (Note (b))	**3,291,991**	2,258,184
	34,308,567	24,995,661

(a) The weighted average effective interest rate of the Group's term deposits as at 31 December 2019 was 3.17% per annum (31 December 2018: 2.25% per annum). The carrying amounts of the Group's term deposits approximate their fair values, as the impact of discounting is not significant.

(b) Amounts mainly represent cash deposits with designated banks as guarantee deposits for construction of properties, securities for borrowings and for issuance of commercial bills.

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place certain amount of properties presale proceeds at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

22 Contract assets and liabilities

The Group has recognised following assets and liabilities related to contracts with customer:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current contract assets:		
Contract cost – sales commission	**757,844**	350,003
Contract assets – provision of construction service	**241,732**	180,511
	999,576	530,514
Current contract liabilities – sales of properties	**60,265,275**	63,962,973

(i) Revenue recognised in relation to contract liabilities

(a) The following table set out the amount of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December
	2019
	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period — sales of properties	**38,028,231**

(b) Unsatisfied contracts, mainly comprise of contract liabilities, related to sales of properties are expected to be recognised in 1 to 3 years, as of 31 December 2019.

23 Trade and other receivables and prepayments

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Trade receivables (Note (a))	**73,991**	59,580
Other receivables:		
— Amounts due from minority interests	**8,199,973**	6,503,833
— Deposits for acquisition of land use rights and property development projects	**2,002,005**	871,281
— Deposits for construction contracts	**405,460**	50,000
— Others	**1,133,231**	958,387
	11,740,669	8,383,501
Prepayments:		
— Prepayments for acquisition of land use rights	**6,887,697**	4,635,286
— Prepaid value added tax, business taxes and other taxes	**6,000,101**	5,149,216
— Others	**312,711**	254,538
	13,200,509	10,039,040
Total trade and other receivables and prepayments	**25,015,169**	18,482,121
Less: non-current portion of prepayments	**—**	—
Current portion of trade and other receivables and prepayments	**25,015,169**	18,482,121

23 Trade and other receivables and prepayments (continued)

(a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sale of properties is settled in accordance with the terms stipulated in the sale and purchase agreements.

Ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**69,087**	55,190
Over one year	**4,904**	4,390
	73,991	59,580

These trade receivables relate to a number of independent customers for whom there is no significant financial difficulty. Management does not expect any credit loss for these receivables.

(b) As at 31 December 2019, the Group's trade and other receivables were mainly denominated in RMB (2018: same). As at 31 December 2019, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (2018: same).

24 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2018	1,494,800,500	14,948	13	3,506,038	3,506,051
Issue of ordinary shares in connection with private placement (Note (b))	103,500,000	1,035	1	893,180	893,181
Exercise of share options	2,960,000	—	—	24,338	24,338
At 31 December 2018	1,601,260,500	15,983	14	4,423,556	4,423,570
At 1 January 2019	**1,601,260,500**	**15,983**	**14**	**4,423,556**	**4,423,570**
Issue of ordinary shares in connection with private placement (Note (c))	**108,000,000**	**1,080**	**1**	**1,002,617**	**1,002,618**
Buy-back and cancellation of shares (Note (d))	**(10,626,000)**	**(106)**	**—**	**(87,905)**	**(87,905)**
Final dividend of 2018 (Note 29)	**—**	**—**	**—**	**(552,645)**	**(552,645)**
Share option scheme					
— Exercise of share options	**16,891,500**	**169**	**—**	**116,390**	**116,390**
At 31 December 2019	**1,715,526,000**	**17,126**	**15**	**4,902,013**	**4,902,028**

(a) The authorised share capital of the Company as at 31 December 2019 was HK$380,000 (2018: same) divided into 38,000,000,000 shares (2018: same).

(b) On 12 June 2018, 103,500,000 shares of the Company were placed to certain independent investors at price of HK$10.62 per share.

(c) On 3 April 2019, 108,000,000 shares of the Company were placed to certain independent investors at a price of HK$10.95 per share.

(d) The Company acquired 10,626,000 of its own shares through purchases from the stock market during the year ended 31 December 2019 for cash totaling HK$97,482,000 (equivalent to RMB87,905,000) and which was deducted from the share premium account. The shares were cancelled after the repurchase.

25 Other reserves

(a) Capital reserves

Capital reserves mainly represented accumulated capital contribution from the then shareholders of the group companies.

(b) Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

(c) Share-based compensation reserve

The Company approved and adopted a share option scheme on 28 December 2015 (the "Share Option Scheme"). Share options under the Share Option Scheme (the "Option") are granted to eligible participant (the "Eligibles") including directors and other employees. Options are conditional on the Eligibles have served the Group for certain periods (the vesting period). Share Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each Option is convertible into one ordinary share. The Group has no legal or constructive obligation to repurchase or settle the Options in cash.

On 5 January 2017, approximately 62,469,000 Options (the "2017 Options") were granted to Eligibles with an exercise price of HK$5.96 per share. The expiry date of the Options will be 4 January 2022.

On 30 April 2019, approximately 26,571,973 share options (the "2019 Options") were granted to Eligibles with an exercise price of HK$10.80 per share. The expiry date of the 2019 Options will be 4 January 2022.

There were two types of vesting schedule for above share options, which are: i) 30% of the options will be vested after 12 months of the grant date; 30% of the options will be vested after 24 months of the grant date and the remaining 40% will be vested after 36 months of the grant date, ii) options will be vested after 8 months of the grant date. Particulars of Options are as follows:

25 Other reserves (continued)

(c) Share-based compensation reserve (continued)

Set out below are movements of Options granted under the Share Option Scheme:

	Average exercise price in HK$ Per share under option	Number of Options
As at 1 January 2018	5.96	57,284,000
Forfeited during the year	5.96	(10,000,000)
Excerise during the year	5.96	(2,960,000)
As at 31 December 2018	5.96	44,324,000
As at 1 January 2019	**5.96**	**44,324,000**
Granted during the period	**10.80**	**26,572,000**
Forfeited during the year	**9.60**	**6,158,000**
Exercise during the year	**5.96**	**(16,891,500)**
As at 31 December 2019	**8.18**	**47,846,500**

The share options above are fully vested and exercisable.

The fair values of Options determined by reference to valuation prepared by an independent valuer. The significant inputs in the model were as follows:

		2017 Options	2019 Options
Fair value per Option at measurement date		HK$1.88 to HK$1.99	HK$2.38 to HK$2.41
(a)	expected maturity date:	4 January 2022	4 January 2022
(b)	stock price at grant date and exercise price:	HK$5.96 per share	HK$10.80 per share
(c)	volatility:	34.41%	41.56%
(d)	annual risk-free interest rate:	2.09%	2.04%
(e)	dividend yield	nil	2.8%
(f)	suboptimal factors:	2 or 3	1.69 to 1.77

The total expense recognised in consolidated income statement for share options granted to directors and employees for the year ended 31 December 2019 amounted to RMB47,939,000 (2018: RMB23,585,000).

26 Perpetual Capital Instruments

In 2016, certain group companies issued certain subordinated Perpetual Capital Instruments (the "Perpetual Capital Instruments"). The Perpetual Capital Instruments do not have maturity dates and the distribution payments can be deferred at the discretion of either the group companies or the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the group companies or the Company elects to declare dividends to their shareholders, the group companies shall make distributions to the holders of Perpetual Capital Instruments at the distribution rates as defined in the subscription agreements. Movements of the Perpetual Capital Instruments are as follows:

	Principal	Distribution/ appropriation of profit	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	2,700,000	41,981	2,741,981
Redemption of Perpetual Capital Instruments	(1,800,000)	—	(1,800,000)
Profit attributable to holders of Perpetual Capital Instruments	—	164,195	164,195
Distributions made to holders of Perpetual Capital Instruments	—	(158,044)	(158,044)
Balance as at 31 December 2018	900,000	48,132	948,132
Balance as at 1 January 2019	**900,000**	**48,132**	**948,132**
Redemption of Perpetual Capital Instruments	**(900,000)**	—	**(900,000)**
Profit attributable to holders of Perpetual Capital Instruments	—	**10,608**	**10,608**
Distributions made to holders of Perpetual Capital Instruments	—	**(58,740)**	**(58,740)**
Balance as at 31 December 2019	—	—	—

27 Borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Senior notes — unsecured (Note (a))	**21,333,454**	6,266,527
Asset backed securities — secured (Note (b))	**2,447,400**	1,300,000
Corporate bonds — unsecured	**12,167,521**	10,454,463
Borrowings from financial institutions — secured (Note (c))	**26,291,536**	39,392,048
Less: current portion of non-current borrowings	**(17,768,547)**	(19,703,221)
	44,471,364	37,709,817
Borrowings included in current liabilities:		
Borrowings from financial institutions — secured (Note (c))	**937,900**	5,119,796
Current portion of non-current borrowings	**17,768,547**	19,703,221
	18,706,447	24,823,017
Total borrowings	**63,177,811**	62,532,834

(a) The senior notes are guaranteed and secured by equity interests of certain non-PRC subsidiaries.

(b) The ABS was pledged by the right of receipt of proceeds arising from the Group's sales of certain properties.

(c) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 34.

27 Borrowings (continued)

(d) At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Within 1 year	**18,706,447**	24,823,017
Between 1 and 2 years	**17,721,081**	27,141,264
Between 2 and 5 years	**26,105,190**	9,259,579
Over 5 years	**645,093**	1,308,974
Total	**63,177,811**	62,532,834

(e) The weighted average effective interest rates are as follows:

	As at 31 December	
	2019	2018
Senior notes	**9.59%**	9.05%
Asset backed securities	**7.37%**	7.50%
Corporate bonds	**7.15%**	7.34%
Borrowings from financial institutions	**5.31%**	6.74%

(f) The Group's borrowings were denominated:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
— RMB	**40,885,783**	54,852,070
— US$	**21,333,454**	7,232,740
— HKD	**958,574**	448,024
	63,177,811	62,532,834

(g) The fair value of senior notes as at 31 December 2019 was RMB20,748,644,397 (2018: RMB6,385,508,000), which was quoted in Singapore Exchange Ltd. and within level 1 of the fair value hierarchy. The carrying amounts of borrowings other than senior notes approximate their fair values as at 31 December 2019 (2018: same) as either the impact of discounting were not significant or the borrowings carry floating rates of interests.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

28 Deferred tax assets and liabilities

(i) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets		
— to be recovered within 12 months	**266,871**	419,662
— to be recovered after 12 months	**318,399**	313,069
Total deferred tax assets before net off	**585,270**	732,731
Net of deferred tax liabilities	**(140,316)**	(193,604)
	444,954	539,127
Deferred tax liabilities		
— to be recovered within 12 months	**(246,877)**	(368,447)
— to be recovered after 12 months	**(1,921,108)**	(2,270,428)
Total deferred tax iabilities before net off	**(2,167,985)**	(2,638,875)
Net of deferred tax assets	**140,316**	193,604
	(2,027,669)	(2,445,271)
	(1,582,715)	(1,906,144)

The net movement on the deferred tax accounts before set-off is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**(1,906,144)**	(2,528,792)
Credited to the consolidated income statement (Note 13)	**323,429**	621,841
Business combination	**—**	807
At 31 December	**(1,582,715)**	(1,906,144)

28 Deferred tax assets and liabilities (continued)

(ii) The movement in deferred tax assets and liabilities before set-off during the years are as follows:

	Deferred tax assets – tax losses and others RMB'000	Deferred tax liabilities – fair value gains RMB'000	Deferred tax liabilities – excess of carrying amount of PUD and PHS over the tax bases RMB'000
At 1 January 2018	512,609	(668,497)	(2,372,904)
Business combination	4,387	—	(3,580)
Credited/(charged) to the consolidated income statement	215,735	(117,152)	523,258
At 31 December 2018	732,731	(785,649)	(1,853,226)
At 1 January 2019	**732,731**	**(785,649)**	**(1,853,226)**
(Charged)/Credited to the consolidated income statement	**(147,461)**	**5,038**	**465,852**
At 31 December 2019	**585,270**	**(780,611)**	**(1,387,374)**

29 Dividend

The 2018 final dividend of HK$0.365 per ordinary share, totalling HK$629,439,000 (equivalent to approximately RMB552,645,000), was approved by the shareholders at the annual general meeting held on 5 June 2019 and was fully paid up to the date of these financial statements.

The Board of Directors of the Company proposed a final dividend of HK$0.60 per ordinary share out of the share premium account, totaling approximately HK$1,029,316,000 (equivalent to approximately RMB922,040,000). Such dividend is to be approved by the shareholders at the annual general meeting ("AGM") on 5 June 2020. These financial statements do not reflect this dividend payable as a liability as at 31 December 2019.

30 Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (Note (a))	**11,838,408**	8,423,760
Notes payable	**343,297**	1,064,455
Other payables:		
— Amounts due to minority interests	**13,483,058**	11,913,987
— Deposits received for sales of properties	**379,526**	662,059
— Other taxes payable	**3,556,357**	3,496,506
— Interests payable	**986,136**	776,048
— Deposits from contractors and suppliers	**533,075**	399,443
— Accrued payroll	**241,663**	242,805
— Dividend payable	**171,424**	—
— Others	**1,537,411**	1,359,539
	33,070,355	28,338,602

(a) The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**9,363,765**	6,470,999
Over one year	**2,474,643**	1,952,761
	11,838,408	8,423,760

(b) Trade and other payables were unsecured, interest-free, repayable on demand and denominated in RMB.

(c) The carrying amounts of trade and other payables were considered to be the same as their fair values.

31 Cash flow information

(a) Net cash used in operating activities:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**10,660,810**	6,657,648
Adjustments for:		
— Depreciation charges	**131,249**	113,397
— Finance costs-net	**379,572**	291,880
— Other income	**(184,119)**	—
— Amortisation of intangible assets and right-of-use assets	**38,613**	17,792
— Gains from disposal of property, plant and equipment	**(217)**	(282)
— Fair value gains on investment properties	**(49,682)**	(336,643)
— Share of net profits of investments accounted for using the equity method	**(895,660)**	(902,681)
— Fair value gains on financial assets at FVPL	**(134,617)**	(59,461)
— Fair value loss on derivative financial instruments	**85,250**	—
— Fair value gains on remeasurement of joint ventures	**—**	(5,478)
Changes in working capital:		
— Properties under development and completed properties held for sale	**10,424,035**	(17,357,016)
— Contract assets	**(469,062)**	(389,769)
— Trade and other receivables	**(3,371,579)**	239,139
— Prepayments	**(3,161,469)**	4,512,197
— Contract liabilities	**(3,697,698)**	22,718,824
— Trade and other payables	**1,399,027**	5,248,519
— Restricted cash	**(2,057,986)**	(547,732)
Cash generated from operations	**9,096,467**	20,200,334

31 Cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 January 2019 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2019 RMB'000
Borrowings	**62,532,834**	**313,506**	**331,471**	**63,177,811**
Lease liability	**37,776**	**(22,242)**	**15,262**	**30,796**
Amounts due to related parties	**5,376,722**	**1,717,620**	**—**	**7,094,342**
	67,947,332	**2,008,884**	**346,733**	**70,302,949**

	1 January 2018 RMB'000	Financing cash flow – net RMB'000	Non-cash items RMB'000	31 December 2018 RMB'000
Borrowings	69,453,610	(7,349,266)	428,490	62,532,834
Amounts due to related parties	1,338,971	4,037,751	—	5,376,722
	70,792,581	(3,311,515)	428,490	67,909,556

32 Financial guarantee

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	**34,322,018**	29,066,196
Guarantee provided for the borrowings of the joint ventures (Note (b))	**3,164,440**	3,000,000
	37,486,458	32,066,196

32 Financial guarantee (continued)

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates 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 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 the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of loss of the Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided by the Group.

33 Commitments

(a) Commitments for property development expenditures and equity investments as at 31 December 2019 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted but not provided for		
— Property development activities	**21,260,554**	15,644,616
— Land use rights	**450,527**	170,513
— Equity investment	**107,097**	355,185
	21,818,178	16,170,314

(b) Operating leases commitments – the Group as lessee

The future aggregate minimum lease payments for short-term leases as at 31 December 2019 and non-cancellable operating leases as at 31 December 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
— Not later than one year	**73**	34,005
— Later than one year and not later than five years	**—**	23,972
	73	57,977

34 Assets pledged as security

	Note	As at 31 December 2019 RMB'000	 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**717,297**	1,271,614
Land use rights	16	**265,881**	439,352
Investment properties	17	**5,132,788**	5,661,872
Total non-current assets pledged as security		**6,115,966**	7,372,838
Current assets			
Properties under development and completed properties held for sale	20	**36,451,662**	38,821,044
Restricted cash	21	**750,853**	1,075,706
Total current assets pledged as security		**37,202,515**	39,896,750
Total assets pledged as security		**43,318,481**	47,269,588

All of above assets of the Group are pledged as security for the borrowings from financial institutions of the Group (Note 27(a)).

Investments amounting to RMB2,467,170,828 (2018: RMB6,014,566,000) in certain subsidiaries directly or indirectly held by the Company were pledged as security for borrowing of the Group at 31 December 2019.

35 Significant related party transactions

(a) Parent entities

The Group is controlled by the following entities:

			Ownership interest As at 31 December	
Name	**Type**	**Place of incorporation**	**2019**	2018
Dingxin	Immediate parent company of the Company	BVI	**65.52%**	64.47%
TMF (Cayman) Limited	Ultimate parent entity and controlling party	The Cayman Island	**65.52%**	64.47%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 11(a).

(c) Major related parties that had significant transactions during the year with the Group are as follows:

Related parties	Relationship with the Group
Mr. Ou	Controlling Shareholder and director of the Company
Rongxin Shiou Property Management Group Limited 融信世歐物業服務集團有限公司	A company controlled by the Controlling Shareholder
Fujian Rongxin Property Management Co., Ltd. 融信(福建)物業管理有限公司	A company controlled by the Controlling Shareholder
Xiuyi (Fujian) Landscape Engineering Co., Ltd. 秀藝(福建)園林工程有限公司	A company controlled by the Controlling Shareholder
Fuzhou Yubaichuan Real Estate Development Co., Ltd. 福州裕百川房地產開發有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hairong (Zhangzhou) Property Co., Ltd. 海融(漳州)房地產有限公司	Joint venture
Hangzhou Zhongxu Property Co., Ltd. 杭州眾旭置業有限公司	Joint venture
Hangzhou Xinchen Property Co., Ltd. 杭州信辰置業有限公司	Joint venture
Jinhua Ruiying Real Estate Co., Ltd. 金華市瑞盈房地產有限公司	Joint venture
Nanjing Huihe Property Co.,Ltd. 南京薈合置業有限公司	Joint venture
Nanjing Kaijingsheng Property Development Co., Ltd. 南京愷璟晟房地產開發有限公司	Joint venture
Nanjing Taiyi Hexin Management Consultancy Co., Ltd. 南京泰熠和信企業管理諮詢有限公司	Joint venture
Hangzhou Rongxuan Real Estate Development Co., Ltd. 杭州融晅房地產開發有限公司	Joint venture
Qidong Bilian Property Co., Ltd. 啟東碧聯置業有限公司	Joint venture
Zhoushan Kairong Real Estate Development Co., Ltd. 舟山愷融房地產開發有限公司	Joint venture
Zhengzhou Langu Management Consultancy Co., Ltd. 鄭州藍穀企業管理諮詢有限公司	Joint venture
Fuyang Shangjun Real Estate Co., Ltd. 阜陽上郡房地產有限公司	Joint venture
Fuzhou Hongbailong Real Estate Development Co., Ltd. 福州泓百隆房地產開發有限公司	Joint venture
Cixi City Jingui Property Co., Ltd. 慈溪市金桂置業有限公司	Joint venture
Fujian Rongdaxin Investment Co., Ltd. 福建融達信投資有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Anji Rongshang Real Estate Co., Ltd. 安吉融尚房地產有限公司	Joint venture
Dongtai City Xinbi Real Estate Development Co., Ltd. 東台市新碧房地產開發有限公司	Joint venture
Fuzhou Liboshuntai Property Development Co., Ltd. 福州利博順泰房地產開發有限公司	Joint venture
Bengbu City Bicheng Real Estate Development Co., Ltd. 蚌埠市碧誠房地產開發有限公司	Joint venture
Jiangmen City Ronchang Real Estate Development Co., Ltd 江門市融昌房地產開發有限公司	Joint venture
Ronrui Co., Ltd 融瑞有限公司	Joint venture
Hefei Hailiang Property Co., Ltd 合肥海亮置業有限公司	Joint venture
Jinhua Tianxi Property Co., Ltd 金華天璽置業有限公司	Joint venture
Hangzhou Hexin Real Estate Development Co., Ltd 杭州和昕房地產開發有限公司	Joint venture
Huzhou Ronda Real Estate Development Co., Ltd 湖州融達房地產開發有限公司	Joint venture
Tianjin Jinrui Property Co., Ltd 天津金銳置業有限公司	Joint venture
Jiujiang Ronxi Real Estate Co., Ltd 九江融璽房地產開發有限公司	Joint venture
Hangzhou Meishengmei Property Co., Ltd 杭州美生美置業有限公司	Joint venture
Ningbo Fenghuahedu Real Estate Development Co., Ltd 寧波奉化和都房地產開發有限公司	Joint venture
Fujian Ronteng Property Co., Ltd 福建融騰置業有限公司	Joint venture

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hangzhou Ronhao Property Co., Ltd 杭州融浩置業有限公司	Joint venture
Hangzhou Wanjign Property Co., Ltd 杭州萬璟置業有限公司	Joint venture
Shanghai Kaidai Real Estate Development Co., Ltd 上海愷岱房地產開發有限公司	Joint venture
Fuyang Lvdi Property Co., Ltd 阜陽綠地置業有限公司	Joint venture
Shaanxi Hai He Real Estate Development Co., Ltd. 陝西海和房地產開發有限公司	Associate
Yinchuan Shihai Real Estate Co., Ltd. 銀川世海房地產有限公司	Associate
Yinchuan Hai Mao Real Estate Co., Ltd. 銀川海茂房地產有限公司	Associate
Shaanxi Shengshi Haihong Real Estate development Co., Ltd. 陝西盛世海宏房地產開發有限公司	Associate
Hangzhou Rongxin Real Estate development Co., Ltd. 杭州融歆房地產開發有限公司	Associate
Hangzhou Dexin Shushan Property Co., Ltd. 杭州德信蜀山置業有限公司	Associate
Zhenjiang Yiteng Real Estate development Co., Ltd. 鎮江億騰房地產開發有限公司	Associate
Fuzhou City Wanxi Real Estate Co., Ltd. 福州市萬曦房地產有限公司	Associate
Fujian Fengrong Property Co., Ltd. 福建豐融置業有限公司	Associate
Hangzhou Mingyu Real Estate Development Co., Ltd 杭州銘昱房地產開發有限公司	Associate
Jiaxing Zhenyue Property Co., Ltd 嘉興臻岳置業有限公司	Associate

35 Significant related party transactions (continued)

(c) Major related parties that had significant transactions during the year with the Group are as follows: (continued)

Related parties	Relationship with the Group
Hangzhou Yuqian Real Estate Development Co., Ltd 杭州譽乾房地產開發有限公司	Associate
Hangzhou Linanlongxing Real Estate Development Co., Ltd 杭州臨安龍興房地產開發有限公司	Associate
Hangzhou Ronlang Real Estate Development Co., Ltd 杭州融朗房地產開發有限公司	Associate
Jiangmen City Hongshun Real Estate Development Co., Ltd 江門市弘順房地產開發有限公司	Associate
Fuzhou City Yuxiang Real Estate Development Co., Ltd 福州市禹翔房地產有限公司	Associate
Hangzhou Zhehan Real Estate Development Co., Ltd 杭州哲瀚房地產開發有限公司	Associate
Hangzhou Xuanlu Industrial Co. Ltd 杭州宣祿實業有限公司	Associate
Hangzhou Lvchengwangxi Real Estate Development Co., Ltd 杭州綠城望溪房地產開發有限公司	Associate
Yueqing City Ronliang Real Estate Development Co., Ltd 樂清市融梁房地產開發有限公司	Associate
Chengdu Jinfenghua Property Co., Ltd 成都金灃華置業有限公司	Associate
Hangzhou Longyi Real Estate Development Co., Ltd 杭州龍毅房地產開發有限公司	Associate

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or were available.

35 Significant related party transactions (continued)

(d) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8(a) is set out below.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Key management compensation:		
— Salaries and other employee benefits	**4,114**	3,551
— Pension costs	**98**	103
— Value of employee services under share option scheme	**7,041**	3,058
	11,253	6,712

(e) Transactions with related parties

Save as disclosed elsewhere in these consolidated financial statement, during the year ended 31 December 2019, the Group had the following significant transactions with related parties.

Services provided by related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Services of property management and landscape engineering	**442,665**	254,256

Services provided to related parties

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income	**54,774**	—
Consultation services	**90,686**	—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

Refer to Note 32 for information on guarantee provided for the borrowings of the joint ventures by the Group

35 Significant related party transactions (continued)

(f) Balances with related parties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amounts due from related parties		
— Joint ventures	**4,321,851**	7,858,014
— Associates	**1,332,747**	501,532
	5,654,598	8,359,546
Amounts due to related parties		
— Joint ventures	**5,800,306**	3,646,941
— Associates	**1,227,676**	1,055,576
— Other related parties	**265,906**	775,595
— Mr. Ou	**66,360**	674,205
— Rongxin Shiou Property Management Group Limited	**140,739**	59,757
— Xiuyi (Fujian) Landscape Engineering Co., Ltd.	**58,807**	41,633
	7,293,888	5,478,112

Amounts due from related parties mainly represented the cash advances made to related parties which are unsecured, repayable on demand and denominated in RMB.

Amounts due to Rongxin Shiou Property Management Group Limited represented mainly the payables of property management fees which were unsecured, interest-free, to be settled according to agreed terms and were denominated in RMB.

Amounts due to Xiuyi (Fujian) Landscape Engineering Co., Ltd. represented mainly the payables of landscape engineering services fee which were unsecured, interest free, to be settled according to agreed terms and were denominated in RMB.

Other amounts due to related parties mainly represented cash advances from related parties which were unsecured, interest-free, repayable on demand and denominated in RMB.

36 Subsequent event

(a) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. 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.

37 Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in a subsidiary	**2,064,663**	2,016,724
Financial assets at fair value through profit or loss	**571,828**	649,860
	2,636,491	2,666,584
Current assets		
Prepayments and other receivables	**4,311**	208
Amounts due from subsidiaries	**17,630,101**	7,679,814
Amounts due from related parties	**2,309,667**	637,433
Cash and bank balances	**2,333,796**	30,610
Total current assets	**22,277,875**	8,348,065
Total assets	**24,914,366**	11,014,649
EQUITY		
Equity attributable to owners of the Company		
Share capital	**15**	14
Share premium	**4,902,013**	4,423,556
Other reserves	**(2,420,514)**	(1,363,382)
Total equity	**2,481,514**	3,060,188

37 Balance sheet of the Company (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	**18,408,906**	5,286,770
Current liabilities		
Borrowings	**3,738,902**	2,393,994
Other payables	**179,640**	257,259
Amounts due to subsidiaries	**16,444**	—
Amounts due to related parties	**88,960**	16,438
Total current liabilities	**4,023,946**	2,667,691
Total liabilities	**22,432,852**	7,954,461
Total equity and liabilities	**24,914,366**	11,014,649

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37 Balance sheet of the Company (continued)

(a) Reserve movement of the Company

	Other reserves			
	Share premium RMB'000	Share-based compensation reverse RMB'000	Accumulated losses RMB'000	Total RMB'000
For the year ended 31 December 2018				
At 1 January 2018	3,506,038	53,868	(116,026)	3,443,880
Loss for the year	—	—	(1,316,024)	(1,316,024)
Share option scheme – value of employee services	—	23,583	—	23,583
— Exercise of share options	24,338	(8,783)	—	15,555
Issuance of ordinary shares in connection with private placement (Note 24(b))	893,180	—	—	893,180
At 31 December 2018	4,423,556	68,668	(1,432,050)	3,060,174
For the year ended 31 December 2019				
At 1 January 2019	**4,423,556**	**68,668**	**(1,432,050)**	**3,060,174**
Loss for the year	**—**	**—**	**(1,075,647)**	**(1,075,647)**
Share option scheme – value of employee services	**—**	**47,939**	**—**	**47,939**
— Exercise of share options	**116,390**	**(29,424)**	**—**	**86,966**
Buy-back and cancellation of shares	**(87,905)**	**—**	**—**	**(87,905)**
Final dividend of 2018	**(552,645)**	**—**	**—**	**(552,645)**
Issuance of ordinary shares in connection with private placement (Note 24(b))	**1,002,617**	**—**	**—**	**1,002,617**
At 31 December 2019	**4,902,013**	**87,183**	**(2,507,697)**	**2,481,499**

Five Years' Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**51,462,502**	34,366,500	30,341,404	11,371,663	7,414,576
Profit for the year attributable to owners of the Company	**3,154,064**	2,149,660	1,679,521	1,292,339	1,432,813

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**22,718,069**	22,975,326	19,847,681	9,491,656	4,059,405
Current assets	**191,489,969**	180,468,552	150,348,594	89,415,260	30,737,465
Total assets	**214,208,038**	203,443,878	170,196,275	98,906,916	34,796,870
Non-current liabilities	**46,512,847**	40,155,088	50,651,391	33,163,277	6,926,063
Current liabilities	**126,406,961**	127,670,432	88,783,831	42,654,317	22,798,075
Total liabilities	**172,919,808**	167,825,520	139,435,222	75,817,594	29,724,138
Total equity	**41,288,230**	35,618,358	30,761,053	23,089,322	5,072,732
Total equity attributable to shareholders of the Company	**16,405,865**	12,754,828	10,224,277	7,470,518	4,302,522