景業名邦
JY GRANDMARK

JY GRANDMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2231

2019
Annual Report

Company Profile

JY Grandmark Holdings Limited (Stock Code: 2231.HK) was listed on the Stock Exchange on 5 December 2019, marking an important milestone in the development of the Group.

JY Grandmark is a property developer, operator and property management service provider based in the PRC. It runs four principal businesses, namely (i) property development and sales, (ii) hotel operations, (iii) property management and (iv) commercial property investment, with business presence in Guangdong, Hainan, Yunnan and Hunan provinces. As at 31 December 2019, the total gross floor area of the Group's land reserves reached approximately 3 million sq.m..

The Group positions itself as an "Eco-friendly and People-oriented Property Developer" (生態人文地產發展商). It develops homes and communities that it considers to be truly liveable for buyers by leveraging the natural resources, unique landscapes and features as well as rich culture of its selected project sites.

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. CHAN Sze Ming Michael *(Chairman)*
Mr. LIU Huaxi *(Vice-Chairman)*
Ms. ZHENG Catherine Wei Hong
Mr. WU Xinping
Mr. XUE Shuangyou
Ms. WEI Miaochang

Independent non-executive Directors

Mr. MA Ching Nam
Mr. LEONG Chong
Mr. WU William Wai Leung

Audit Committee

Mr. WU William Wai Leung *(Chairman)*
Mr. MA Ching Nam
Mr. LEONG Chong

Remuneration Committee

Mr. LEONG Chong *(Chairman)*
Mr. MA Ching Nam
Mr. WU William Wai Leung
Mr. LIU Huaxi

Nomination Committee

Mr. MA Ching Nam *(Chairman)*
Mr. LEONG Chong
Mr. WU William Wai Leung
Mr. LIU Huaxi

Legal Advisers

As to Hong Kong law:
Iu, Lai & Li Solicitors & Notaries

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

Compliance Adviser

Advent Corporate Finance Limited

Principal Share Registrar and Transfer Office

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

Principal Place of Business in Hong Kong

Suites 3008-10, 30/F, Tower One
Times Square, 1 Matheson Street
Causeway Bay
Hong Kong

Principal Place of Business and Head Office in the PRC

JY Grandmark Building
198 Guanjing Road
Nancun Town
Panyu District, Guangzhou City
Guangdong Province, the PRC

Auditor
PricewaterhouseCoopers

Company Secretary
Ms. WAI Ching Sum

Authorised Representatives
Mr. CHAN Sze Ming Michael
Ms. WAI Ching Sum

Principal Banks
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China, Guangdong Branch

Company's Website
www.jygrandmark.com

Stock Code
2231

Milestones in 2019

January 2019

- JY Grand Garden in Qingyuan was launched for sale

March 2019

- JY Mountain Lake Gulf in Zhuzhou was launched for sale

April 2019

- Acquired commercial property project of large residential area in Zhongshan and conducted sale

December 2019

- JY Uniworld in Zhaoqing was launched for sale

December 2019

- Listed on the Stock Exchange

Major Honours and Awards

Honour/Award	Awarding body
Annual Most Influential Sales Centre Space* (年度最具影響力售樓部空間作品) (for JY Gaoligong Town)	China Design Brand Conference 2018-2019, Held by China Design Brand Recommendation Organising Committee and China Building Decoration Association 
The Most Anticipated Property Project for 2019* (2019年度最值得期待樓盤) (for JY Mountain Lake Gulf)	Hunan Province Real Estate Industry Association – Hunan Leju* (湖南省房地產業協會 • 湖南樂居) 
Green Residential Area in Guangdong Province* (廣東省綠色住區) (for JY Lychee Town)	Guangdong Province Real Estate Association* (廣東省房地產行業協會) 
Excellence Award in 2019 APDC Design Awards (for JY Gaoligong Town)	Asia Pacific Design Center 

Honour/Award	Awarding body
Shortlisted in The SBID International Design Awards (for JY Gaoligong Town)	The Society of British and International Interior Design
"Yang Meng" WORKS 2019 Winning Award* (羊盟新佳作WORKS 2019優勝獎) (for JY Gaoligong Town)	Yangcheng Design Alliance
China's Real Estate Kingstone Prize – China Quality Livable Model Property Project in 2019 (金石獎－2019年度中國品質宜居典範樓盤) (for JY Mountain Lake Gulf)	China Urban Planning and Construction Research Association China Real Estate Development Association* (中國房地產開發協會) China Commercial Real Estate Industry Association China Construction Industry Association* (中國建築施工行業協會)

Land Bank

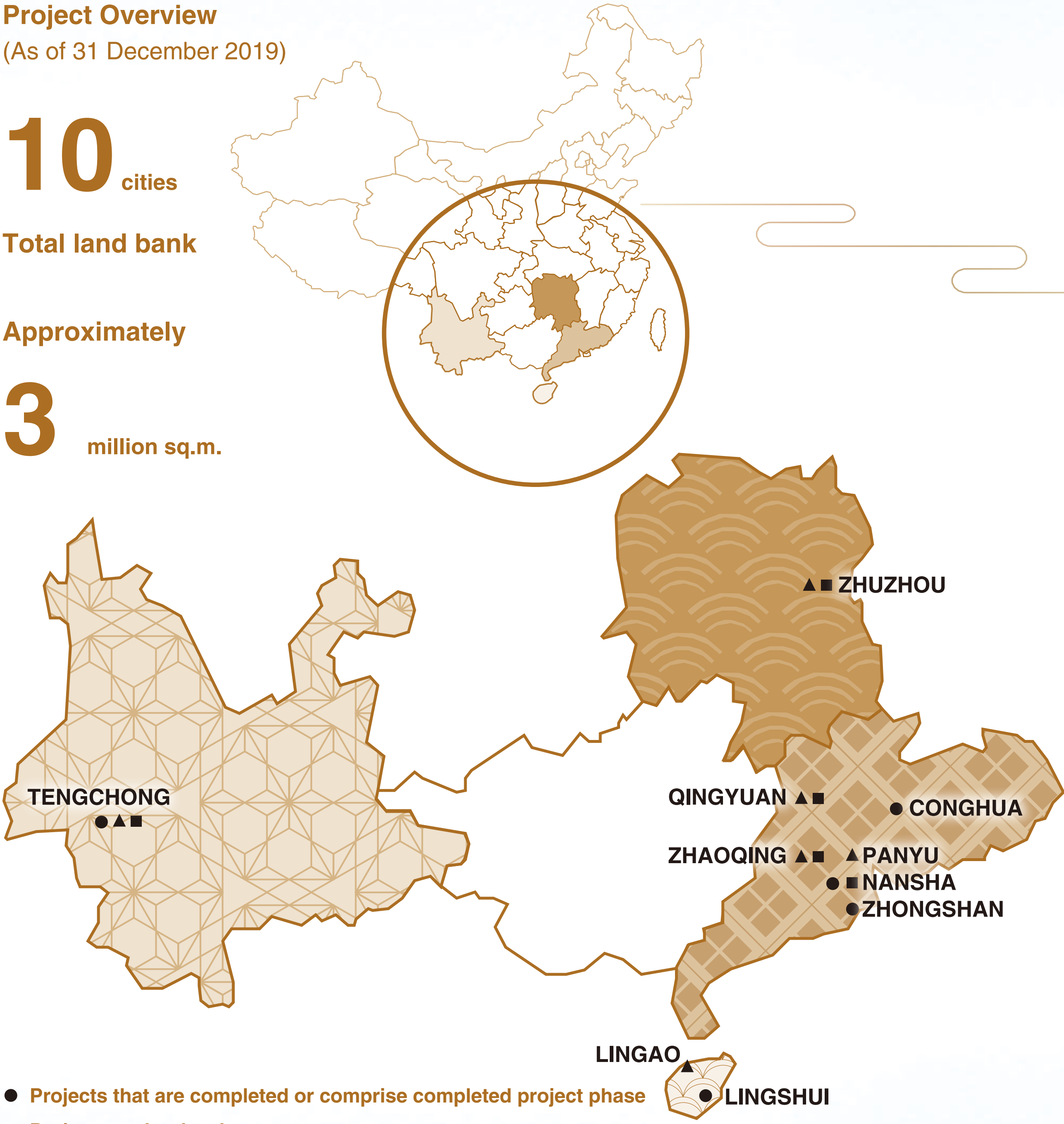
Project Overview
(As of 31 December 2019)

10 cities

Total land bank

Approximately

3 million sq.m.



● Projects that are completed or comprise completed project phase
■ Projects under development
▲ Projects held for future development

Yunnan Province
Guangdong Province
Hunan Province
Hainan Province

As of 31 December 2019, the Group had a total of 30 property projects in 10 cities. 29 of these properties were developed and owned by the Group, and 1 was developed by the Group's joint ventures and associates. As of 31 December 2019, the Group had a land bank of approximately 3 million sq.m. in terms of area.

The total GFA of the Group's land bank includes (i) the total GFA of property completed, (ii) the total GFA of property under development and (iii) the total GFA for future development.

The following table sets forth the land bank details of the Group by region as of 31 December 2019.

Location	No. of project	No. of project completed	No. of project under development	No. of project for future development	GFA completed (sq.m.)	GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank (sq.m.)
Guangdong (廣東省)		**5**	**3**	**7**				
Conghua (從化)	3				82,486	–	–	82,486
Nansha (南沙)	1				14,265	19,002	–	33,267
Panyu (番禺)	2				–	–	51,260	51,260
Zhongshan (中山)	1				54,786		–	54,786
Qingyuan (清遠)	6				–	437,365	882,635	1,320,000
Zhaoqing (肇慶)	2				–	134,668	143,182	277,850
Hainan (海南省)		**5**	**–**	**3**				
Lingshui (陵水)	5				9,169	–	–	9,169
Lingao (臨高)	3				–	–	159,736	159,736
Yunnan (雲南省)		**1**	**1**	**1**				
Tengchong (騰衝)	3				55,647	95,392	182,735	333,774
Hunan (湖南省)		**–**	**1**	**3**				
Zhuzhou (株洲)	4				–	131,556	540,950	672,506
Total	**30**	**11**	**5**	**14**	**216,353**	**817,983**	**1,960,498**	**2,994,834**

Land Bank

As of 31 December 2019

No.	Project	Interest of the Group	Province	Address	Type of the Property	Total Site Area *(note 1)*	Stage of completion GFA Completed	GFA Under Development	GFA for Future Development	Total Estimated GFA *(note 2)*	Construction Completion Date/ Estimated Construction Completion Time
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
1	JY Lychee Town Phase I	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou, Guangdong Province, the PRC	Residential	70,385	6,736	–	–	6,736	2015.12
2	JY Lychee Town Phase II	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou, Guangdong Province, the PRC	Residential	70,385	53,927	–	–	53,927	2018.10
3	JY Hot Spring Villas	100%	Guangdong	No. 288 Yuquan Avenue, Liangkou Town, Conghua District, Guangzhou, Guangdong Province, the PRC	Hotel rooms	131,091	21,823	–	–	21,823	2016.10
4	JY Clearwater Bay No. 3 Phase I	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	83,375	333	–	–	333	2015.12
5	JY Clearwater Bay No. 3 Phase II	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	67,770	378	–	–	378	2016.12
6	JY Clearwater Bay No. 3 Phase III	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	121,631	–	–	–	–	2018.7
7	JY Clearwater Bay No. 3 Phase VI	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	58,823	5,746	–	–	5,746	2019.6
8	JY Clearwater Bay No. 3 Phase VII	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	48,471	2,712	–	–	2,712	2019.6
9	JY Donghuzhou Haoyuan	30%	Guangdong	South of Huanshi Avenue, Nanheng County, Nansha Street, Nansha District, Guangzhou, Guangdong Province, the PRC	Residential	17,791	14,265	19,002	–	33,267	2019.5
10	JY Yarra New Street (previously known as Zhongshan Yueheng Project)	95%	Guangdong	Yarra City Commercial Street, Southern District, Zhongshan City, Guangdong Province, the PRC	Shop		54,786	–	–	54,786	
11	JY Grand Garden Phase I	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Guangdong Province, the PRC	Residential	67,812	–	261,289	–	261,289	2020.10
12	JY Grand Garden Phase II	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Guangdong Province, the PRC	Residential	67,812	–	176,076	–	176,076	2021.6
13	JY Gaoligong Town Phase I	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	55,647	70,623	–	126,270	2019.12
14	JY Gaoligong Town Phase II	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	–	24,769	113,842	138,611	2020.12
15	JY Mountain Lake Gulf Phase I (100# Lot)	100%	Hunan	79 Jincheng Road East, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175		131,556	–	131,556	2020.7
16	JY Uniworld (previously known as Zhaoqing International Technology and Innovation Centre (Zone B))	90%	Guangdong	17 Yongli Avenue, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Residential and commercial	40,335	–	134,668	–	134,668	2021.3

No.	Project	Interest of the Group	Province	Address	Type of the Property	Total Site Area *(note 1)* (sq.m.)	Stage of completion GFA Completed (sq.m.)	GFA Under Development (sq.m.)	GFA for Future Development (sq.m.)	Total Estimated GFA *(note 2)* (sq.m.)	Construction Completion Date/ Estimated Construction Completion Time
17	JY Grandmark Building	100%	Guangdong	South of Nanda Road, Yuangang County, Nancun Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	Urban redevelopment: Commercial property to be redeveloped	8,194	–	–	19,610	19,610	2022.6
18	JY Guangzhou Asian Games City Area Project	100%	Guangdong	Fulian Road, Lianhuashan Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	Urban redevelopment: Commercial property to be redeveloped	16,747	–	–	31,650	31,650	2022.6
19	JY Well-being Valley Phase I (06# Lot)	80%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	23,023	–	–	28,237	28,237	2020.12
20	JY Well-being Valley Phase II (07# Lot)	80%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	47,774	–	–	80,984	80,984	2021.6
21	JY Well-being Valley Phase III (04# Lot)	80%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	41,210	–	–	50,515	50,515	2021.12
22	JY Grand Garden Phase III	100%	Guangdong	Lot B, North of Guangbi Road, East of Yingzhou Avenue, Yingde City, Guangdong Province, the PRC	Residential	26,340	–	–	118,531	118,531	2022.9
23	JY Canglong Bay Project	80%	Guangdong	Lot B, North of Jiaoyu Road, East of Hongyun Avenue, Yinghong Town, Yingde City, Guangdong Province, the PRC	Residential	60,230	–	–	180,690	180,690	2021.11
24	JY Yonghua Shijia Project	100%	Guangdong	North of Lingnan Road, East of Hongyun Avenue, Yinghong Town, Yingde City, Guangdong Province, the PRC	Residential	60,877	–	–	182,630	182,630	2022.12
25	JY Yingde Jinxiong Project	100%	Guangdong	West of Baojing Road, South of Yingzhou Avenue, Yingcheng District, Yingde City, Guangdong Province, the PRC	Urban redevelopment: Commercial and residential property to be redeveloped	160,314	–	–	400,784	400,784	2023.5
26	JY Gaoligong Town Phase III	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	–	–	68,893	68,893	2021.6
27	JY Mountain Lake Gulf Phase II (100# Lot)	100%	Hunan	79 Jincheng Road East, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175	–	–	236,787	236,787	2021.12
28	JY Mountain Lake Gulf Project Phase III (111# Lot)	100%	Hunan	North of Intersection of Jincheng East Road and Jinda Road, Zhuzhou City, Hunan Province, the PRC	Residential	85,260	–	–	213,147	213,147	2022.6
29	JY Mountain Lake Gulf Project Phase IV (99# Lot)	100%	Hunan	299 Hetang Avenue, Hetang District, Zhuzhou City, Hunan Province, the PRC	Commercial	22,754	–	–	91,016	91,016	2022.8
30	Zhaoqing International Technology and Innovation Centre (Zone A)	90%	Guangdong	West of Yingbin Road, North of Yongli Avenue, South of Zongbu 2nd Road, North of Zongbu 3rd Road, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Business and commercial	26,446	–	–	143,182	143,182	2021.12
						1,639,875	**216,353**	**817,983**	**1,960,498**	**2,994,834**	

Note:

(1) Relevant land use certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.

(2) The total GFA of the Group's land bank includes (i) the total GFA of property completed, (ii) the total GFA of property under development and (iii) the total GFA for future development. For projects held by our non-wholly-owned subsidiaries and associated companies, the GFA is adjusted by our equity interest in the respective project.

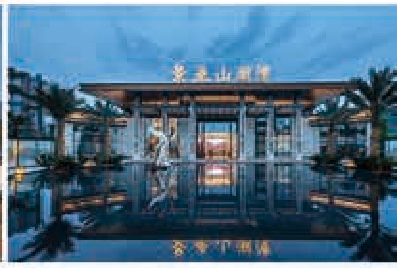
Project Overview

JY Grandmark adheres to a prudent and active land acquisition strategy, evaluates and acquires high-quality lands featured with superior ecological environment and humanistic resources, that create favorable conditions for property development and subsequent sales. While continuing to expand our foothold and scale, we strive to maintain the advantages of high profitability.

Guangdong

Hainan

Yunnan



Hunan

JY Lychee Town

— Conghua, Guangdong

JY Hot Spring Villas

— Conghua, Guangdong

JY Clearwater Bay No.3

— Lingshui, Hainan

JY Donghuzhou Haoyuan

— Nansha, Guangdong

JY Grand Garden

— Qingyuan, Guangdong

JY Gaoligong Town

— Tengchong, Yunnan

JY Mountain Lake Gulf

— Zhuzhou, Hunan

JY Uniworld

— Zhaoqing, Guangdong

Performance Highlights

	Year Ended 31 December		
	2019	2018	Year-over-Year Change
Contracted sales[1]			
Contracted sales (RMB million)	**3,116**	2,298	+35.6%
Contracted GFA sold (sq.m.)	**252,558**	98,102	+157.4%
Contracted ASP (RMB/sq.m.)	**12,335**	23,379	–47.2%
Selected financial information			
Revenue (RMB thousand)	**2,402,810**	1,328,887	+80.8%
Cost of sales (RMB thousand)	**(1,258,578)**	(816,297)	+54.2%
Gross profit (RMB thousand)	**1,144,232**	512,590	+123.2%
Profit before income tax (RMB thousand)	**911,507**	539,270	+69.0%
Profit for the year (RMB thousand)	**494,917**	381,759	+29.6%
Attributable to:			
Owners of the Company (RMB thousand)	**501,517**	386,486	+29.8%
Non-controlling interests (RMB thousand)	**(6,600)**	(4,727)	+39.6%
Core net profit[2] (RMB thousand)	**446,857**	164,910	+171.0%
Gross profit margin	**47.6%**	38.6%	+9.0 percentage points
Core net profit margin	**18.6%**	12.4%	+6.2 percentage points
Basic earnings per share (RMB)	**0.41**	0.32	+28.1%

	As at 31 December		
	2019	2018	Year-over-Year Change
Total assets (RMB thousand)	**9,213,089**	6,614,171	+39.3%
Total liabilities (RMB thousand)	**6,393,680**	5,960,892	+7.3%
Total equity (RMB thousand)	**2,819,409**	653,279	+331.6%
Equity attributable to owners of the Company (RMB thousand)	**2,718,954**	549,304	+395.0%
Current ratio[3]	**1.7**	1.0	+0.7 times
Net gearing ratio[4]	**47.1%**	42.0%	+5.1 percentage points

Notes:

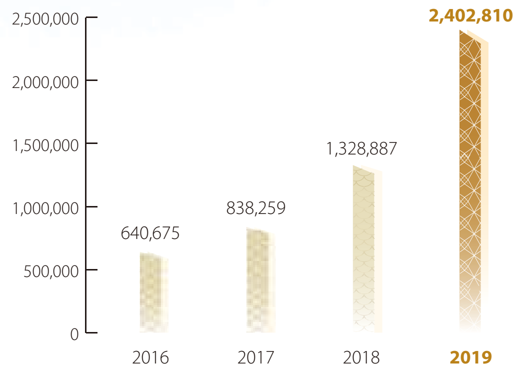
(1) Includes contracted sales by the Group's subsidiaries, joint ventures and associated companies. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.

(2) Core net profit represents profit for the year excluding the post-tax gains arising from changes in fair value of investment properties and disposals of subsidiaries.

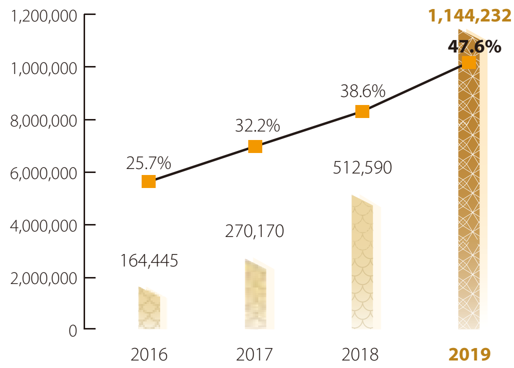
(3) Current ratio equals to current assets divided by current liabilities as of the end of the respective year.

(4) Net gearing ratio represents the ratio of net debts (total borrowings less cash and cash equivalents and restricted cash) divided by total equity as of the end of the respecitve year.

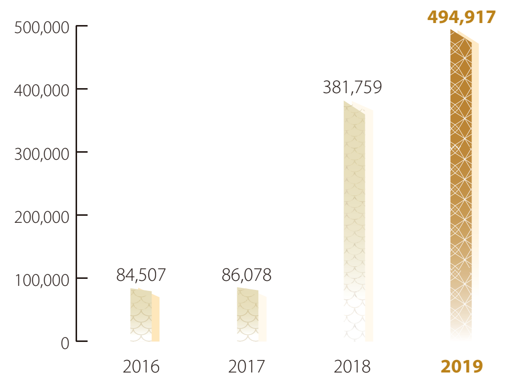
Revenue
(RMB'000)



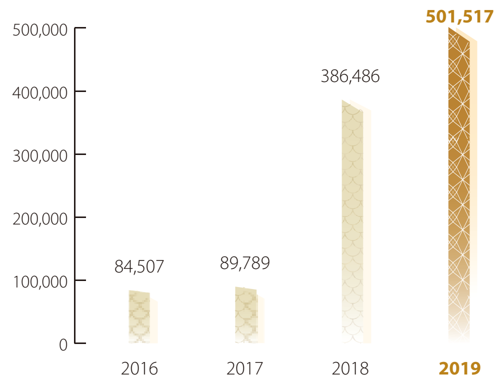
Gross profit and gross profit margin
(RMB'000)



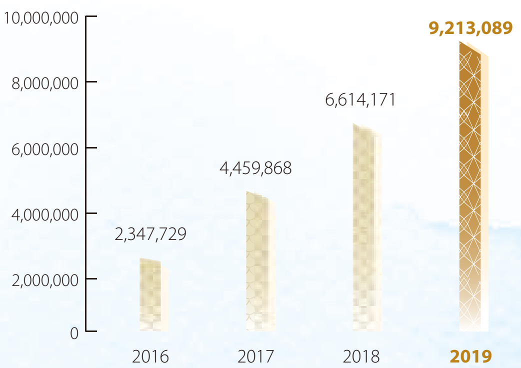
Net profit
(RMB'000)



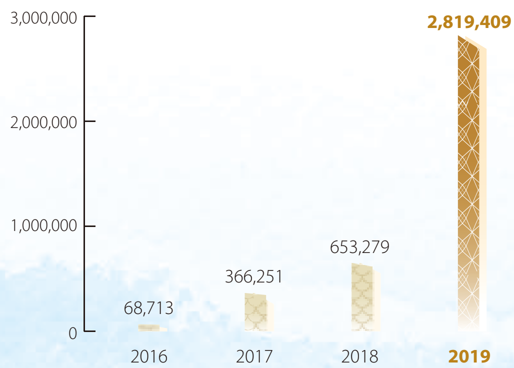
Profit attributable to owners of the Company
(RMB'000)



Total assets
(RMB'000)



Total equity
(RMB'000)



Chairman's Statement

The Group has achieved its goal of IPO in six years, which denotes the recognition and affirmation of the Group by the capital market. After the IPO, while expanding its business scale and promoting diversification, JY Grandmark will continue to adhere to its development positioning of "Eco-friendly and People-oriented Property Developer", maintain financial stability, strengthen its own financing capabilities, improve product development and enhance brand reputation. We are confident that our business will continue to flourish and realise high quality and high earnings. We are committed to delivering satisfactory performance to Shareholders and quality works to customers of the Company.

Mr. CHAN Sze Ming Michael
Chairman

I am pleased to present the annual results of JY Grandmark for the year ended 31 December 2019 to the Shareholders.

RESULTS

During the reporting period, the aggregated contracted sales of the Group was approximately RMB3,116.3 million, representing a year-on-year growth of 35.6%. The aggregated sales area was approximately 253,000 sq.m., which considerably increased by 157.4% year on year. Recognised sales revenue was RMB2,402.8 million, representing a substantial year-on-year increase of 80.8%.

During the reporting period, the annual profit was RMB494.9 million, representing a year-on-year increase of 29.6%. Core net profit was RMB446.9 million, representing a substantial year-on-year growth of 171.0%. The profit attributable to owners of the Company was RMB501.5 million, representing a year-on-year growth of 29.8%. The Board recommended payment of a final dividend of RMB9.14 cents per share, and the dividend payout ratio is approximately 30% of the profit attributable to owners of the Company.

BUSINESS REVIEW FOR 2019

In 2019, the central government affirmed the main keynote of "no speculation of residential properties" and emphasised the importance of "stabilising the market (穩定市場)", while a "one city, one policy (一城一策)" policy was carried out for local regulation. The development of real estate maintained a steady increase pace that curbed overheating growth.

Leveraging on its own positioning and product advantages, JY Grandmark was able to turned its influence on the market into competitive strengths, which reflects:

(1) The development concept of "Eco-friendly and People-oriented Property Developer" is in line with the main keynote of "no speculation of residential properties", therefore the market demand for first home has not been excessively restrained. In addition, the Group's customer base is mainly targeted on middle-aged people with economic strength, thus the increase in down payment of loan or interest rate had no material impact on them. For example, JY Clearwater Bay No. 3 (景業清水灣3號) achieved zero inventory; JY Grand Garden (景業雍景園) and JY Gaoligong Town (景業高黎貢小鎮) ranked the third in the local market respectively; and JY Lychee Town (景業荔都) entered into a closing stage as well.

(2) As we adhere to the development of quality products, the core hardware competitiveness of our products will make us more dominant in competition amid regulation. Customers would treasure the opportunity to choose quality products since they have limited home purchase quotas and loan quotas. Leveraging on plenty of advantages such as land cost, design quality and product differentiation, JY Grandmark is able to keep abreast of the market while controlling the cost and selling price. For example, the 2019-newly launched JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou and JY Uniworld (景業壹方天地) (previously known as Zhaoqing International Technology and Innovation Centre (Zone B)) in Zhaoqing both achieved good sales performance in the local market.

Moreover, the Group's scale and performance achieved steady growth in 2019, all thanks to JY Grandmark's timely concern about and quick response to the introduction of policies and market trends. On 5 December 2019, the Group entered into the international capital market by successfully listing on the main board of The Stock Exchange of Hong Kong Limited, which marks a stage of accelerated development and scale expansion for JY Grandmark.

JY Grandmark embodies a diversified business portfolio that takes into account the long-term development of the industry and the mutual solidarity between each segments. Therefore, our core businesses are identified as property development and sales; hotel operations; property management; and commercial property investment. In 2019, all segments achieved good expected returns and increased brand reputation.

(1) Property development and sales: the Group focuses on the segment of "Eco-friendly and People-oriented Property" to build characteristic properties. By seizing the rigid demand of customers for improving their living environment and space, we are aiming to provide high-quality products and services to customers with purchasing power. Since the Group's projects are mainly targeted at purchasers with economic strength and looking for a home upgrade who can adapt themselves to regulation changes and are more aware of necessity and value of real estate properties to the appreciation of personal assets, thus the Group's product positioning and premium capabilities are strong.

For example, JY Grand Garden (景業雍景園) of Qingyuan project and JY Mountain Lake Gulf (景業山湖灣) of Zhuzhou project have attracted active subscription from customers, as the Group introduced such projects with decoration quality higher than average standards of the local market, invited well-known designers to design these projects to the standards of first-tier cities', making them benchmark buildings in the local market. JY Gaoligong Town (景業高黎貢小鎮) of Tengchong project is a work in "Hui style (徽派)" architecture targeting at the absence of "modern Chinese style" in regional market. Various apartment types and product patterns are built according to the living habits of major target cities such as Beijing and Xi'an, making customers willing to complete purchases on their first visit. The outcome of destocking and price trends are satisfactory. In 2019, the projects developed by JY Grandmark won various awards in respect of sales, engineering and design and have gained strong premium capabilities in the local market, reflecting our strength and competitive advantages in product creation.

(2) Hotel operations: the Group's currently self-operated hotels such as the Just Stay Hotel (廣州卓思道酒店) and Just Stay Resort (從化卓思道溫泉度假酒店) have achieved sustainable performance growth. Besides, such hotels have also reached agreements with a number of local governments, chambers of commerce, enterprises, etc. in designation or negotiation of reception hotels, and has won the most popular hotel awards from platforms such as Ctrip.

(3) Property management: the Group delivered an aggregate GFA of 119,236 sq.m. throughout 2019. As of the end of 2019, Zhuodu Property, the property management arm of the Group, managed a chargeable area of approximately 300,000 sq.m. and will increase the chargeable areas of different types of properties through multiple channels. It is expected that there will be a significant increase in the property management arm's business scale and operating income in 2020. At present, Zhuodu Property is prepared for business improvement by virtue of its well established brand system.

FUTURE STRATEGIES AND PROSPECTS

The Group always endeavours to achieve the goals of high growth, high profit and high quality development, adheres to the development of eco-friendly and people-oriented properties, and actively strives to be a leader of the market segments.

Currently, JY Grandmark had a property portfolio of 30 property projects in Guangdong, Hainan, Yunnan and Hunan, with an aggregate GFA of approximately 3,000,000 sq.m., comprising completed properties available for sale or lease with an aggregate GFA of 216,353 sq.m., properties under development with an aggregate GFA of 817,983 sq.m. and properties held for future development with an aggregate GFA of 1,960,498 sq.m.. The Group has managed to secure a sufficient supply of land resources for property development over the coming three or more years.

On this foundation, JY Grandmark adheres to a prudent and active land acquisition strategy, evaluates and acquires high-quality lands featured with superior ecological environment and humanistic resources, that create favorable conditions for property development and subsequent sales. While continuing to expand our foothold and scale, we strive to maintain the advantages of high profitability. On one hand, the Group will add land parcels of desirable quality to our land reserve in the regions where it has presence, such as acquiring more high-quality lands in the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and Yunnan, so as to gain further market shares in provinces, cities and regions that have established brand advantages; on the other hand, the Group will also evaluate the feasibility of establishing a presence in more potential cities such as Yangtze River Delta, Shaanxi and other regional markets based on core cities and cities with population inflow in the national economic strategic zone.

In terms of product strategy, the Group adheres to a market positioning focusing on high-growth market to meet market demand, focuses on the development of eco-friendly and people-oriented properties with high-quality and high gross profit, and commits to offer high-quality residential properties and living communities for different customer bases, thereby enhancing the Group's branding impact.

Looking ahead to 2020, the global outbreak of Convenors Disease 2019 has affected the global economy and trade. The uncertainty over the global spread of the epidemic may hit confidence of both investors and consumers, coupled with financial market turmoil and general economic activities have been affected by the epidemic, likely resulting in adverse impact on the real estate industry. In view of the above, the Group is cautious about the outlook of the domestic real estate market.

The Group believes that the state may launch economic stimulus measures to promote consumption and safeguard employment, and the central government may introduce policies to support the real estate industry, one of the economic pillars, so as to offset the negative impact of the epidemic in an active manner. In the long run, real estate policies shall remain stable, which will be conductive to promoting the healthy and sustainable development of the real estate industry.

In responding to the national anti-epidemic and traffic control measures, the Group shifted to sell properties on its online sales platform, which has effectively offset the negative impact of the operation suspension of its sales centres. As the domestic epidemics became controllable, the Group's sales centres have gradually resumed operation. In the face of such a challenging market environment, the Group will adhere to sound financial strategies, prudent land purchase strategies, and respond flexibly to the rapidly changing market conditions, in an effort to further consolidate its advantages in the high-growth market segments, and to grasp the continuously increasing housing demand from people with fundamental demand and looking for home upgrade in the long term.

In addition, the Group believes that the real estate market will gradually transit to an era of upgraders from new commodity residential properties dominated by fundamental demand. The demand for upgrading products, vacation products and health care products will increase accordingly. On the other hand, the trend of China's economic consumption upgrade will further promote the growth of high-consumption groups and per capital consumption levels, making homebuyers pay more attention to the "additional attributes" of properties, such as cultural experience, aesthetic experience and comfort experience.

Based on changes in the economic and consumption structure, and the macro policies, JY Grandmark believes that the "stable" development will sustain for a certain period in the real estate market, while the market will become increasingly segmented, consumer demand will be more refined and product categories will be more diversified. The Group will adhere to the development of eco-friendly and people-oriented properties, target at consumer market with growth potential, implement policies according to cities, group customer and regions, aiming to develop high-quality products with unique competitiveness in each market, thereby taking the opportunity and gaining the first-mover advantages in the market segment.

The Group has achieved its goal of IPO in six years, which denotes the recognition and affirmation of the Group by the capital market. After the IPO, while expanding its business scale and promoting diversification, JY Grandmark will continue to adhere to its development positioning of "Eco-friendly and People-oriented Property Developer", maintain financial stability, strengthen its own financing capabilities, improve product development and enhance brand reputation. We are confident that our business will continue to flourish and realise high quality and high earnings. We are committed to delivering satisfactory performance to Shareholders and quality works to customers of the Company.

APPRECIATION

I hereby express my sincere gratitude to the customers and business partners for their long-term support. My heartfelt appreciation also goes to our Directors, the management team and all employees for their excellent work and contributions in the past year.

In particular, I would like to thank you, our Shareholders, for your continuing support and trust, which is very important for the growth of the Group and also very much valued by the Board.

I am very confident in the strategies that we envision and implement. Our professional and seasoned management team has well placed JY Grandmark to deliver growth in its profitability in relation to its core businesses in the future.

CHAN Sze Ming Michael
Chairman of the Board

Hong Kong, 26 March 2020

BUSINESS AND FINANCIAL REVIEW

Overall Performance

During the year, the aggregated contracted sales of the Group, including those of joint ventures and associates, was approximately RMB3,116.3 million, representing a year-on-year growth of 35.6%. The aggregated sales area was approximately 253,000 sq.m., which considerably increased by 157.4% year-on-year.

During the year, the Group's revenue was RMB2,402.8 million (2018: RMB1,328.9 million), representing an increase of 80.8% over 2018. The operating profit was RMB911.7 million (2018: RMB542.7 million), representing an increase of 68.0% over 2018. Profit for the year was RMB494.9 million (2018: RMB381.8 million), representing an increase of 29.6% over 2018. Core net profit amounted to RMB446.9 million, representing an increase of 171.0% as compared with RMB164.9 million in 2018.

Revenue

Our revenue represents consolidated revenue from (i) property development and sales; (ii) hotel operations; (iii) commercial property investment; and (iv) property management which are all derived in the PRC. For the year ended 31 December 2019, revenue of the Group amounted to RMB2,402.8 million (2018: RMB1,328.9 million), representing an increase of 80.8% as compared with the corresponding period in 2018.

Property Development and Sales

We focus on the development of quality residential properties with comfortable and convenient living environment. During the year, revenue from recognised sales of property development of the Group amounted to RMB2,290.3 million, representing an increase of 83.8% as compared with RMB1,245.8 million in 2018. The increase was mainly attributable to higher recognised ASP as well as the aggregate GFA delivered in 2019.

The following table sets forth the breakdown of our revenue from property development and sales by geographical location for the years ended 31 December 2019 and 2018.

City	Year ended 31 December 2019				Year ended 31 December 2018			
	Recognised revenue from sales of properties RMB'000	% of recognised revenue from sale of properties %	Total GFA delivered Sq.m.	Recognised ASP RMB/Sq.m.	Recognised revenue from sales of properties RMB'000	% of recognised revenue from sale of properties %	Total GFA delivered Sq.m.	Recognised ASP RMB/Sq.m.
Guangzhou	**680,963**	**29.7%**	**64,278**	**10,594**	90,073	7.2%	9,309	9,676
Lingshui	**1,504,031**	**65.7%**	**50,427**	**29,826**	1,155,681	92.8%	65,413	17,667
Zhongshan	**66,519**	**2.9%**	**3,017**	**22,048**	–	–	–	–
Tengchong	**28,832**	**1.3%**	**1,514**	**19,043**	–	–	–	–
Others *(Note)*	**10,000**	**0.4%**	**–**	**–**	–	–	–	–
Total/overall	**2,290,345**	**100.0%**	**119,236**	**19,125**	1,245,754	100.0%	74,722	16,672

Note: Others represented service income from property development and management.

Hotel operations

Apart from property development and sales, we also operate Just Stay Hotel and Just Stay Resort under our hotel operations business. During the year of 2019, revenue from hotel operations of the Group amounted to RMB73.8 million, representing an increase of 10.8% as compared with RMB66.6 million in 2018. The increase was primarily attributable to the increased revenue generated from Just Stay Resort.

Commercial property investment

Other than holding properties for development and sales, we also own commercial properties for leasing purpose. During the year of 2019, revenue from commercial property investment of the Group amounted to RMB24.2 million, representing an increase of 142.0% as compared with RMB10.0 million in 2018. The increase was mainly due to increase in total GFA leased throughout the year of 2019.

Property management

We also derived income from our property management provided to purchasers of the residential properties. During the year of 2019, revenue from property management of the Group amounted to RMB14.4 million, representing an increase of 121.5% as compared with RMB6.5 million in 2018. The increase was mainly due to increase in total GFA of the properties under management.

Cost of sales

Our cost of sales comprise (i) costs of properties sold which are directly associated with the revenue from the property development and sales during the respective year; (ii) costs in relation to the hotel operations; (iii) costs in relation to commercial property investment which are directly associated with rental income derived from our investment properties such as property maintenance expenses; and (iv) costs directly attributable to the provision of property management.

During the year of 2019, cost of sales of the Group amounted to RMB1,258.6 million, representing an increase of 54.2% as compared with that of RMB816.3 million in 2018. The increase in cost of sales was primarily due to increase in recognised revenue in line with the development of the Group's businesses.

Gross profit and gross profit margin

During the year of 2019, the Group's gross profit amounted to RMB1,144.2 million, representing an increase of 123.2% as compared with that of RMB512.6 million in 2018. The Group's gross profit margin increased to 47.6% from 38.6% in 2018.

Our gross profit margin from our property development and sales increased from 40.4% in 2018 to 49.1% in 2019. Such increase was primarily due to (i) contribution from sales of JY Lychee Town Phase II, JY Clearwater Bay No. 3 Phases VI and VII, which attained gross profit margin ranging from 47.8% to 51.1% in 2019 resulting from higher recognised ASP. The total revenue contribution from these three properties accounted for 79.7%, in aggregate, of our total revenue from property development and sales in 2019; and (ii) increase in gross profit margin from sales of JY Clearwater Bay No. 3 Phase III from 40.1% in 2018 to 58.2% in 2019 resulting from the increase in overall recognised ASP. Comparatively, JY Clearwater Bay No. 3 Phase III and JY Lychee Town Phase I, which accounted for 92.9%, in aggregate, to our total revenue from property development and sales in 2018, attained gross profit margin of 40.1% and 46.8% in 2018 respectively, which were relatively lower than the gross profit margin attained by majority of our sales in 2019.

Selling and marketing expenses

Our selling and marketing expenses consist primarily of advertising costs, commission fees, employee benefit expenses and other selling expenses. During the year of 2019, selling and marketing expenses of the Group amounted to RMB131.0 million, representing an increase of 76.6% as compared with RMB74.2 million in 2018. The increase was mainly attributable to (i) increase in advertising costs by RMB14.4 million in relation to certain projects commenced pre-sale in 2019; and (ii) increase in commission fees by RMB40.3 million as a result of increase in revenue from property development and sales. We have capitalised the commission fees incurred as contract costs and subsequently recognised the amounts as expenses when the related revenue are recognised.

Administrative expenses

Administrative expenses primarily comprised of employee benefit expenses, entertainment expenses for our business, office expenses and travelling expenses. During the year of 2019, the Group's administrative expenses amounted to RMB162.9 million, representing an increase of 30.7% as compared with that of RMB124.6 million in 2018, accounting for 6.8% of the revenue (2018: accounting for 9.4% of the revenue), primarily resulted from (i) an increase in employee benefit expenses resulting from the increase of the number of employees; (ii) listing expenses of RMB23.5 million in 2019 (2018: RMB10.8 million); and (iii) an increase in daily administrative expenses to support business expansion of the Group.

Other income and other expenses

Our other income primarily represented forfeited deposits from our customers in relation to the sales of properties. Other expenses primarily represented donations to charitable organisations and regulatory penalties. During the year, the increase in other income from RMB1.3 million in 2018 to RMB3.7 million in 2019 was primarily resulted from increase in penalty income from our suppliers, while other expenses remained relatively stable as compared with that of 2018.

Other gains – net

Our other gains – net primarily represented fair value gains on investment properties, gains on disposal of subsidiaries and interest on financial assets at fair value through profit or loss. During the year of 2019, other gains – net of the Group amounted to RMB61.0 million, representing a decrease of 73.5% as compared with RMB230.6 million in 2018, mainly attributable to gains on disposal of Guangzhou Jinghong Investment Co., Ltd. in 2019 which amounted to RMB59.7 million, while gains on disposal of other subsidiaries in 2018 amounted to RMB210.4 million.

Finance income – net

Finance income – net comprised mainly interest expenses on our bank and other borrowings and leases net of capitalised interest expenses and interest income from bank deposits. The increase of net finance income from RMB0.6 million in 2018 to RMB1.4 million in 2019 was mainly due to increase in finance income by RMB15.0 million primarily from interest income from bank deposits. The increase was partially offset by the increase of interest expense charged to finance costs by RMB14.2 million in 2019.

Income tax expense

Income tax expense increased from RMB157.5 million in 2018 to RMB416.6 million in 2019. The increase was mainly due to increase in (i) land appreciation tax of RMB143.3 million resulting from the increase in sale of properties; and (ii) corporate income tax of RMB115.7 million as a result of our increase in assessable income. Our effective tax rate increased from 15.8% in 2018 to 27.5% in 2019 mainly due to income not subject to tax in 2018 primarily in relation to the gains on disposal of a subsidiary.

Profit for the year

As a result of the aforementioned, profit for the year of the Group increased from RMB381.8 million in 2018 to RMB494.9 million in 2019, representing a year-to-year increase of 29.6%. Core net profit amounted to RMB446.9 million, representing an increase of 171.0% as compared with RMB164.9 million in 2018.

Profit attributable to owners of the Company amounted to RMB501.5 million, representing an increase of 29.8% as compared with that of RMB386.5 million in 2018.

The basic and diluted earnings per share amounted to RMB0.41 Yuan (2018: RMB0.32 Yuan).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group funded and is expected to continue to fund its operations principally from proceeds from the IPO, cash generated from its operations, mainly including proceeds from pre-sales and sales of our properties, receipt of rental income, income from hotel operations and property management, as well as borrowings from financial institutions.

Cash positions and fund available

As at 31 December 2019, the total cash and bank balances of the Group were RMB1,976.1 million (31 December 2018: RMB483.4 million), of which RMB957.0 million (31 December 2018: RMB218.9 million) was cash and cash equivalents and RMB1,019.1 million (31 December 2018: RMB264.5 million) was restricted cash.

Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. As at 31 December 2019, the Group has placed cash deposits of RMB930.6 million (31 December 2018: RMB208.6 million) with designated banks as security for bank borrowings.

As at 31 December 2019, the Group's undrawn borrowing facilities were approximately RMB2,828.3 million (31 December 2018: RMB322.5 million).

Borrowings

As at 31 December 2019, the total interest-bearing bank and other borrowings of the Group were RMB3,303.0 million (31 December 2018: RMB758.1 million), of which RMB1,379.9 million (31 December 2018: RMB318.7 million) was included in non-current liabilities and RMB1,923.1 million (31 December 2018: RMB439.4 million) was included in current liabilities of the Group, respectively.

(1) As at 31 December 2019, the Group's borrowings are denominated in following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**1,807,071**	758,092
HK$	**1,495,953**	–
	3,303,024	758,092

(2) As at 31 December 2019, bank and other borrowings totalling RMB2,299,750,000 (2018: RMB700,949,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Lands	**13,865**	14,409
Property, plant and equipment	**300,091**	284,728
Investment properties	**187,703**	184,275
Properties under development	**1,016,776**	221,985
Completed properties held for sale	**1,095,440**	288,832
Trade receivables	**1,190**	6,122
Restricted cash	**930,558**	208,561
	3,545,623	1,208,912

(3) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**1,923,102**	439,436
1 to 2 years	**329,386**	51,256
2 to 5 years	**797,092**	148,066
Over 5 years	**253,444**	119,334
	3,303,024	758,092

Cost of borrowings

In 2019, the total cost of borrowings of the Group was RMB130.4 million, representing an increase of 108.5% as compared with RMB62.5 million in 2018. The increase was mainly attributable to higher average balance of banking borrowings in 2019. The Group's annual weighted average effective interest rate for the year was 6.43% (2018: 5.74%).

Net gearing ratio

The Group's net gearing ratio increased slightly from 42.0% as at 31 December 2018 to 47.1% as at 31 December 2019, primarily due to increase in total borrowings of RMB2,544.9 million despite the further increase in total equity as a result of the net proceeds from the IPO and profit for the year 2019.

Contingent liabilities

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 certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties. As at 31 December 2019, the outstanding guarantees were RMB1,075.9 million (31 December 2018: RMB894.1 million).

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 default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

Commitments

As at 31 December 2019, the commitments of the Group for capital and property development expenditure amounted to RMB1,897.0 million (31 December 2018: RMB2,170.2 million).

Currency risks

The Group's businesses are principally conducted in Renminbi. As at 31 December 2019, major non-RMB assets and liabilities are cash and cash equivalent, restricted cash, trade and other payables and borrowings, which are denominated in HK$ or US$. Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

SIGNIFICANT INVESTMENTS, MAJOR ACQUISITIONS AND DISPOSALS

(1) On 26 April 2019, Guangzhou Yinong Enterprise Co., Ltd. ("Guangzhou Yinong"), Zhongshan Jingyue Investment Co., Ltd.("Zhongshan Jingyue", Guangzhou Yinong and Zhongshan Jingyue were indirect wholly-owned subsidiaries of the Group), Zhongshan Yuelai Real Estate Investment ("Zhongshan Yuelai") and Zhongshan Longrui Trading Co., Ltd. ("Zhongshan Longrui") entered into an agreement, pursuant to which Zhongshan Jingyue acquired the entire interest in Zhongshan Yueheng Corporate Management Co., Ltd. from Zhongshan Longrui at a consideration of RMB118.5 million. Zhongshan Jingyue was owned by Guangzhou Yinong and Zhongshan Yuelai as to 95% and 5%, respectively. The equity transfer was completed on 30 April 2019.

(2) On 11 June 2019, Guangzhou Yinong entered into an equity transfer agreement with Guangzhou Henghui Investment Co., Ltd. ("Guangzhou Henghui"), pursuant to which, Guangzhou Henghui acquired the 50.1% equity interest of Guangzhou Jinghong Investment Co., Ltd. from Guangzhou Yinong at a consideration of RMB74.9 million. The disposal was completed on 11 June 2019.

Save as the aforesaid, the Group did not hold other significant investments in, or conduct other material acquisitions and disposals of subsidiaries, associates or joint ventures during the reporting period.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, the Group had been in compliance with all the laws and regulations that are applicable to the business operations of the Group.

Biographies of the Directors and Senior Management

Directors

Executive Directors

Mr. CHAN Sze Ming Michael (陳思銘), aged 31, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director and chairman of the Company on 13 November 2019. Mr. Michael Chan founded the Group in December 2013. He is primarily responsible for formulating development strategies of the Group, establishing overall business, operation and management directions and project investment strategies, managing design centre, finance centre and audit and supervision centre of the Group.

Mr. Michael Chan obtained a Bachelor of Commerce (major in Finance) in July 2011 from Griffith University in Australia. After graduation, he founded the Group in 2013, and has since then obtained over 6 years of experience in the real estate development industry. Mr. Michael Chan was awarded "Real Estate Innovator in 2018" (「2018年度地產創新人物」) by China Times (《華夏時報》), and "New China's Real Estate Leader of the Year" (「中國房地產年度新領軍人物」) by China International Real Estate & Architectural Technology Fair (CIHAF) (中國國際房地產與建築科技展覽會) in 2019.

Mr. LIU Huaxi (劉華錫), aged 44, was appointed as a Director on 24 May 2019 and was redesignated as an executive Director and vice chairman of the Company on 13 November 2019. Mr. Liu joined the Group in May 2019. He is primarily responsible for managing investment centre, marketing centre, contract finance department of the Group, and the subsidiaries of the Company in Hong Kong. He is a member of the Remuneration Committee and Nomination Committee.

Before joining the Group, Mr. Liu has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) since 1995. He was responsible for project operation and development, hotel business, property management, administration and human resources management, capital market operation and management of Agile Foundation* (廣東省雅居樂公益基金會). He left as the vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司), and chairman of Agile Foundation* (廣東省雅居樂公益基金會) in 2014. From August 2014 to April 2019, he has worked in Zhongshan Yuelai Real Estate Investment Group Co., Ltd.* (中山市悦來房地產投資集團有限公司) as the vice chairman and executive president. He was responsible for the overall management of the company. C&L International Holdings Pty Ltd, a company where Mr. Liu held 30% shareholding, completed the real estate project of Royal Como – 663-667 Chapel Street, South Yarra, Melbourne in Australia in 2018. He has over 24 years of experience in real estate development industry and senior management.

Mr. Liu graduated from Hohai University (河海大學) in the PRC in July 1995 majoring in Industrial Enterprise Management. He was named "Person of the Year" (年度影響力風雲人物) for 2015-2016 Zhongshan Zhuhai Jiangmen Real Estate Overall Rating (中珠江樓市總評榜) by Sohu and www.focus.cn in 2016.

Ms. ZHENG Catherine Wei Hong (alias 鄭紅) (previously known as Zheng Weihong, 鄭衛紅), aged 52, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director of the Company on 13 November 2019. Ms. Catherine Zheng joined the Group in March 2014 and is now the president of the Group. She is primarily responsible for managing human resources and admiration centre, procurement centre of the Group, and the subsidiaries of the Company operating property management and hotel operations business.

Before joining the Group, Ms. Catherine Zheng has worked in Agile Property Land Co., Ltd.* (雅居樂地產置業有限公司) as the assistant to president from 2001 to 2010, and in Guangzhou Panyu Agile Real Estate Development Co., Ltd.* (廣州番禺雅居樂房地產開發有限公司) as the general manager from 2010 to 2014. She was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, managing the real estate projects, supervising on accomplishment of the operation targets and plans of the company and participating in marketing activities. Ms. Catherine Zheng has over 18 years of experience in the real estate development industry and senior management.

Ms. Catherine Zheng obtained a Master of Business Administration with Distinction in May 2001 from The University of Western Sydney in Australia. Ms. Catherine Zheng was awarded "Outstanding Female Entrepreneur of Guangdong Province" (廣東省優秀女企業家) by Guangdong Female Entrepreneur Association* (廣東省女企業家協會) in May 2013 and she became the vice president of the Council Committee of Guangzhou Female Entrepreneur Association* (廣州市女企業家協會) since January 2012. She has been the vice president of the 6th Council Committee of Guangzhou Panyu Nancun General Chamber* (廣州市番禺區南村總商會) since June 2016.

Mr. WU Xinping (吳新平), aged 55, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director of the Company on 13 November 2019. Mr. Wu joined the Group in March 2017, and is now the vice president of the Group. He is primarily responsible for managing engineering centre of the Group, the subsidiaries of the Company in Qingyuan, Guangzhou Hongchuang Construction Co., Ltd.* (廣州市泓創建設有限公司) and Guangzhou Chuangyi Decoration Engineering Co., Ltd.* (廣州創藝裝飾工程有限公司).

Before joining the Group, Mr. Wu has worked in Agile Property Land Co., Ltd.* (雅居樂地產置業有限公司) as the general manager of the Engineering Centre from 1999 to 2017. He was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Wu has over 20 years of experience in the real estate development industry and senior management.

Mr. Wu graduated from Yangzhou University (揚州大學) in the PRC in October 1998 majoring in Economics Management. He received his licence as a senior engineer from the Human Resources Bureau of Nantong City* (南通市人事局) in the PRC in July 2003. He was also a member of the Chartered Institute of Building in March 2011.

Mr. XUE Shuangyou (薛雙有), aged 56, was appointed as a Director on 2 November 2018 and was redesignated as an executive Director of the Company on 13 November 2019. Mr. Xue joined the Group in October 2017, and is now the vice president of the Group. He is primarily responsible for managing the subsidiaries of the Company in Guangzhou and Zhuzhou, and associated companies.

Before joining the Group, Mr. Xue has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) as the regional president from 1999 to 2017. He was responsible for formulating medium-term to long-term development plans and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Xue has over 20 years of experience in the real estate development industry and senior management.

Mr. Xue obtained a bachelor's degree in Construction Engineering (major in Construction Structure Engineering) in July 1984 from Inner Mongolia Engineering College* (內蒙古工學院) (currently known as Inner Mongolia University of Technology (內蒙古工業大學)) in the PRC. He received his licence as a senior engineer from the Ministry of Machine-Building Industry of the People's Republic of China* (中華人民共和國機械工業部) in September 1996.

Ms. WEI Miaochang (韋妙嫦), aged 51, was appointed as a Director on 24 May 2019 and was redesignated as an executive Director of the Company on 13 November 2019. Ms. Wei joined the Group in July 2014, and is now the general manager of finance centre of the Group. She is primarily responsible for overseeing financial management of the Group, including profit forecast and analysis and taxation management.

Before joining the Group, Ms. Wei has worked in certain group companies of Agile Group Holdings Limited as (i) the finance manager from 1998 to 2006 where she was responsible for the financial management work, and (ii) the manager of audit and supervision centre from 2006 to 2014 where she was responsible for the audit supervision work of the group. Ms. Wei has over 21 years of experience in financial management, audit and senior management.

Ms. Wei graduated from University of Electronic Science and Technology of China in the PRC, majoring in Financial Management learning online in June 2013. She received the certificate of accounting (intermediate) in the PRC issued by the Ministry of Human Resources and Social Security and Ministry of Finance of the People's Republic of China in December 2008. She was further designated as certified internal auditor by The Institute of Internal Auditors in November 2012.

Independent non-executive Directors

Mr. MA Ching Nam, CStJ, J.P. (馬清楠), aged 67, was appointed as an independent non-executive Director on 13 November 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Ma is the chairman of the Nomination Committee, and member of our Audit committee and Remuneration Committee.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honours from The University of Hull in July 1977. He was admitted as a solicitor in England and Wales, Hong Kong, Victoria (Australia) and Singapore in 1981, 1982, 1985 and 1990, respectively. He is also a Notary Public, China Appointed Attesting Officer and Civil Celebrant of Marriages. Mr. Ma has been practising law for almost 40 years. He is currently a partner of Hastings & Co, Solicitors & Notaries.

Mr. Ma currently serves as director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. He is also the independent non-executive director of Union Medical Healthcare Limited (2138.HK) and Time Watch Investments Limited (2033.HK).

Mr. Ma was the president of the Hong Kong Society of Notaries from 2007 to 2013. He was also a director of Po Leung Kuk from 2009 to 2014, the vice chairman from 2014 to 2019, and became the chairman in 2019. He was appointed a member of Political and Consultative Conference in Hunan Province, the People's Republic of China from 2008 to 2017 and a visiting professor of the China Agricultural University since 1999, respectively.

Mr. LEONG Chong (梁翔), aged 54, was appointed as an independent non-executive Director on 13 November 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Leong is the chairman of the Remuneration Committee, and member of our Audit Committee and Nomination Committee.

Before joining the Group, Mr. Leong worked as (i) construction analyst of the research department in Carr Indosuez Asia Group from 1994 to 1995, (ii) research analyst in ING Baring Securities (Hong Kong) Limited from 1995 to 1997, (iii) analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited from 1997 to 2000, (iv) director in equity research department of Credit Suisse First Boston (Hong Kong) Limited from 2000 to 2001. Then, he joined Morgan Stanley Dean Witter Asia Limited (摩根士丹利添惠亞洲有限公司) and worked in the Morgan Stanley group of companies from 2002 to 2015. Prior to his departure, he was working in the capacity of a managing director in the investment banking division in Hong Kong. Since 2015 until 2019, he was the deputy general manager of S.F. Holding Co., Ltd.. Mr. Leong has over 26 years of experience in securities and investment industry and senior management.

Mr. Leong obtained the degree of Bachelor of Arts with a major in Computer Science in December 1990 by University of California, Berkeley.

Mr. WU William Wai Leung (胡偉亮), aged 53, was appointed as an independent non-executive Director on 13 November 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Wu is the chairman of the Audit Committee, member of the Remuneration Committee and Nomination Committee.

Before joining the Group, Mr. Wu worked as (i) analyst and then associate in the corporate finance department of Marleau, Lemire Securities Inc., Canada from 1993 to 1995, (ii) business analyst of Salomon Brothers Hong Kong Limited from 1995 to 1996, (iii) assistant manager in the corporate finance division of Schroders Asia Limited from 1996 to 1998, (iv) manager and then senior manager from 1998 to 1999 in the equity capital markets department of BNP Equities Hong Kong Limited, (v) director of E2-Capital Limited and E2-Capital (HK) Limited from 1999 to 2001, and then head of equity capital markets and joint head of corporate finance of SBI E2-Capital Limited (joint venture between Softbank Investment and E2-Capital Group) from 2001 to 2002, (vi) employee of Sunwah Kingsway Capital Holdings Limited (188.HK) (previously known as SW Kingsway Capital Holdings Limited) from 2002 to 2011, with the titles of executive director and chief executive officer from 2006 to 2010 and strategy consultant from 2010 to 2011, (vii) chief executive officer of RHB Hong Kong Limited from 2011 to 2017 and (viii) executive director and chief executive officer of Power Financial Group Limited (397.HK) from 2017 to 2019. Since January 2019 until now, Mr. Wu is the managing director of investment banking at Glory Sun Securities Limited (previously known as China Goldjoy Securities Limited) (an indirect subsidiary of China Goldjoy Group Limited (1282.HK)). He also became a responsible officer for asset management (type 9) in April 2019 and a responsible officer for advising on corporate finance (type 6) in May 2019. Currently, he is an independent non-executive director of Asia Allied Infrastructure Holdings Limited (711.HK) since 2015 and an independent director of Document Security Systems (DSS-NYSE-Amer) since 2019. He is also the director of Hong Kong – ASEAN Economic Cooperation Foundation Limited, and Monte Jade Science and Technology Association of Hong Kong Limited. Mr. Wu has over 26 years of experience in financial industry and senior management.

Mr. Wu graduated from Simon Fraser University, Vancouver, BC, Canada with a degree of Bachelor in Business Administration in October 1990, and a degree of Master in Business Administration in June 1993. He became the chartered financial analyst designated by The Institute of Chartered Financial Analysts in September 1996.

Mr. Wu is also a member of Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, life chairman of HK Guangxi Chamber of Commerce Limited, vice chairman of Federation of Hong Kong Guangxi Community Organizations and Honorary Chairman of Islands Community Foundation Association.

Senior Management

Ms. TAN Yuxing (譚玉杏), aged 45, is the vice president of the Group. She joined the Group in April 2014. She is primarily responsible for managing cost centre, operation centre of the Group, and the subsidiaries of the Company in Yunnan.

Before joining the Group, Ms. Tan worked in Agile Group Holdings Limited as (i) the secretary to the head of real estate management centre from 2000 to 2004, (ii) the supervisor of the Panyu project contract cost department where she was responsible for monitoring the project costs and budgets from 2004 to 2006, and (iii) the secretary and assistant to the vice chairman from 2006 to 2014 where she assisted the vice chairman in managing the projects in the PRC. She has over 19 years of experience in management of real estate projects and senior management.

Ms. Tan graduated from Zhongyang Guangbo Dianshi University* (中央廣播電視大學) (currently known as The Open University of China) in the PRC in January 2008 majoring in Law. She further received the certificate of assistant engineer in the PRC issued by Human Resources and Social Security Department of Guangdong Province in the PRC in December 2010.

Mr. LAN Chiyuan (藍熾源), aged 41, is the vice president of the Group. He joined the Group in May 2014. He is primarily responsible for managing design centre of the Group and the subsidiaries of the Company in Hainan.

Before joining the Group, Mr. Lan first worked as the chief designer in Foshan Jianyi Jianzhu Design Institute Co., Ltd.* (佛山市建藝建築設計院有限公司) from 2001 to 2007. He then worked as the assistant to general manager and head of Foshan branch of Guangdong Yuejian Design & Research Institute Co., Ltd.* (廣東粵建設計研究院有限公司佛山分公司) from 2007 to 2010. He then worked as manager in the design department of Agile Group Holdings Limited (3383.HK) from 2010 to 2014. He was responsible for the technical guidance design management work and daily management of the department.

Mr. Lan graduated from Guangzhou University in July 2001 majoring in Building Construction. He further received the certificate of architectural design engineer (intermediate) in the PRC issued by the Ministry of Human Resources of Meizhou City of the PRC in February 2009.

Mr. LIU Huaqiang (劉華強), aged 40, is the financial controller of the Group. He joined the Group in April 2018. He is primarily responsible for financial management, financing and investor relations of the Group.

Before joining the Group, Mr. Liu worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. Guangzhou Branch for nine years. He left the firm as senior manager in the audit department in 2011. From 2011 to 2014, he was the general manager of the financial planning management department of Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.* (中新天津生態城投資開發有限公司), the master developer of the Tianjin Eco-City, the PRC. He was responsible for financial management and analytical work. He then worked as the assistant to general manager and the financial controller in Huafa Industrial (HK) Limited, a company engaging in real estate development, leasing and investment from 2014 to 2018. Mr. Liu has over 17 years of experience in finance and senior management.

Mr. Liu obtained a Bachelor of Management in Accounting (minor in Computer Science and Application) in Sun Yat-Sen University in June 2002, a Master of Business Administration in November 2016 from The University of Hong Kong. He was a certified public accountant by The Guangdong Institute of Certified Public Accountants in September 2006.

Ms. WAI Ching Sum (衛靜心), aged 52, is the deputy general manager and company secretary of the Group. She joined the Group in August 2017. Ms. Wai is primarily responsible for corporate governance and corporate affairs of the Group.

Before joining the Group, Ms. Wai worked in various group companies of UDL Management Limited from 1996 to 1999. She left the group as the company secretary. She then worked as the company secretary of (i) COSCO International Holdings Limited (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd.) (517.HK) from 1999 to 2005 and (ii) Agile Property Holdings Limited (currently known as Agile Group Holdings Limited) (3383.HK) from 2005 to 2014. Ms. Wai was an executive director and the financial director of Sumpo Food Holdings Limited (currently known as Leyou Technologies Holdings Limited) (1089.HK) from 2014 to 2015. From 2015 to 2017, she was the company secretary of Pacific Century Group Holdings (HK) Limited, an investment management company. Ms. Wai has over 23 years of experience in senior management and provision of company secretarial services to private and listed companies.

Ms. Wai obtained a Master of Science in Financial Economics, through long distance learning, in December 1997 from University of London, the United Kingdom, and a Master of Laws in Chinese Comparative Law in November 2002 from the City University of Hong Kong. She was admitted as a fellow member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in June 2002.

The Board is pleased to present this annual report together with the audited financial statements of the Group for the year ended 31 December 2019.

Corporate Reorganisation and Initial Public Offering

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 November 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through the reorganisation of the Group in preparation of the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the Group.

The Company's shares were listed on the Main Board of the Stock Exchange on 5 December 2019.

Principal Activities

The Company is an investment holding company and the principal activities of the Group are the property development and sales, hotel operations, property management and commercial property investment in the PRC. Particulars of the principal activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2019.

Business Review

A business review of the Group for the year ended 31 December 2019 and its future development is set out in the chairman's statement from page 20 to page 24 and management discussion and analysis from page 25 to page 29 of this annual report.

Results

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 112 of this annual report.

Dividend

The Board recommends the payment of a final dividend of RMB9.14 cents per share for the year ended 31 December 2019 (the "2019 Proposed Final Dividend"). The 2019 Proposed Final Dividend, if approved, shall be payable on Friday, 12 June 2020 and is subject to the approval of the Shareholders at the AGM. The Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 5 June 2020 will be entitled to the 2019 Proposed Final Dividend.

The 2019 Proposed Final Dividend will be declared in RMB and paid in HK$. The final dividend payable in HK$ will be converted from RMB at the average exchange rate of HK$ against RMB announced by the People's Bank of China on 28 May 2020.

Annual General Meeting

The AGM will be held on Thursday, 28 May 2020. The notice of the AGM will be published and despatched to the Shareholders in accordance with the requirements of the Listing Rules in April 2020.

Closure of Register of Members

(a) For determining the entitlement of the Shareholders to attend and vote at the AGM

The register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer 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 for registration not later than 4:30 p.m. on Friday, 22 May 2020.

(b) For determining the entitlement to the 2019 Proposed Final Dividend

The register of members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible for the 2019 Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the 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 for registration no later than 4:30 p.m. on Tuesday, 2 June 2020.

Donations

Charitable and other donations made by the Group for the year ended 31 December 2019 amounted to approximately RMB1.4 million (2018: RMB2.4 million).

Reserves and Distributable Reserves of the Company

Movements in the reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 113 of this annual report and note 40 to the consolidated financial statements respectively.

As at 31 December 2019, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately RMB2,334.1 million.

Material Acquisitions and Disposals

Save as disclosed in the section headed "Management Discussion and Analysis – Significant investments, major acquisitions and disposals" in this annual report and the Prospectus, during the year ended 31 December 2019 and up to the date of this annual report, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings as at 31 December 2019 are set out in note 30 to the consolidated financial statements.

Share Capital

Details of the movements in the issued share capital of the Company for the year ended 31 December 2019 are set out in note 28 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. During the year ended 31 December 2019, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 56.8% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 16.0% of the Group's total purchases.

To the best 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 and 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 stakeholders. The Company places significant emphasis on human capital and strives to foster an environment in which the 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 its 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 is also dedicated to developing good relationship with suppliers as long-term business partners to ensure stable supplies of materials. The Group reinforces business partnerships with suppliers and contractors by recurring communication in a proactive and effective manner so as to ensure quality and delivery.

Directors

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

Executive Directors

Mr. CHAN Sze Ming Michael *(Chairman)*
Mr. LIU Huaxi *(Vice-Chairman)* (appointed with effect from 24 May 2019)
Ms. ZHENG Catherine Wei Hong
Mr. WU Xinping
Mr. XUE Shuangyou
Ms. WEI Miaochang (appointed with effect from 24 May 2019)

Independent non-executive Directors

Mr. MA Ching Nam (appointed with effect from 13 November 2019)
Mr. LEONG Chong (appointed with effect from 13 November 2019)
Mr. WU William Wai Leung (appointed with effect from 13 November 2019)

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. According to Article 84(2) of the Articles, any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 84(1) of the Articles, at each annual general meeting 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 provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Listing Rules, Mr. LIU Huaxi, Mr. WU Xinping, Mr. XUE Shuangyou, Ms. WEI Miaochang, Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung will retire by rotation in accordance with Article 83(3), 84(1) and 84(2) of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts and Letters of Appointment

Each of the executive Directors has entered into a service contract with the Company commencing from the Listing Date until and including the date of the third annual general meeting (or if such meeting adjourned, the adjourned meeting), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors was appointed by the Company for a term of three years commencing from the Listing Date in accordance with their respective letters of appointment with the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Board considers all the independent non-executive Directors to be independent in accordance with Rule 3.13 of 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 41 to the consolidated financial statements in this annual report.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2019.

Directors' Interests in Competing Business

Mr. LIU Huaxi holds 50% interest in Zhongshan Yuelai Real Estate Investment Group Co., Ltd.* (中山市悅來房地產投資集團有限公司) ("Zhongshan Yuelai"), Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue Investment Co., Ltd.* (中山市景悅投資有限公司) ("Zhongshan Jingyue"), the Company's subsidiary. Zhongshan Yuelai is a property developer in the PRC.

Mr. LIU Huaxi is currently interested in the entities which operate property development and property management in Zhongshan, the PRC (the "Zhongshan Business").

Set out below are the interests of Mr. LIU Huaxi in the Zhongshan Business (save for the intermediary holding companies) which may potentially compete with our businesses for the purpose of Rule 8.10(2) of the Listing Rules during the year ended 31 December 2019:

Company name	Business nature	Interest
Zhongshan Yuelai	Investment holding	Direct shareholder holding 50% interest
Zhongshan Yuechuang Real Estate Investment Co., Ltd.* (中山市悅創房地產投資有限公司)	Property development	Indirect shareholder holding 50% interest
Zhongshan Yingfuda Real Estate Development Co., Ltd.* (中山市盈富達房地產開發有限公司)	Property development	Indirect shareholder holding 50% interest
Zhongshan Yueying Property Management Co., Ltd.* (中山市悅盈物業管理有限公司)	Property management	Indirect shareholder holding 50% interest

During the year ended 31 December 2019, Mr. XUE Shuangyou was a supervisor at Tianjin Jinnan New City Real Estate Development Co., Ltd.* (天津津南新城房地產開發有限公司), a limited liability company established in the PRC which is engaged in the business of property development which may potentially compete with the business of the Group for the purpose of Rule 8.10(2) of the Listing Rules, from 1 January 2019 to 29 November 2019.

Save as above, as at 31 December 2019, none of the Controlling Shareholders 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

Each of the Group's Controlling Shareholders, namely, Sze Ming Limited and Mr. CHAN Sze Ming Michael (together, the "Covenantors"), has entered into the Deed of Non-competition on 13 November 2019, pursuant to which each of the Covenantors has given an irrevocable non-competition undertaking in favor of the Company namely, each of the Covenantors has, among other matters, irrevocably undertaken and covenanted with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall directly or indirectly, and shall procure that their close associates and entities or companies controlled by them or its close associates (other than the Group) shall:

(a) not be engaged, interested or otherwise involved, directly or indirectly, in any business in any form or manner which is, directly or indirectly, in competition with the business that the Group carries out that includes property development and sales, hotel operations, property management and commercial properties investment business in the PRC (including but not limited to Guangdong, Hainan, Yunnan and Hunan provinces) and any business in any form or manner that is or is likely to be in competition with that of any member of the Group or the Group as a whole from time to time (excluding, for the avoidance of doubt, sales and purchases of properties by the Covenantor for personal residential and/or investment purpose(s) from time to time) (the "Restricted Activity(ies)");

(b) not directly or indirectly solicit, interfere with or endeavor to entice away from the Group any person, firm, company or organization who to his/its knowledge is from time to time or has, at any time within the immediate past two years before the date of the Prospectus, been a customer, supplier, distributor, director, consultant or employee of the Group;

(c) not at any time employ any person who has been a director, manager, employee of or consultant to the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to any business of the Group; and

(d) not directly or indirectly solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to any Restricted Activity, or cease to deal with the Group or reduce the amount of business which the person would normally do with the Group.

Notwithstanding the undertakings under (a) to (d) above, nothing shall restrict any of the Covenantors from acquiring or holding interests in equity securities issued by any company engaged in any Restricted Activity provided that each of them (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company and that the business and assets of the aforesaid company relating thereto account for less than 5% of the relevant company's consolidated turnover and consolidated assets, respectively, as shown in that company's latest audited consolidated accounts.

Compliance With Non-Competition Undertakings (continued)

Deed of Non-Competition (continued)

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

(i) the date on which the Covenantors and his/its close associates (individually or taken as a whole) cease to own 30% or more of the then issued Share capital of the Company directly or indirectly or cease to be the Controlling Shareholders of the Company for the purpose of the Listing Rules and do not have power to control the Board; and

(ii) the date on which the Shares cease to be listed on the Stock Exchange.

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 Activities 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 its/his undertakings under the Deed of Non-Competition during the year ended 31 December 2019.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors subsequent to the date of the Prospectus is set out below:

– Mr. WU William Wai Leung was appointed as an independent director of Document Security Systems (DSS-NYSE-Amer).

Continuing Connected Transactions

Tenancy agreements between the Group and Guangzhou Panyu Agile Realty Development Co., Ltd.* (廣州番禺雅居樂房地產開發有限公司)

As disclosed in the Prospectus, Guangzhou Shunbang Investment Management Co.,Ltd. (廣州市舜邦投資管理有限公司) ("Guangzhou Shunbang"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement dated 27 September 2016, a supplemental tenancy agreement dated 10 October 2018 and a second supplemental tenancy agreement dated 20 May 2019, with Guangzhou Panyu Agile Realty Development Co., Ltd.* (廣州番禺雅居樂房地產開發有限公司) ("Panyu Agile"), under which Panyu Agile agreed to lease to Guangzhou Shunbang the commercial property (except generator room and warehouse on the second floor, warehouse on the first floor, document room and warehouse on the floor basement one) located at "JY Grandmark Building, 198 Guanjing Road, Nancun Town, Panyu District, Guangzhou, Guangdong Province, the PRC" with a GFA of approximately 5,208.6 sq.m., for a term from 1 November 2016 to 31 October 2026 for commercial office and shop use (the "Tenancy Agreements").

Continuing Connected Transactions (continued)

Tenancy agreements between the Group and Guangzhou Panyu Agile Realty Development Co., Ltd.* (廣州番禺雅居樂房地產開發有限公司) (continued)

Pursuant to the Tenancy Agreements, Guangzhou Shunbang shall pay Panyu Agile (i) the annual rent (the "Rental Payment") as set out in the table below, and (ii) the property management fees, government taxes, other charges (such as utilities) (the "Service Payment"):

Period	Annual Rental Payment (inclusive of value-added tax)
1 November 2016 to 30 October 2017	No more than RMB1 million
1 November 2017 to 30 October 2018	No more than RMB1 million
1 November 2018 to 30 October 2019	No more than RMB1 million
1 November 2019 to 30 October 2020	RMB1,050,000
1 November 2020 to 30 October 2021	RMB1,102,500
1 November 2021 to 30 October 2022	RMB1,157,625
1 November 2022 to 30 October 2023	RMB1,215,506.25
1 November 2023 to 30 October 2024	RMB1,276,281.56
1 November 2024 to 30 October 2025	RMB1,340,095.64
1 November 2025 to 30 October 2026	RMB1,407,100.42

Panyu Agile is principally engaged in property development in Panyu District, Guangzhou in the PRC. Panyu Agile is indirectly and wholly owned by Agile Group Holdings Limited (雅居樂集團控股有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange with stock code 3383 ("Agile Holdings"). Agile Holdings is indirectly owned as to approximately 62.63% by Full Choice Investments Limited ("Full Choice"), a company incorporated in Hong Kong with limited liability. Full Choice is the trustee of a family trust, the beneficiaries of which are Mr. CHAN Cheuk Yin, who is the father of Mr. CHAN Sze Ming Michael, and Mr. CHEN Zhuo Lin, Ms. LUK Sin Fong, Fion, Mr. CHAN Cheuk Hung, Mr. CHAN Cheuk Hei and Mr. CHAN Cheuk Nam, who are the uncles and aunt of Mr. CHAN Sze Ming Michael (the "CHEN's Family Trust"). The board of directors of Full Choice comprises two of the beneficiaries of the CHEN's Family Trust. Besides, Agile Holdings is directly and indirectly owned as to approximately 7.85% by Mr. CHEN Sze Long, who is a cousin of Mr. CHAN Sze Ming Michael. In light of the association of the board of directors of Full Choice, Full Choice, Mr. CHEN Sze Long, Agile Holdings and Panyu Agile with Mr. CHAN Sze Ming Michael, Panyu Agile shall be as deemed connected persons of the Company.

In respect of the entering into the Tenancy Agreements which comprised of the Rental Payment thereof, it constitutes connected transaction for the Company given that each of the applicable percentage ratios in respect of the Rental Payment as the right-of-use assets under HKFRS 16, on an aggregated basis, is less than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transaction under the Tenancy Agreements is a *de minimis* transaction and is exempted from circular (including independent financial advice) and independent Shareholders' approval requirements under the Listing Rules.

In respect of the entering into the Tenancy Agreements which comprised of the Service Payment, it constitutes continuing connected transaction for the Company given that each of the applicable percentage ratios on an annual basis is less than 0.1%. Pursuant to Rule 14A.76(1)(a) of the Listing Rules, the transaction is a *de minimis* transaction and is fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken in the usual course of business are set out in note 36 to the consolidated financial statements. None of the related party transactions constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

Directors' and Controlling Shareholders' Interests in Transaction, Arrangement or Contract

Other than those transactions disclosed in note 36 to the consolidated financial statements of the Group in this annual report and in paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or an entity connected with a 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 ended 31 December 2019.

Principal Risks and Uncertainties

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

(i) the Group's business is subject to extensive governmental regulation and is sensitive to property purchase restriction policy (if any) and other policy changes particularly in Guangdong, Hainan, Yunnan and Hunan provinces;

(ii) the Group's business and prospects depend heavily on the economic conditions in the PRC and the performance of the PRC property markets, particularly in Guangdong, Hainan, Yunnan and Hunan provinces;

(iii) the Group may not be able to acquire land in desirable locations that are suitable for the Group's development at commercially acceptable prices or at all;

(iv) the Group may be subject to fines or sanctions by the PRC government if the Group fails to pay land grant premium or fails to develop properties according to the terms of the land grant contracts;

(v) the Group's cash inflow from and results of operation may vary significantly from period to period and such fluctuations may make it difficult to predict the Group's future performance and price of the Shares; and

(vi) the Group may not be able to obtain sufficient funding for the Group's land acquisitions and future property developments whether through bank loans or other arrangements on commercially reasonable terms, or at all.

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 the date of this annual report, except as disclosed in this annual report and 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 the date of this annual report, the Company's associates were not involved in and the Board is not aware of any non-compliance incidents that might materially adversely affect the value of the Company's interest in them.

Share Option Scheme

The Company approved and adopted the Share Option Scheme on 13 November 2019.

Details of the Share Option Scheme

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

(b) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(e) Maximum number of Shares

(i) Subject to sub-paragraph (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(iii) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such 1% limit must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to a Director, chief executive or substantial Shareholder, or any of their respective associates

(i) Notwithstanding the aforesaid, any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).

(ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associates and all core connected persons of the Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(h) Restrictions on the times of grant of options

(i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the Listing Rules, or other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of the Company are published and:

(a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representative(s)) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees (or, as the case may be, their legal personal representative(s)) to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees (or, as the case may be, their legal personal representative(s)) to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

(i) the expiry of the period referred to in paragraph (i) above;

(ii) the date on which the Board exercises the Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);

(iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;

(iv) the date of the commencement of the winding-up of the Company;

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(t) Lapse of options (continued)

(v) the occurrence of any serious misconduct, act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(vi) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group; or

(vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

(i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(ii) Any alternation to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Share Option Scheme (continued)

Details of the Share Option Scheme (continued)

(x) Termination to the Share Option Scheme

The Company by resolution in general meeting or by resolution of the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

Detail of the Share Option Granted

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

During the year ended 31 December 2019, there were no 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 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.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations

As at 31 December 2019, the interest and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations (continued)

Long position in the ordinary Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held or interest in the Company	Approximate percentage of issued share capital of the Company
Mr. CHAN Sze Ming Michael	Founder of a discretionary trust[1]	1,200,000,000	72.9%

Notes:

(1) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. CHAN Sze Ming Michael as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. CHAN Sze Ming Michael, his parents, his siblings and his descendants. Mr. CHAN Sze Ming Michael is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.

(2) The calculation is based on the total number of issued ordinary shares of 1,646,173,000 Shares as at 31 December 2019.

Interest in Associated Corporation(s)

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. LIU Huaxi	Beneficial interest	Zhongshan Jingyue	2.5%[1]

Note:

(1) Mr. LIU Huaxi holds 50% interest in Zhongshan Yuelai, Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue, the subsidiary of the Company.

Save as disclosed above, immediately after listing of the Company and as at 31 December 2019, none of the Directors or the chief executive of the Company had any interest or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Other than the Share Option Scheme, at no time during the period from the Listing Date to the date of this annual report was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this annual report, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Substantial Shareholders' and Other Persons' Interest and Short Position in the Shares and Underlying Shares

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 31 December 2019, the following persons or corporations (other than the Directors and chief executive of the Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of ordinary shares held or interest in the Company	Approximate percentage of issued share capital of the Company
Mr. CHAN Sze Ming Michael	Founder of a discretionary trust(2)	1,200,000,000	72.9%
IQ EQ (BVI) Limited	Trustee of a discretionary trust(2)	1,200,000,000	72.9%
Sze Ming Limited	Beneficial owner(2)	1,200,000,000	72.9%
Ms. Shum Wing Yin	Interest of spouse(3)	1,200,000,000	72.9%

Notes:

(1) All interests stated are long positions.

(2) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. CHAN Sze Ming Michael as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. CHAN Sze Ming Michael, his parents, his siblings and his descendants. Mr. CHAN Sze Ming Michael is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.

(3) Ms. SHUM Wing Yin is the spouse of Mr. CHAN Sze Ming Michael, and is deemed to be interested in the Shares which are interested by Mr. CHAN Sze Ming Michael under the SFO.

(4) The calculation is based on the total number of issued ordinary shares of 1,646,173,000 shares as at 31 December 2019.

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2019 or subsisted as at 31 December 2019.

Tax Relief

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holdings of the Company's securities.

Management Contracts

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date to 31 December 2019.

Use of Net Proceeds from the Company's Initial Public Offering

The Company's shares have been listed on the Main Board of the Stock Exchange since the Listing Date. Net proceeds from the IPO and partially exercising the over-allotment option received by the Company were approximately RMB1,201.1 million after deducting the underwriting commission and relevant expenses. The net proceeds have been applied for the purpose in accordance with the future plans and use of proceeds as set out in the Prospectus. As at 31 December 2019, the unutilised proceeds were deposited in licensed banks in Hong Kong and China.

Purpose	Percentage of total amount	Net proceeds	Utilised amount	Unutilised amount
		RMB in million	*RMB in million*	*RMB in million*
– the development costs for certain projects	60%	720.7	63.0	657.7
– acquisition of land parcels	30%	360.3	–	360.3
– general working capital	10%	120.1	8.0	112.1
Total	100%	1,201.1	71.0	1,130.1

Retirement Benefits Schemes

Details of the retirement benefits schemes participated by the Group are set out in note 10 to the consolidated financial statements.

Directors and Senior Management

Particulars of the Directors and senior management of the Company are set out on pages 30 to 34 of this annual report.

Corporate Governance

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

Audit Committee

The Audit Committee consists of three members, namely Mr. WU William Wai Leung, Mr. MA Ching Nam and Mr. LEONG Chong, each of whom is an independent non-executive Director. The chairman of the Audit Committee is Mr. WU William Wai Leung who possesses appropriate accounting and related financial management expertise. The Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2019, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has, in conjunction with the external auditor of the Company, PricewaterhouseCoopers, reviewed the consolidated financial statements for the year ended 31 December 2019, including the accounting policies of the Group.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 948 employees (2018: 854 employees). For the year ended 31 December 2019, the Group has recognised staff costs of RMB166.6 million (2018: RMB136.0 million). The Group provided employees with salaries and benefits that, in its opinion, were competitive with market standards and regularly reviewed the remuneration policies based on employees' contributions and industry standards. The Company maintains a share option scheme for the purpose of providing incentives and rewards to the participants for their contribution to the Group. The Group also contributed to medical insurance, pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds for our employees and paid relevant insurance premiums. In addition, the Group was committed to cultivating all-level skilled employees. The Group provided training programs based on the positions and expertise of our employees to enhance their understanding and apprehension of the property industry and related fields. Besides internal training, the Group also engaged external experts to provide training courses for its employees from time to time. Details of the Share Option Scheme are set out in the section headed "Directors' Report – Share Option Scheme". The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans.

Basis for Determining Emoluments to Directors

Apart from taking into account the advice from the Remuneration Committee and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for each Director. Appropriate benefit schemes are in place for the Directors.

Indemnity and Insurance Provisions

The Articles provide that the Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts. The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Subsequent Events After the Reporting Period

(a) Since January 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 Outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The Directors have assessed the potential impact of the COVID-19 Outbreak to the Group as outlined below:

- The Group does not have property projects in Hubei, which severely affected by the COVID-19 Outbreak, the Directors expect the epidemic would not have a significant impact on the Group's operating results in 2020.

- The Group's rental income and revenue from hotel operations in 2020 could possibly be affected by the epidemic temporarily. Given that the income from the both business lines contributed less than 5% to the Group, the Directors expect the COVID-19 Outbreak would not have a significant impact on the Group's operating results in 2020.

The Group will closely monitor the development of the COVID-19 Outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

(b) The Company issued senior notes in an aggregate principal amount of US$150,000,000 in Hong Kong on 10 March 2020 (the "2020 Note"). The interest rate of the 2020 Note is fixed at 7.5% per annum. The 2020 Note will mature on 9 March 2021, and are puttable for early redemption at the principal amount at any time prior to 9 March 2021. The 2020 Note were listed on the Stock Exchange on 11 March 2020. We plan to use to acquire or develop property projects, refinance existing indebtedness and for general corporate purposes. Please refer to the announcements of the Company dated 5 March 2020 and 11 March 2020 for details.

Except the above, no significant events affecting the Group had occurred during the period from 31 December 2019 to the date of this annual report.

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 date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of the auditor will be proposed at the Annual General Meeting.

Distributable Reserves

As at 31 December 2019, the reserves of the Company available for distribution to Shareholders of the Company amounted to approximately RMB2,334.1 million.

Environmental Policies

The Group is committed to implementing policies in environmental protection in order to conserve natural resources. The Group strives to minimise the Group's environmental impact through reducing electricity and water consumption and encouraging recycling of office supplies and other materials. The Group is also committed to ensuring that the Group is in strict compliance with the applicable environmental laws and regulations of the relevant jurisdictions.

As at 31 December 2019, the Group did not encounter any material issues in passing inspections conducted by the relevant environmental protection authorities upon completion of the properties. During the year ended 31 December 2019 and up to the date of this annual report, no material fines or penalties were imposed on the Group for non-compliance of PRC environmental laws and regulations. As at the date of this annual report, the Group had obtained all required approvals in relation to the environmental impact reports, where applicable, for the projects of the Group under development.

Health and Safety

The Group is committed to the health and safety of our employees and provides a safe and effective working environment. The Group pledges full compliance with all occupational health and safety legislation. The Group values the health and well-being of the employees.

During the year ended 31 December 2019 and up to the date of this annual report, 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.

Social Responsibility

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

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

Development and Training

The Group is committed to the professional and personal development and growth of employees and considers development and training as a continual process. The Group offers and encourages employees at all levels to participate in various internal and external courses in order to promote the advancement of their job-related skills. The Group's employees are provided with fair opportunities for adequate learning, training and promotions.

Relationship with Customers and Suppliers

The Group maintains a solid and steady relationship with its customers and provides products which satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insights on market demand and consumer needs so that the Group could respond proactively. The Group also maintains a close relationship with its suppliers. The leads to a high degree of cooperative development and enables the Group to deliver the high-quality solutions as required and expected by the Group's customers.

Professional Tax Advice Recommended

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

On behalf of the Board
JY Grandmark Holdings Limited
CHAN Sze Ming Michael
Chairman

Hong Kong, 26 March 2020

The Company is committed to achieving a high standard of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

Corporate Governance Practices

The Company has adopted the CG Code as its own code on corporate governance. The Shares were listed on the Stock Exchange on 5 December 2019. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the period commencing from the Listing Date and up to the date of this annual report.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. The Model Code was not applicable to the Directors until the Shares were listed on the Stock Exchange on the Listing Date. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the Model Code from the Listing Date to 31 December 2019.

The Board

Responsibilities of the Board

The Board is responsible for, and has general powers under the Memorandum and Articles for, the leadership and oversight of the Company's management and performance and the formulation and review of the Group's overall policies and strategies.

The Board is also responsible for performing corporate governance duties, including the (i) development and review of the Company's policies and practices on corporate governance; and (ii) review of the Company's compliance with Appendix 14 to the Listing Rules and disclosures in the corporate governance report. All major decisions, including but not limited to those decisions affecting the financial results, operations and Shareholders of the Company, such as financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations, and has acted objectively for the benefit and best interest of the Company and its Shareholders.

Decisions of the Board are communicated to the senior management through executive Directors. The day-to-day management, administration and operation of the Group are delegated to the executive Directors and a senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board reviews periodically the performance of the senior management team.

Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

The Board (continued)

Composition of the Board

As at the date of this annual report, the Board comprises six executive Directors and three independent non-executive Directors whose names are listed below. Each member of the Board brings a wide spectrum of valuable experience, knowledge and expertise to the Board for its efficient and effective functioning.

Executive Directors	**Date of appointment**
Mr. CHAN Sze Ming Michael *(Chairman)*	2 November 2018
Mr. LIU Huaxi *(Vice-Chairman)*	24 May 2019
Ms. ZHENG Catherine Wei Hong *(President)*	2 November 2018
Mr. WU Xinping	2 November 2018
Mr. XUE Shuangyou	2 November 2018
Ms. WEI Miaochang	24 May 2019
Independent non-executive Directors	
Mr. MA Ching Nam	13 November 2019
Mr. LEONG Chong	13 November 2019
Mr. WU William Wai Leung	13 November 2019

Save as disclosed in this annual report, there is no financial, business, family or other relevant relationship between the Directors.

Since the Listing Date up to 31 December 2019, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Having considered the factors for assessing the independence of independent non-executive Directors under Rule 3.13 of the Listing Rules and the written annual confirmations from each independent non-executive Director, the Board considers all of its independent non-executive Directors to be independent.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Directors identifying their roles and functions is also available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange.

Terms of appointment of Directors

Executive Directors

Each of the executive Directors has entered into a service contract commencing from the Listing Date until and including the date of the third annual general meeting (or if such meeting is adjourned, the adjourned meeting). The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

Independent non-executive Directors

Each of the independent non-executive Directors was appointed by the Company for an initial fixed term of three years commencing from the Listing Date. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

The Board (continued)

Nomination, appointment, re-election and removal procedures

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's Articles. Every Director is subject to the provisions of retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his or her appointment and be subject to re-election at such meeting.

The Nomination Committee has been established on 13 November 2019 to review the structure, size and composition of the Board at least annually to ensure that the Board has a balance of expertise, skill and experience appropriate to meet the requirements of the Company. This committee will identify individuals who are qualified or suitable for directorship, assess their qualifications, skill, prior experience, character and other relevant aspects including but not limited to their independence in the case of an independent non-executive Director candidate, and make recommendations to the Board on the appointment or re-appointment of Directors or the filling of casual vacancies on the Board or any other proposed changes to the Board to complement the Company's corporate strategies. Please refer to the paragraph headed "Nomination Committee" below for more details on the Nomination Committee.

Board practices and conduct of meetings

Directors are given the opportunity to include matters in the agenda for Board meetings with notices of regular Board meetings given or to be given at least 14 days in advance. Notices and agenda of the Board meetings are prepared by the company secretary of the Company as delegated by the chairman. Directors are provided with adequate and timely information to allow them to fulfill their duties properly. They are allowed to seek independent professional advice in appropriate circumstances at the Company's expenses.

Directors are encouraged to make a full and active contribution to the Board's affairs and to voice out their views and concerns. Directors are supplied with sufficient information and given sufficient time for discussion to ensure that Board decisions fairly reflect Board consensus.

A Director who to his or her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he or she knows his or her interest then exists, or in any other case, at the first meeting of the Board after he or she knows that he or she is or has become so interested. Subject to the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposals in which he or she or any of his or her close associates is materially interested.

Minutes of Board meetings and meetings of Board committees containing sufficient details of the matters considered and decisions reached, including any concerns raised or dissenting views express, are sent to each Director for their review, comment and records within a reasonable time after each meeting. The final version of such minutes is kept by the company secretary of the Company and is open for inspection by Directors upon reasonable notice.

The Board (continued)

Board meetings

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Company was only listed on the Listing Date and no Board meeting was held during the period from Listing Date to 31 December 2019. Subsequent to the end of 2019 and up to the date of this annual report, one regular Board meeting was held on 26 March 2020 for reviewing and approving the financial statements for the year ended 31 December 2019. All Directors attended the Board meeting.

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all of the Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notices were generally given.

Board papers together with all appropriate, complete and reliable information were sent to all of the Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Each Director also had separate and independent access to the senior management of the Company whenever necessary.

The senior management of the Company attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Chairman and President

Mr. CHAN Sze Ming Michael serves as the chairman of the Board. He is responsible for the overall strategic planning and business direction of the Group. With the support of the executive Directors and the company secretary, the chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. He is responsible for the effective functioning of the Board, including but not limited to taking steps to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating Shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings.

Ms. ZHENG Catherine Wei Hong serves as the president of the Company. She is responsible for the execution of the strategic planning and general management of the Group.

Board Committees

Audit Committee

The Audit Committee was established on 13 November 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the Audit Committee include (but without limitation): (i) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; (ii) monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; (iii) oversight of the Company's financial reporting system, risk management and internal control systems; and (iv) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board. For the year ended 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely, Mr. WU William Wai Leung (chairman of the Audit Committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. MA Ching Nam and Mr. LEONG Chong. The written terms of reference of the Audit Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange. The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2019.

The Company was only listed on the Listing Date and no Audit Committee meeting was held during the period from the Listing Date to 31 December 2019. One Audit Committee meeting was held on 24 March 2020 to review the annual financial results and report, major internal audit issues, re-appointment of external auditors, relevant scope of works and the effectiveness of the risk management and internal control systems of the Group. All members of the Audit Committee attended the meeting.

Remuneration Committee

The Remuneration Committee was established on 13 November 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. For the year ended 31 December 2019, the Remuneration Committee consists of one executive Director, namely Mr. LIU Huaxi, and three independent non-executive Directors, namely Mr. LEONG Chong (chairman of the Remuneration Committee), Mr. MA Ching Nam and Mr. WU William Wai Leung. The written terms of reference of the Remuneration Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange.

The Company was only listed on the Listing Date and no Remuneration Committee meeting was held during the period from the Listing Date to 31 December 2019. One Remuneration Committee meeting was held on 24 March 2020 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters. All members of the Remuneration Committee attended the meeting.

Board Committees (continued)

Nomination Committee

The Nomination Committee was established on 13 November 2019 with written terms of reference in compliance with paragraph A5 of the CG Code. The primary duties of the Nomination Committee include (but without limitation): (i) propose a set of personal attributes to the Board; (ii) propose a set of procedures for processing nominations of candidates for the Board's approval; and (iii) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and recommend any proposed changes to the Board to complement the Company's corporate strategy. For the year ended 31 December 2019, the Nomination Committee consists of one executive Director, namely Mr. LIU Huaxi and three independent non-executive Directors, namely Mr. MA Ching Nam (chairman of the Nomination Committee), Mr. LEONG Chong and Mr. WU William Wai Leung. The written terms of reference of the Nomination Committee has been made available on the Company's website at www.jygrandmark.com and on the website of the Stock Exchange.

The Company was only listed on the Listing Date and no Nomination Committee meeting was held during the period from the Listing Date to 31 December 2019. One Nomination Committee meeting was held on 24 March 2020 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors. All members of the Nomination Committee attended the meeting.

Board diversity

The Company adopted a board diversity policy which sets out the objective and approach on the diversity of the Board on 13 November 2019 has been made available on the Company's website at www.jygrandmark.com. The Company recognises the importance of having a diverse Board in enhancing the Board effectiveness and corporate governance, and considers that Board diversity, including gender diversity, is a vital asset to the business. A diverse Board will include and make good use of differences in the skills, industry knowledge and professional experience, cultural and education background and other qualities of directors of the Company and does not discriminate on the ground of race, age or gender. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, project investment and financial management. They obtained degrees in various majors including business administration, economic management, construction engineering and computer science. The Board currently consists of two female Directors. It has three independent non-executive Directors with different industry backgrounds, representing one third of the members of the Board. Furthermore, the Board has a wide range of age, ranging from 31 years old to 67 years old. Taking into account the Company's existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for ensuring the diversity of the Board members. It will review the board diversity policy from time to time to ensure its continued effectiveness and the Company will disclose in its corporate governance report about the implementation of the board diversity policy on an annual basis.

Remuneration of Senior Management

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by bands:

	2019
Nil to RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	2
RMB2,000,001 to RMB2,500,000	1
	4

Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2019.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company from the Listing Date to 31 December 2019.

Directors' Responsibilities for Financial Reporting

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

Use of Proceeds from the Initial Public Offering

Details of the use of proceeds from the initial public offering are set out in the section headed "Directors' Report – Use of Net Proceeds from the Company's Initial Public Offering".

Going Concern

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the Shareholders through the optimisation of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Company and of the results and cash flow for the relevant period. The Directors consider that the consolidated financial statements of the Company 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 Company about its reporting responsibility on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" in this annual report.

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 Company 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 Company. The framework and its effectiveness are subject to review by the Board on a regular basis.

External Auditor and Auditor Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report.

The external auditor of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their annual audit services, audit services in relation to the Listing and non-audit services related to the Listing for the year ended 31 December 2019 amounted to approximately RMB2.8 million, RMB2.6 million and nil, respectively.

The Company Secretary

The company secretary of the Company plays a role in supporting the Board by ensuring good information flow within the Board and also that Board policy and procedures are followed. The company secretary of the Company is responsible for advising the Board through the chairman and/or the president on corporate governance matters and should also facilitate induction and professional development of Directors. Specific enquiry has been made to the company secretary of the Company, Ms. WAI Ching Sum ("Ms. Wai"), and Ms. Wai has confirmed that she has complied with the relevant qualifications, experience and training requirements under the Listing Rules.

Directors' and Officers' Liability Insurance

The Company has arranged directors' and officers' liability insurance for its Directors and senior management. The insurance covered the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of the Group's operation.

Directors' Training

According to the code provision A.6.5 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expenses.

Each of the Directors have attended trainings conducted by Iu, Lai & Li Solicitors & Notaries on 28 May 2019 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO and the Listing Rules and each of the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong.

Investor Communications and Shareholders' Rights

The Company considers timely communication to Shareholders and/or investors and transparent reporting as key components of good corporate governance. The Company aims to maintain frequent and timely communication with its Shareholders and/or investors through a variety of communication channels, including but not limited to general meetings, annual and interim reports and official announcements. General meetings provide a platform for Shareholders to exchange views with the Board and the Directors are available to answer questions at the Company's annual general meetings. Shareholders will be sent a copy of the annual and interim reports or be notified of the release of such reports. Annual and interim reports are accessible on the website of the Stock Exchange and the Company's website at www.jygrandmark.com, where general information on the Group's business and activities is available for public access. Official announcements will be released from time to time in accordance with the Listing Rules to update our Shareholders and/or investors with the latest developments of the Group.

Voting of general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on both the website of the Stock Exchange and the Company. Pursuant to Clause 58 of the Company's existing Articles, 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 having the right of voting at general meetings may deposit a written requisition (the "Written Requisition") to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Written Requisition. Such meeting shall be held with two months after the deposit of the Written Requisition. If within 21 days of such deposit, the Board fails to proceed 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.

Shareholders and investors are also welcome to submit any enquiries to the Board and suggestions or proposals at general meetings directly to the Company's principal place of business in Hong Kong as provided in the section headed "Corporate Information" in this annual report, or to the Company secretary of the Company by email at ir@jygrandmark.com.hk.

The Board also encourages Shareholders to attend general meetings to make enquiries with the Board directly.

Constitutional Documents

The Memorandum and Articles have been conditionally adopted on 13 November 2019 with effect from the Listing Date. During the period from the Listing Date to the date of this annual report, there has not been any change in the Memorandum and Articles.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control system and has the responsibility to review the effectiveness of the system. The Group's risk management and internal control system includes a clear organisational structure, defined lines of responsibility and segregation. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, also monitor the establishment and maintenances of appropriate and effective risk management and internal control system. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving business objectives, and they can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

1. **Establishment of a risk management system and structure:**

   During the year, the Group established the risk management system structure at the group level to guide the annual risk assessment work and ongoing risk monitoring activities through the following measures:

   ✔ **Establish a risk management organisational structure:** The Group has established a risk management organisational structure and divided the risk management responsibilities, setting out clear responsibilities of the management and respective department on risk management and the risk information reporting line and frequency. The major features of the risk management organisational structure include clear segregation of responsibilities and specific communication mechanism. The following table illustrates the roles of respective party in the risk management organisational structure:

Role	Major Responsibility
The Board (the highest decision-making party of the risk management structure)	• Evaluate and determine the nature and acceptable extent of risks to ensure that the strategic objectives can be achieved • Ensure the establishment and maintenance of the effective risk management and internal control system • Supervise the management in the designing, implementing and monitoring of the risk management and internal control system
The Audit Committee (the highest decision-making party of the risk management structure)	• Consider and formulate the risk management framework; identify, analyse, evaluate and determine the risks faced by the Group; systematically organise, mitigate and monitor risks to identify and handle the risks faced by the Group, including but not limited to strategic, financial, operational, legal and regulatory risks • Review and assess the effectiveness of the Group's risk management framework (including the risk management plan, risk management system and the internal audit function in relation to risk management) • Constantly monitor the scope of risk management system and the other providers of assurance • Monitor the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen and emergent outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition

Risk Management and Internal Control (continued)

Risk Management (continued)

1. **Establishment of a risk management system and structure: (continued)**

✔ **Establish a risk management organisational structure: (continued)**

Role	Major Responsibility
Senior Management (the risk management work leading team)	• Report any significant risk management issues to the Board and suggest solutions • Review policies and mechanism related to risk management of the Group on a regular basis • Supervise the implementation of risk management within the Group, review the evaluation report on risk management work and risk management assessment report regularly • Provide risk management advice for significant decision and review targeted measures proposed by the execution party of the risk management structure
Company Secretarial Department	• Responsible for reporting and disclosing significant risk information to the Audit Committee • Concurrently follow the disposal of significant risk emergencies, prepare a conclusion report and report to the Audit Committee • Deal with other affairs associated with risk management as authorized by the Board or the Audit Committee
Internal Audit Department	• Coordinate the commencement of risk identification and assessment work • Act as the risk management supervisory body, responsible for overseeing risk management works performed by the Group and the branches in different cities • Organize the preparation of regular risk assessment reports and present summary reports to the risk management work leading team • Organize and coordinate risk management trainings and guidance
The Group's headquarters/ Management of respective departments and the branches in different cities (the execution party of the risk management structure)	• Update the risk exposure list of operations on a regular basis, and conduct relevant works such as risk identification and evaluation • Formulate and implement risk response plan for operations • Monitor and control various risk exposures in operations, and report risk information to the risk management coordinator and the risk management work leading team in a timely manner

Risk Management and Internal Control (continued)

Risk Management (continued)

1. **Establishment of a risk management system and structure: (continued)**

✔ **Formulate the risk assessment criteria:** The Group establishes the risk assessment criteria according to the nature, business characteristics and strategic objectives of the Group and respective business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives are assessed using commonly recognised assessment methods and assessment criteria.

✔ **Determine the workflow for risk management work:** The Group has established the risk management procedures (please refer to Figure 1: Risk Management Procedures), with major steps including identification, assessment, investigation and response, supervision and improvement, so as to systematically manage, mitigate and control risk exposures. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possibilities and potential impacts of each specific risk, adopts specific measures in response to risk exposures identified, and constantly supervises and evaluates changes in risk exposure and adjusts the response measures in a timely manner.

Figure 1: Risk Management Procedures

✔ **Determine the frequency of risk management review:** The frequency of evaluation and report on risk management of the Group is determined (at least once for every year). The aforesaid key elements standardised the format and frequency of reporting through the Risk Management Manual of JY Grandmark Holdings Limited.

Risk Management and Internal Control (continued)

Risk Management (continued)

2. Risk evaluation conducted by the Group in 2019

During the year under review, the Group's management adopted a systematic approach to evaluate the nature and extent of the significant risks faced by the Group, as well as conducted an analysis on the significant risks faced by the Group and the existing control over the risks. The Group has identified the department that is responsible for addressing the risks, measures to be adopted and the solution for improvement, and has reported the assessment result and implementation of control measures to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and extent of significant risks on behalf of the Board, and completed the review of the risk management system and considered the risk management system effective and sufficient.

Internal Audit

The Company has independent audit functions in place, so the Group has formulated a 3-year internal audit plan in the earlier stage to review business segments with higher risks, to ensure the timely implementation of remedial measures. The Group has reported and updated the reviewed results to the Audit Committee.

Summary of the Review and Effectiveness on Risk Management and Internal Control Systems

During the year, the Board conducted a comprehensive review over the effectiveness of the risk management and internal control system of the Group through the Audit Committee. The scope of the review covered the Group and the major business segments, primarily focusing on review of controls over all major aspects, including financial control, operating control and compliance control. Accordingly, the Board is of the view that the Group has complied with the provisions on risk management and internal control as stipulated in the CG Code and considers the risk management and internal control systems effective and sufficient.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Group as required for accounting, financial reporting and internal audit functions as well as its staff training programs and budget and confirmed the adequacy of the same.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance Report (the "Report") of the Group, which is intended to give a true picture of the Group's performance of its environmental, social and governance ("ESG") responsibilities in 2019.

Reporting Scope

This Report covers the period from 1 January 2019 to 31 December 2019 (the "Year"). Unless otherwise stated, this Report mainly focused on the ESG management issues related to the business of property development, operation and management of JY Grandmark.

Reporting Guideline

This Report was compiled by the Group in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

SUSTAINABLE DEVELOPMENT GOVERNANCE

ESG Management Philosophy

The Group pursues sustainable development and is committed to its mission of developing eco-friendly and people-oriented properties as a constructor of modern cities, building sweet homes with attentiveness and ingenuity, making life more enjoyable with premium products, and filling each home we build with humanistic care beyond the industrial standards.

As a corporate citizen, we pursue morality as well as profits, and cherish our concern on the environmental and social interests while developing our business. We care about the natural environment as well as the career development of our employees, and spare no efforts in supporting public welfare and charity activities, striving to maintain the fair and healthy business environment and create long-term returns for our stakeholders, wishing to join hands with them to achieve mutual sustainable development.

The Board assumes the highest management functions of ESG work, and is responsible for supervising the revision and implementation of the Group's ESG strategies, so as to ensure the effective management of the ESG-related risks and efficient operation of our internal control system. It is also responsible for reviewing and officially signing our annual ESG report.

SUSTAINABLE DEVELOPMENT GOVERNANCE (continued)

Communication with Stakeholders

The Group attaches great value to the opinions of its stakeholders, and has established various channels and platforms for communication with them, as an effort to understand and respond to their expectations and suggestions in a timely manner, and use it as an basis to objectively consider the issues that need to be focused on and solved in the process of its sustainable development, aiming to strengthen the relationship and work together with them for mutual development.

Category of Stakeholders	Concerns and Expectations	Communications and Responses
Government and regulatory authorities	• Implementation of national policies • Compliance with the laws and regulations in the course of business • Project cooperation	• Operating by laws and regulations • Responding to relevant national policies • Accepting investigation and supervision • Boosting employment
Investors and shareholders	• Financial performance • Corporate transparency • Sustainable profitability	• Improving operating results • Daily information disclosure and results disclosure • Convening shareholders' meetings • Investor relations maintenance
Clients	• The quality of products and services • Stable relationship • Customer information protection • Responsible marketing	• Optimising the quality of products and services • Improving customer service system • Strengthening network security • Marketing by laws and regulations • Establishing customer communication mechanism
Staff	• Protection of employees' interests • Promoting employee development • Focus on employee safety and health • Listening to employees	• Optimising the compensation and welfare protection system • Optimising promotion mechanism • Establishing the health and safety management system • Establishing a multi-channel communication platform
Suppliers and partners	• Cooperation in good faith • Win-win cooperation • Fairness and justice	• Review and evaluation • Building a responsible supply chain • Entering into cooperation • Facilitating daily communication
Industrial associations and media	• Compliance with industry norms • Promoting industry innovation • Transparent and open information	• Participating in industry seminars and exchanges • Joining industrial organisations to promote industry innovation • Improving disclosure mechanism and optimising the public opinion feedback mechanism
Community	• Support of community charity • Caring for the poor	• Actively participating in social charity activities • Targeted poverty alleviation

SUSTAINABLE DEVELOPMENT GOVERNANCE (continued)

Materiality Assessment

In order to better understand the opinions and expectations of the stakeholders on its sustainable development, the Group hired a third-party professional consultant to lead the annual materiality assessment in 2019, with the specific steps as follows:

Determine the list of ESG issues

- Based on the Group's existing business and industry specifics, determine the material issues applicable to the Group in accordance with the ESG Reporting Guide of the Stock Exchange;
- The list covers a total of 25 topics with high relevance to the Group's business development and stakeholders' concerns in 4 categories i.e. "employment and labor practices", "operational practices", "environmental protection" and "social investment".

Stakeholder survey

- Use the topics in the list as the basis of the stakeholder survey, design an online questionnaire and invite the stakeholders to evaluate the importance of the issues, and explain their views and expectations on the Group's performance in respect of sustainable development through open-ended questions;
- More than 100 stakeholders were invited to take the survey, which covered 8 categories of stakeholders, i.e. directors/executives of the Group, internal employees, property owners, suppliers, investors, industrial organizations/industrial associations, government authorities and cooperative media.

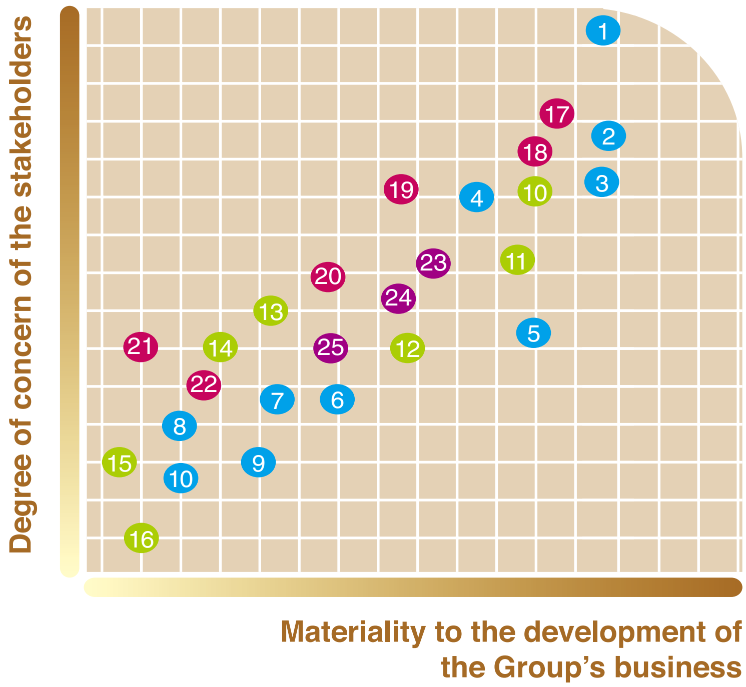
Analysis of materiality issues

- Evaluate the importance of the 25 issues through analysis of the questionnaire;
- Review the opinions of stakeholders and the results of materiality assessment, discuss with the management and determine the focus of disclosure, as well as the key points for improving our performance in respect of sustainable development in the future.

SUSTAINABLE DEVELOPMENT GOVERNANCE (continued)

Materiality Assessment (continued)

The following is the results of the materiality assessment for 2019:



SUSTAINABLE DEVELOPMENT GOVERNANCE (continued)

Materiality Assessment (continued)

Operating practices

1 Product quality and health
2 Customer service and satisfaction
3 Anti-corruption and probity training
4 Compliant and sound operation
5 Responsible marketing
6 Customer information security
7 Procurement management
8 Intellectual property protection
9 Supply chain environmental and social risk management

Environment protection

10 Rational development and ecological protection
11 Green building
12 Improving water efficiency
13 Green operation
14 Energy conservation and emission reduction
15 Tackling climate change
16 Construction waste management

Employment and labour practices

17 Occupational health and safety
18 Recruitment and team building
19 Staff training and development opportunities
20 Employee rights protection
21 Equal participation and diversity
22 Employee compensation and benefits

Social investment

23 Social welfare
24 Powering Urban Renewal
25 Promoting local economic development

Based on the results of the materiality assessment for the Year, we will disclose more about the Group's progress in the relevant areas in this Report, and use it as an important basis for the next year's ESG planning. Meanwhile, we will consolidate and improve the mechanism of communication with our stakeholders, so as to understand their opinions and suggestions on the Group's ESG work in a timely manner, wishing to continuously improve our performance in the management and work of relevant areas.

ECOLOGICAL HUMANITY, QUALITY PRIORITY

In 2019, the Group was in strict compliance with the applicable product quality laws and regulations, adhered to its ingenuity, concentrated on product research and development, implemented strategies of premium products, and strove to improve the customers' experience of its products and services from multiple perspectives. In the process of project development and operation, the Group integrated the concept of "ecological humanity" with elements of the time such as aesthetics, sharing, social networking, intelligence, and eco-friendliness etc., aiming to help its customers discover the "beauty of life" from the aspects of lifestyle experience and satisfaction of spiritual needs and add more value to its products.

Practice of "Eco-friendly and People-oriented Property"

As an ecological humanity-oriented real estate developer, the Group advocates the standards of green communities, and focuses on enhancing the features of ecological interaction and humanistic experience of its products from different perspectives ranging from project site selection to product crafting, aiming to bring the beauty of life to its customers with premium eco-friendly human settlement projects.

In terms of project site selection, the Group makes abundant ecological resources and cultural heritage its criteria for land acquisition and reservation, so that each of its projects has the "natural genes" of an ecological settlement; in terms of product creation, the Group introduced an "E-energy System" featuring green ecology, aesthetic life, environmentally friendly technology, ingenuity and intelligence, aiming to create a whole-new living experience from various aspects i.e. community, products and services.

Creating a green living style with the "E-energy System"

Green ecology

We place great emphasis on the relationship between the living space and the environment, aiming to spark favorable interaction between our projects and the city, land, and local culture. We plan and design our products according to the terrain and landscape features, and introduce original ecological elements such as mountains, forests, lakes, seas, and green lands into the landscape systems of our communities and products so as to form a unique ecological landscape.

We emphasise the interaction between space and nature. For example, we aim to create an aesthetically charming interactive garden, with facilities featuring return to the natural life installed, as well as an open space for light and wind and natural landscapes, aiming to create an ecological "micro-climate" for home.

Aesthetic life

We integrate environmental aesthetics, architectural aesthetics, and life aesthetics into the construction of residential communities, aiming to create an enjoyable multi-dimensional life experience in terms of living, space, and services based on the needs of living and perception of beauty of the people in each place, so that the property owners can have resonance with the nature, city and humanity, and feel the beauty of life.

Environmentally friendly and intelligent lifestyle

During the development process, the Group sources environmentally friendly materials locally so as to reduce the consumption of nature; we use novel environmentally friendly materials and technical processes to improve the features of energy saving, safety, durability and adaptability of our products, and strive to make integrated furnishings and intelligent systems a standard configuration of our products, aiming to reduce the energy consumption of the community, improve the recycling of resources, achieve both outstanding quality and environmental friendliness, and create a sustainable and intelligent residential community.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Practice of "Eco-friendly and People-oriented Property" (continued)

Product showcase – JY Gaoligong Town

Located in Tengchong, Yunnan, our JY Gaoligong Town benefits from the grand landscape for inspiration of creativity, and takes the harmony of architecture, space, and product aesthetics to transform the traditional Chinese living culture into a new interpretation, constructing a Chinese style aesthetic appeal in the courtyard with blue tiles and stone and glass curtain wall.

JY Gaoligong Town's spatial aesthetics was recognised by international awards

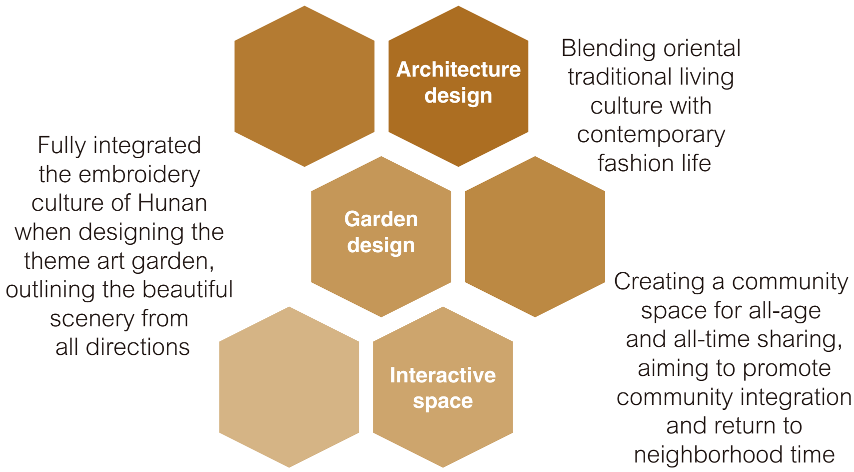
- "Outstanding Design Award" of APDC Asia Pacific Design Award
- Finalists of the UK SBID International Design Award
- "The Most Influential Work of the Year" at the 2018-2019 China Design Brand Conference
- "2018 Yang Meng Quality Project" granted by Guangzhou City Space Design Association and Yangcheng Design Alliance

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Practice of "Eco-friendly and People-oriented Property" (continued)

Product showcase – JY Mountain Lake Gulf

The essence of real estate development is the development of lifestyles. JY Mountain Lake Gulf, our first project in Zhuzhou, fully integrated the humanistic features and cultural heritage of the place where the project is located during the process of planning, aiming to build a human settlement for this city.



Construction Quality

Improving standardised quality management

In implementing its strategy of high-quality ecological and humanistic products, the Group adhered to its commitment to quality and put it on top priority while accelerating the construction of its standardised management system for project quality. The Group built up a quality management system under the guidance of the "Project Management Manual" in accordance with the laws, regulations and industry standards with its own realistic circumstances taken into consideration, aiming to guide the key points of control in the construction process and ensure the standardised operation of processes.

In the execution of projects, the Group implements a modeling guide system, i.e. before large-scale construction, a model is built and tested to ensure quality and efficient implementation, and actual measurement is performed, covering civil engineering, landscape greening, water and electricity supply, fine decoration and aluminum windows, aiming to better control the project quality with actual data.

The Group has established and implemented a multi-level inspection mechanism, and exercised strict management of project quality as well as the entire process of safe and environmentally friendly construction through the five levels of inspection, i.e. inspection by the Group, monthly inspection, self-inspection by the project managers, inspection by supervisors, and self-inspection by construction companies. The Group will order rectification of the problems found during inspections within a certain time limit, and follow up to ensure the effective implementation of the rectification plan, ensure closed-loop management of the problems, and eliminate hidden threats to the quality of the project.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Construction Quality (continued)

Improving standardised quality management (continued)

During the inspection of the construction process, the Group exercises strict control over the construction standards through repeated inspections, i.e. triple inspection by the construction unit, inspection by the supervision company, inspection by the engineering department, and then the preliminary inspection, re-inspection and household-by-household inspection by the property managers after the properties are delivered, upon completion of which the Group will take prompt and proper actions to deal with the problems spotted, in an effort to reward the customers with high-quality products and services.

The Group attaches great weight to quality-related training and publication and implementation of the relevant rules, aiming to ensure that its employees have a clear understanding of the quality management standards and be well acquainted with the standardized management practices.

Intelligent upgrade – improving management efficiency

The Group has increased its investments in the upgrade of intelligent project management, aiming to exercise real-time tracking of the project movements with the introduction of intelligent means, maintain strict control over the construction quality, improve the overall project management expertise, and promote the standardised construction management, so as to achieve standardised project management. Meanwhile, the Group conducts online analysis and management of the project data, and set up a database of technical indicators and challenging cases, aiming to facilitate the accumulation of work achievements and conversion of such achievements into the knowhow of the Company.

Smartphone App for quality inspection: project staff can check the project quality status and progress of problem rectification at any time with their mobile phones to ensure that all information is available and transparent for effective risk control; meanwhile, the multi-level inspection mechanism will be integrated in the smartphone App to ensure implementation of the five-level check.

Smartphone App for home inspection: this application optimises the tedious traditional home inspection process, assists the user in timely discovery of quality problems, and conducts online analysis of problems and data, while ensuring the effectiveness of inspection and rectification, so as to reduce quality risks.

Strengthening management of construction contractors

Speaking of quality, the capacity of the construction unit is crucial. The Group attaches great importance to the selection and assessment of construction contractors, during which it will work with relevant departments to conduct assessment on construction contractors from a number of perspectives such as quality and progress, and carry out monthly, quarterly and annual grading assessments during subsequent period of cooperation.

Meanwhile, the Group will actively discuss with the construction contractors on the improvement of construction quality. At the beginning of 2019, the Group's Engineering Centre invited the CEOs of more than a hundred partners to participate in its annual engineering conference to discuss how to inherit the spirit of craftsman and improve product quality, while complimenting outstanding partners.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Construction Quality (continued)

Example: Assessment on individuals to ensure the accuracy of "manual work"

Building brick by brick with heart by our construction workers leads to the outstanding quality of our final products.

In order to ensure the quality of our construction workers' manual work, the Group has formulated detailed operating standards, which sets forth strict requirements for the per capita project management area and per capita construction area, contributing to a staffing ratio higher than the industry level; in addition, the Group conducts regular evaluations on the qualifications, certificates and measurements of the "manual work" of its construction workers, aiming to keep the best and eliminate the worst, and find high-caliber candidates for each position of the project and ensure that every project delivers the finest masterpiece.

Safe and environmentally friendly construction

While fully devoted to the shaping of high-quality products, the Group continued to improve its safety management mechanism under the guidance of the "Management Methods for Safe and Environmentally Friendly Construction" while gradually improving its safety management capabilities and strictly exercising the supervision and inspection procedures to prevent production safety risks and safety accidents. During the reporting period, the Group did not incur any incidents involving work-related employee injury.

Safety and environmentally friendly management measures adopted by the Group in 2019 include:

- Encouraging all its projects and units to actively build standardised model sites, and carry out safe and environmentally friendly construction on site according to the standards of the model sites;

- The engineering department of each project shall organise safe and environmentally friendly construction inspections twice a month to eliminate potential safety hazards in a timely manner;

- The new contractors shall be clearly informed of the requirements for safe and environmentally friendly construction when the contract was finalised. In addition, in order to ensure the responsibility for safe and environmentally friendly construction, the relevant persons in charge from the new contractors must pass the interview of the Group before they can start work;

- Ensuring system of responsibility for production safety being implemented in the construction companies, supervising the safety handover, safety education and safety training in the construction companies and supervision companies, and improving the safety awareness of the construction workers;

- Ensuring system of responsibility for production safety being implemented in the supervision companies with supervision management code of conduct adopted. For critical positions and processes with great safety risks, close supervision is required;

- The Group's Engineering Centre will supervise and conduct random checks and hold the violating companies and individuals responsible for the consequences.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Construction Quality (continued)

Case: Zhuzhou JY Mountain Lake Gulf at the Project Quality and Safety and Civilization Standardisation Exhibition

In 2019, JY Mountain Lake Gulf became the first project in Zhuzhou to receive the inspection by the expert group of the "Tien-yow Jeme Civil Engineering Prize – Gold Prize for Outstanding Residential Complex". The construction project Phase I of JY Mountain Lake Gulf also participated in the Project Quality and Safety and Civilization Standardisation Exhibition co-sponsored by the Zhuzhou Housing and Urban-Rural Development Bureau, Zhuzhou Construction Engineering Quality and Safety Supervision Station and Zhuzhou Construction Industry Association. At the exhibition, we fully demonstrated our achievements in standardisation, industrialisation and informationisation in project quality management, the application of new technologies and processes in project construction, the standardisation of safe and environmentally friendly construction, and the innovative application of green construction methods, which met with overwhelming compliments from the visitors.

During the exhibition, several drones hovered over the construction site monitoring whether the construction personnel have correctly put on safety equipment as well as their positions so as to ensure their safety. The drones also photographed the construction sites continuously for identification of the status and progress of construction.

Safe construction practices were seen everywhere during the exhibition, with pre-work education briefing sessions and video and audio broadcasting stations set up on-site to remind our staff of safety precautions. According to the introduction, our project managers hold morning meetings on graded safety everyday to ensure safe handover. A safety experience zone had also been set up, where the visitors could see in person the real common danger sources, behaviors and types of accidents happening on the construction site, in an effort to improve their awareness of safety and self-protection, and help them avoid accidents.

Customer Service

As a main component of our customer service system, the Group's property and hotel business actively improves its service management expertise under the strategic guidance of the Group as a "360° Property and Life Service Provider", aiming to provide our customers with a full range of high-quality services and improve their satisfaction..

Property management

Under the service concept known as "focusing on each degree of life", i.e. "think what our customers think, understand what they need, consider what they are concerned, and take action ahead of them", the Group's property management staff are committed to providing our customers with professional, delicate and personalized services.

Focusing on the 4 quality management bases, i.e. customer service, engineering, community environment, and safety, the Group continued to advance the establishment of its regulatory systems and service standards while strengthening quality inspections to boost the standardised management and quality improvement of our projects. In 2019, the Group's Property Management Center strictly followed the "Quality Inspection Standard for Normal Property Projects" and completed two comprehensive inspections of the projects under their management, exercising effective supervision on the management and service quality by means of data examination, site investigation, field verification, inquiry, and customer satisfaction survey.

Security is one of the core subjects of property management. Our property management teams regularly check for potential safety hazards to ensure 100% effective rectification of issues involving safe production within prescribed time. Meanwhile, we make remarkable efforts to improve the safety awareness of our staff and customers in an attempt to achieve zero hidden dangers, zero accidents and zero theft.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Customer Service (continued)

Property management (continued)

The Group values the opinions of its customers, and has established 24-hour service hotlines, together with the reception desks in the property service centres and its Wechat public account, to handle the complaints and suggestions of its customers. The complaint handler must communicate with the customer within 20 minutes after receiving his/her complaint, and relay the details of the complaint to relevant responsible department. The responsible department should process the complaint immediately upon receipt of it, and inform the customer of the results within 24 hours and ensure that the problem is resolved. The property service centre regularly summarises and comprehensively analyses those complaints, and uses it as a benchmark to improve the property and service quality.

Our property management centres think what our customers are thinking and put the concept of intelligence and innovation into practice, integrating functions such as smart property services and smart infrastructure equipment services into our Mingyuan Cloud Property Platform, aiming to help them foster a sustainable community life with their round-the-clock one-stop community service.

Case: Management Reception Day 2019

In order to ensure that our staff in the property service centres establish a strong tie with the property owners and solve their problems in a timely manner and thus reduce the backlog of problems and improve the quality of our property management service, in 2019, the Group's property centre organized a total of 13 sessions of Management Reception Day activities and received more than 200 people. Through the Management Reception Day activities, our property management centres have gradually adjusted the focus of their work according to the needs of the property owners, and have been able to provide satisfactory services to them.

Property owners' activities

In order to foster a happy festive atmosphere for our property owners, let them feel our care, and improve their satisfaction, our property management centres have organised various kinds of festival activities, including the Spring Festival, Lantern Festival, Women's Day, etc., presenting them with our heartfelt holiday wishes.

JY Lychee Town owners celebrating the Spring Festival

Celebrating the Lantern Festival – Community cultural activities in JY Clearwater Bay No. 3

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Customer Service (continued)

Property owners' activities (continued)

In addition, our property management centres organised community-based cultural activities for the owners which integrate features of different cultures, aiming to make their leisure life more enjoyable, and promote interaction between neighbors, enabling the owners to experience the local culture.

JY Lychee Town owners' Fruit-picking Festival in July 2019

The first "Coconut Picking" community cultural event in April 2019

Hotel management

The Group's hotel is managed on the basis of standardisation, continuously optimises the service process, increases service efficiency, improves service details and effectively consolidates service quality, contributes to bring highly efficient, considerate, comfortable and pleasant living experience for all guests.

Service quality management: the Group's hotel collects customer living comments from various channels, analyses negative comments in a timely manner, and formulates and implements rectification measures; at the same time, customer living comments are comprehensively analysed, the result of which will serve as guidance for hotel to improve its services.

Complaint handling: the Group's hotel listens to customer views with an open mind. The hotel has formulated a standardised handling process for customer complaint which stimulates that a solution for the customer complaints should be proposed in a timely manner. The Group's hotel would arrange feedback investigation on customer compliant, if necessary, to ensure the complaints are appropriately resolved.

ECOLOGICAL HUMANITY, QUALITY PRIORITY (continued)

Customer Service (continued)

Information protection

In order to protect the customer privacy and information effectively, the Group has implemented systematic requirements for customer information management, and forbids any leakage of customer information.

The Group adopts an informationised system for sales management, separates the authority and responsibility for those who use such system, carries out strict access authorisation for customer information in the online system and the access should be reviewed and approved by relevant leaders. If it is found that the customer information is applied and used willfully, severe penalties will be imposed depending on the effect.

In respect of the leakage and utilization of customer information for personal benefits, the person involved will be fired once verified. For the circumstance that the leakage of customer information is not for personal benefits but only for the reason of inadvertent error, and there is no adverse consequences occurred, the person involved will receive a serious demerit and should not participate in the outstanding employees selection for this year.

Marketing compliance

In 2019, the Group further deepened the establishment of a marketing standardisation system and strengthened the marketing compliance management measures. The Group has introduced a total of 12 sales management systems throughout the year, and explained and trained the relevant systems to persons liable for each project's marketing and after-sales, so as to regulate the daily marketing compliance practice. After training, the Group will participate in the operation of each project and inspect the implementation upon completion, ensuring the fulfillment of marketing compliance.

HUMAN ORIENTED, GROW TOGETHER

The Group considers talents as valuable resources for its sustainable development. In accordance with the relevant laws and regulations on labor employment, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Group strengthens its construction of internal human resources management system, effectively protects the legal rights and interests of employees, build a career development platform, and creates an equality, mutual trust, collaboration and accommodating work environment, commits to achieving mutual growth of employees and the Group.

Employee Recruitment

The Group strictly abides by relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), establishes a standardised and efficient recruitment and employment system, upholding to the principles of fairness, equality, and openness. The Group attracts outstanding talents to join in through the combination of various channels including on-campus recruitment and social recruitment, for the purpose of satisfying the human resources demands of the Group for rapid development.

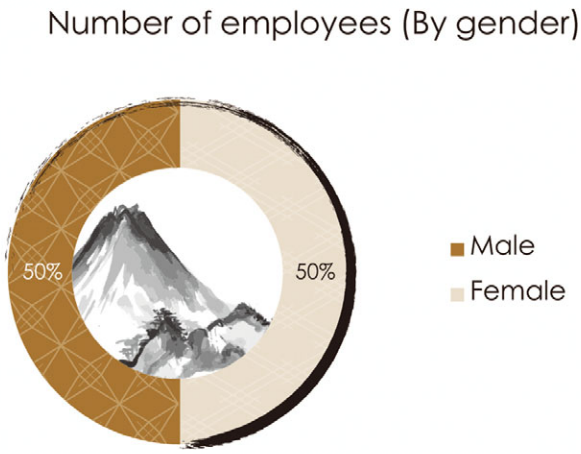
HUMAN ORIENTED, GROW TOGETHER (continued)

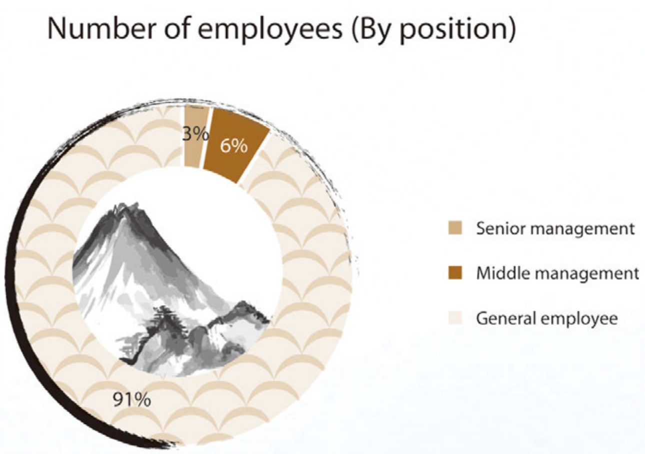
Employee Recruitment (continued)

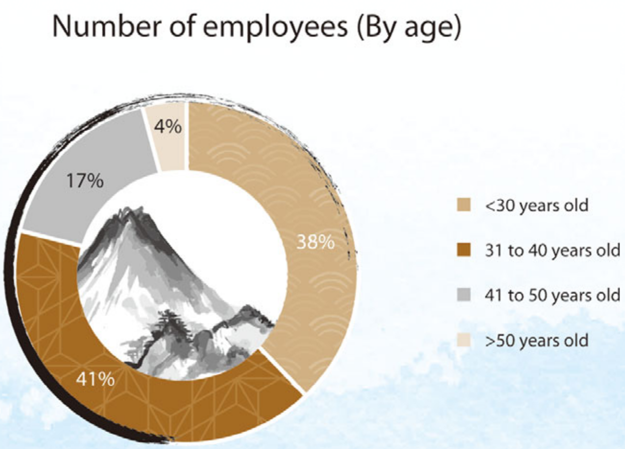
The Group introduces outstanding talents through various channels including on-campus recruitment and social recruitment. At the same time, we actively recruit experienced employees through the cooperation with major recruitment sites, engagement of head hunters, and internal recommendations to strengthen the Group's talent team.

The on-campus recruitment activity of "Creation Camp" (星曜創造營) was initiated at the end of 2019

As at 31 December 2019, the Group had 948 employees and the details of which are as follows:







HUMAN ORIENTED, GROW TOGETHER (continued)

Performance Management and Promotion

The Group has formulated and implemented the Administrative Measures for Employee Performance (《員工績效管理辦法》). Upholding the principles of objectivity, openness and fairness, the Group achieves a comprehensive evaluation of employee performance through a combination of three indicators: post key performance indicators, monthly major tasks, and daily work. The evaluation results will serve as an important basis for bonus payment and promotion. The Group emphasises performance process management, focuses on the daily guidance of supervisors for employees and helps employees to improve their personal capabilities, targeting to achieve the synergetic development of individuals and enterprises.

The Company formulates overall strategic objective at the beginning of the year and implements the operation requirements in form of corporate and department task indicators in top-down approach. The fulfillment of annual task indicators of companies at all levels, and the completion of individual monthly work plans and performance throughout the year are reviewed and checked by the Group regularly and continuously. The annual performance of the company and employees is evaluated objectively, and the evaluation results would be applied on year-end bonus payment, targeting to continuously motivate employees and promote the mutual development of employees and the enterprise. The normalised implementation is primarily reflected in the enforcement of the monthly performance evaluation of employees and the quarterly evaluation of corporate indicators, and the evaluation results are tracked in real time to promote the completion of the overall evaluation.

The Group commits to broadening and optimising employee's occupational development channel, establishes a sound occupational promotion channel and evaluation standard to improve the deployment of internal talents and motivate employees to perform to their full potential.

Focusing on cultivating talents in key positions, it was a major task to build a three level key talent echelon project with management trainee, middle elite management talent, and senior management personnel in 2019, which would be implemented hierarchically and gradually.

Remuneration and Benefit

Based on different positions and business segments, the Group designs corresponding remuneration policies and structures to ensure the salary setting of employees in a scientific and standardised way, targeting to attract and inspire outstanding talents, and promote employees to continuously improve their work performance and stabilise talent team. In addition to the statutory "five social insurances and one housing fund" and paid vacations, the Group has formulated humanised welfare programs, such as annual free health checkups, organisation of group travel activities, and holiday gifts, etc., committing to improving employee's sense of happiness and belonging.

In order to further review and improve the position and title system and salary standards, the Group participated in an industry salary survey in 2019, and updated the salary standards for key positions in real estate industry according to market salary levels. In the annual employee salary adjustment work in July, the human resources department adjusted the salary of the employees on job based on the updated salary standard, combined with the current salary level and the individual performance of the employees; in the fourth quarter, the Group improved employee benefits standards with reference of the general practices in the industry; enhanced employees' sense of belongings and team stability through continuous optimisation of salaries and benefits and recognising their contributions.

HUMAN ORIENTED, GROW TOGETHER (continued)

Employee Training

The Group is deeply convinced that the cultivation of talents is essential to the corporate sustainable development, and the training of employees follows the principles of practicality, systematisation, effectiveness and efficiency. According to the characteristics of business and positions, the Group has adopted a combination approach of internal training and expatriates cultivation. The Group has established a set of targeted and professional talent training mechanism, of which includes four types of training, covering professional positions, occupational quality, management and leadership, and systems and corporate culture to promote the enhancement of staff capabilities and technical expertise, fully safeguarding and promoting the realization of the Group's strategic goals.

The Group has established the post of position coach to promote the corporate internal experience sharing and internal staff training. In addition to preparing training plans and cases, the position coach also provides pre-job counseling for new employees and lets them learn job responsibilities, skills, and office etiquettes, promoting new employees to join in the team more quickly; at the same time, position coach provides on-the-job counseling and responses work issues raised by employees timely, supervises employees and shares work experience, as well as improves team efficiency.

This year's key training programs include:

New employee training

The Group's new employee induction course covers corporate brand culture; basic rules and regulations, employee code of conduct, anti-corruption and integrity, etc., to explain the best way for new employees to quickly adapt to the working environment, transform occupational roles, and better integrate into the corporate culture atmosphere. The Group organised five training sessions for new employees in 2019, with a total of 153 employees trained on particular project.

Management training

In 2019, the human resources and administration center organised training sessions for middle and senior management personnel on the topic of management, to enhance the strategic awareness and strengthen operation awareness of management personnel, resolving the contradictions of "quality, cost, and progress" from the perspective of operation. Meanwhile, it emphasised breaking departmental barriers to promote synergic cooperation among different departments.

In 2019, the major training programs for middle and senior management personnel are as follows:

- On 18 May and 19 May, a total of 55 middle and senior management personnel participated in a two day's intensive training and comprehensively improved the strategic awareness and enhanced the operational and administrative awareness;

- On 7 September, 50 middle and senior management personnel participated in the Human Resource Training for Non-human resource Management (《非人力資源管理的人力資源培訓》);

- On 28 March and 11 July, a total of 62 grass-roots management personnel participated in MTP management skill development training. They achieved the training goal of "understand and act in accord" in the field exercises and after-class practical operations, and successfully transferred the training course into work practice.

HUMAN ORIENTED, GROW TOGETHER (continued)

Employee Training (continued)

Management training (continued)

To ensure the quality of training, the Group conducts training assessments, collects the opinions and advices from trainees, fully implements the effectiveness of training work, and establishes the direction for the next step to improve training planning and course design.

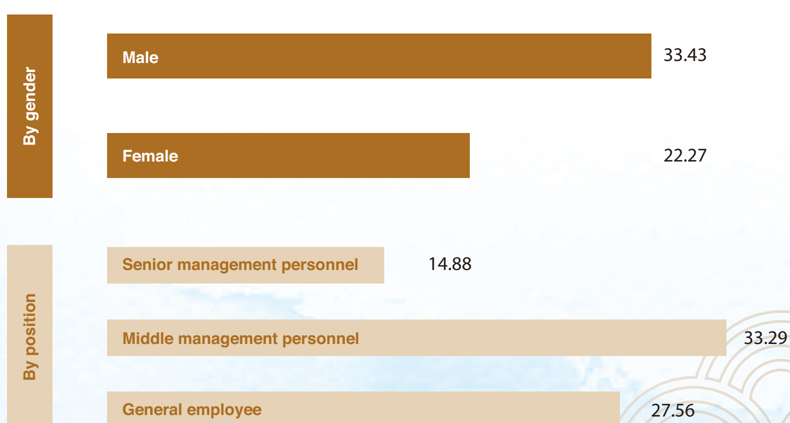
Online simulation for "winner-takes-all" business model in real estate industry

Case: training on marketing capability improvement and "platinum butler" (白金管家) service improvement

In order to support the business development of the Group and assist a project at the time of releasing of quotation, the Group conducted marketing capability improvement and "platinum butler" service improvement training, with courses including basic project knowledge, high-quality service etiquette and skills, communication skills, sales skills, customer experience and product value. The training was held in Zhuzhou, Qingyuan, Hot Spring Villas, and Zhaoqing with 169 training hours and 199 participants.

In 2019, our training has covered all employees with a total of 26,400.5 training hours, reaching the target of annual training hours. Average training hours are shown in the following chart:

Average training data of the Group's employees (unit: hour/year)



HUMAN ORIENTED, GROW TOGETHER (continued)

Health and Safety

The physical and mental health of employees is of great significance to the stable operation of the Group. Through conducting activities each week, such as badminton and basketball, the Group actively advocates and practices the concept of happy work and healthy life to employees. In 2019, the Group organised 9 times of cultivation activities. The Group's senior management participated in various employees' interesting outward-bound activities, which not only strengthened the team's cohesion and centripetal force, but also strengthened the physical and mental health of employees. In addition, the Group arranges employees to take health checks regularly and organises courses on Chinese medicine to help employees comprehend medical knowledge and how to deal with occupational diseases on neck, shoulder and lumbar in the office.

Upholding to the policy of "Safety First, Precaution Crucial", the Group pledges full compliance with all applicable occupational health and safety legislation, attaches great importance to the safety education and technical training of employees; for positions with higher risks, a safety training assessment must be passed before work; and strengthens practical training on the basis of theoretical knowledge. For example, daily armed patrols, fire drills, and emergency response drills are organised to ensure the safety of employees' operations and enhance their safety awareness and capabilities.

Employee cultivation activities

HUMAN ORIENTED, GROW TOGETHER (continued)

Employee Care

The Group organises a variety of employee activities regularly, to care our employees in various ways, and share corporate culture in this regards, increases employees' commitment and sense of belonging and loyalty to the Company. For example, the Group holds seasonal and special events at Women's Day, Father's Day, Mother's Day and Children's Day to advocate respect and care to women, family, and children; organises activities in the Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival to enable employees to enjoy the festive atmosphere and deeply understand of Chinese traditional culture. In 2019, the Group organised the "Together" campaign to support all staff to conduct marketing, and motivated employees to work hard by planning activities such as warm breakfasts, warmth consolation activities, theme pledging ceremony, and awards presentation ceremony.

Case: Women's Day flower salon on 8 March 2019

The Women's Day flower salon activity was held at the meeting room of 1st floor of the Group's headquarters by the Group's human resources and administration department, with 32 employees attended and refreshment and cookies prepared on site, as well as florists engaged to teach flower arrangement and succulents plantation, which could be selected by employees according to their own preferences.

Case: Birthday gifts for employees whose birthdays were in the first quarter of the year on 29 March 2019

Each of the total 22 employees whose birthdays were in the first quarter of the year received exquisite gift prepared by the Group's human resources and administration department.

HUMAN ORIENTED, GROW TOGETHER (continued)

Employee Care (continued)

Case: Jingyue affectionate Mid-Autumn Festival party (景月情濃中秋) on 11 September 2019

The "Jingyue affectionate Mid-Autumn Festival party" was held at the meeting room of 1st floor of the Group's headquarters by the Group's human resources and administration department, with around 60 employees participating in the lantern riddle challenge and enjoyed refreshment and fruits prepared for them.

Employees' rights and interests and equal participation

The Group strictly complies with the provisions of national laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), regulates employment action in accordance with the law, prohibits any form of forced labor and child labor, treats every employee with respect and equality, and effectively protects the legal rights and interests of employees.

The Group clearly stipulates human resources management policies in its employee handbooks and regularly advocates that to its employees. We pay attention to the voices of our employees and are committed to creating a harmonious working environment; ensuring that each employee has equal opportunities of growth and will not be discriminated on the ground of gender, age, race, belief, nationality and marriage status. The Group expressly forbids any form of discrimination.

WIN-WIN COOPERATION WITH PARTNERS

The Group formulated related management measures such as "Management Code for Suppliers" (《供應商管理規範》) and "Management System for Material Suppliers" (《材料供應商管理制度》) strictly in compliance with laws and regulations such as Tender Law of the People's Republic of China (《中華人民共和國招投標法》) and the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》), and improved the supplier management mechanism to prevent supply chain risk, strived to establish a cooperative relationship characterised by mutual benefit and trust and promote the sustainable development of the supply chain.

In 2019, the Group has a total of 348 suppliers, of which 230 have signed the "Integrity Agreement" (《廉潔協議書》), and a total of 5 suppliers have been implemented the related environmental and social policies.

Number of suppliers by location		
Indicator		**Number of suppliers**
Number of suppliers	Southern China	324
	Central China	3
	Southwestern China	15
	Eastern China	6

Supplier Acceptance

The Group actively carries out suppliers sourcing activities, conducts background check and qualification investigation on candidate suppliers, and ensures that its quality, price, and service meet the criteria of the Group. Under the same qualifications, we prefer to select local suppliers for the purpose of reducing the environmental impact during the transportation of goods and promoting the economic development of the place where our business is operated.

During the acceptance phase, the Group conducts a comprehensive assessment on the supplier in a number of aspects, such as qualification certificates, operation compliances, legal person qualification, and commercial credit to ensure that the selected supplier has a performance capability matching the Group's quality standards. In addition, the Group also pays attention to the supplier's management in terms of environment and labor rights. Depending on the relevance of environmental and labor rights issues to suppliers, additional assessments or information requirements are required for suppliers on specific issues to prevent the environmental and social risks in supply chain and ensure a stable supply chain.

Performance Evaluations on Suppliers

Each regional company of the Group conducts performance evaluations singly, annually and bi-annually.

The Group strictly implements supplier evaluation and assessment mechanisms regularly to ensure the quality of the goods rendered.

- ✔ Quarterly assessment: each regional company must enforce performance assessments efficiently, take biennial assessments on strategic partners, annual assessments on long-term cooperative and qualified suppliers, and single performance assessments on single cooperation suppliers, that is, the evaluation is completed within one month after the end of cooperation.

- ✔ Comprehensive evaluation on performance: the Group conducts a comprehensive evaluation on the cooperative suppliers from various aspects, such as technology, quality, service and management standards. Based on the evaluation results, the suppliers are categorized into four levels: A, B, C, and D, and suppliers are strictly managed by level, of which, the outstanding supplier will be awarded for the purpose of promoting them to improve their performance actively.

WIN-WIN COOPERATION WITH PARTNERS (continued)

Prevention of Supply Chain Corruption

The Group treats each partner with respect and responsibility. In order to regulate commercial cooperation on bidding, procurement, etc., supplier selection and acceptance must comply with the Group's "Integrity Policy" (《廉政制度》). Anyone who breaches the "Integrity Policy" during the selection process would be punished according to the policy and also recorded into the black list, excluded forever.

Furthermore, suppliers are encouraged by the Group to report suspected corruption activities anonymously via hotline and email, and the Group promises to undertake the investigation by independent full-time staff, as well as advocates preserving a fair and open procurement environment among suppliers and averting potential corruption or fraud in the supply chain.

STAYING HONEST AND TRUSTWORTHY FOR HEALTHY AND SUSTAINABLE DEVELOPMENT

The Group is committed to upholding the highest standards of ethics and integrity, and strictly complying with relevant anti-corruption laws and regulations. It has established and implemented the "Integrity Policy", delineated the red line of disciplinary violations, and formulated the penalty rules for disciplinary violations to strengthen the Group's effort to fight against corruption and promote integration.

The Group has designated the head of each unit as the first person responsible for integrity of the unit, who is in charge of managing the potential integrity risk of the unit and supervising and educating the employees of the unit to behave honestly. In order to continuously improve the anti-corruption management system, each unit of subsidiaries of the Group has established an integrity supervision working group, with the head of the manpower administration department as the team leader, and the staff of the administrative and legal departments as the team members, to consistently promote the implementation of anti-corruption work within its unit, and assist the audit and supervision departments of the Group to complete the investigation, supervision and assessment.

The Group has set up mailbox, hotline and other channels for making complaints and whistle-blowing about integrity, and proactively accepted the joint supervision of internal and external stakeholders such as employees, customers and suppliers. After receiving the whistle-blowing, the Audit and Supervision Department of the Group will deal with it as soon as possible and contact the whistle-blower to feed back the investigation results within 48 hours after receiving the whistle-blowing, strictly keep the whistle-blower confidential, and subsequently report the relevant issue to the board of directors of the Group.

For the case of disciplinary violation verified to be true, the relevant person will be given administrative or economic punishment and the relevant notice will be issued; if it constitutes a major issue which violates the law, the relevant person will be transferred to the judicial organ for investigation and judgment, and the verdicts will be circulated. For the units and individuals who make outstanding contributions in the timely discovery, prohibition and rectification of disciplinary violations, the Group will give commendations and rewards to them.

The Group attaches great importance to anti-corruption training and education, and is committed to creating a culture of honest duty performance. For example, in the induction training of new employees, an explanation on the theme of integrity will be added to regulate the behaviours of its employees and create an atmosphere of honest duty performance. In 2019, the Group held 11 training sessions with an aggregate of 374 training hours. In 2019, the Group did not have any corruption lawsuits adjudged against the Group or its employees.

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION

The Group is in strict compliance with the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). It has formulated and implemented the internal environmental management system to ensure the compliance of environmental management in all aspects of business operation. As an advocate of ecological and humanistic real estate, the Group puts into practice the concepts of ecological priority, green development, environmental protection and energy saving and ecological civilization in the construction of residential areas, and promotes the transformation and upgrading of lifestyle and way of living, as well as the harmonious development between people and nature. There is no violation of environmental laws and regulations during the reporting period.

Green Buildings and Construction

Environmental management of construction projects

In order to effectively manage the construction site environment of development projects, the Group has strictly complied with the environmental protection requirements of laws, regulations and contracts, formulated and implemented the management measures and standardised atlases for safe and civilized construction, clearly implemented the division of responsibilities for environmental management between the Group and its general contractors, and strengthened the supervision and management of projects, so as to ensure that the management measures for safe and civilized construction are strictly implemented and the negative impact of project construction on natural environment is minimised.

The environmental management measures for the construction sites of the Group are as follows:

- Dust reduction: harden the road surface of construction sites, and wash the transport vehicles before leaving construction sites; cover earthwork and other materials; install spray systems at tower cranes, fences, outer frames and other objects; install fog cannon equipment in main construction areas to ensure the effectiveness of dust reduction; set up dust detection facilities on site to monitor the dust situation at construction sites;

- Noise: strictly manage construction time; actively adopt low-noise machinery and equipment; set up mufflers and sound insulation enclosures for large equipment;

- Sewage: get the sewage from the construction site settled in a three-stage sedimentation tank before discharging it into municipal pipelines;

- Waste: strictly prohibit the wastes generated from project construction to be thrown away and dumped at will; collect the wastes separately and disposed of them in a compliant manner;

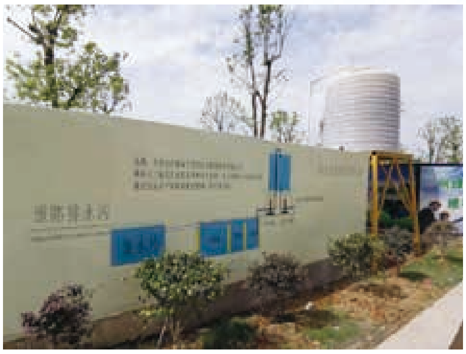
- Pollution prevention: in terms of painting, adopt the "powder spraying" process for aluminum windows, railings and other materials and complete the work in professional production workshops, so as to avoid pollution caused by traditional painting process. In addition, all the wood decorative products used for decoration projects can be sent to the site for installation only after the painting process is completed in a factory, and it is forbidden to spray paints on site.

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION (continued)

Green Buildings and Construction (continued)

Case: the Group's JY Mountain Lake Gulf (景業山湖灣) Project in Zhuzhou

The project construction site adopts an automatic spraying device system connected to a cloud platform. Based on the real-time monitoring data of the dust monitoring system, the sprinkler device can be automatically switched on and off. A rainwater recycling system is set up to automatically recycle rainwater from construction sites, hardened roads, three-level sedimentation tanks, storage tanks and other connected devices; solar streetlights and energy-saving lighting systems are used to save a large amount of electricity and meet the green construction requirements. Keeping construction site orderly is a solid foundation for ideal life.



Green building design

The Group integrates green development concepts into building designs, and takes green design elements and energy-saving and environmentally-friendly materials as important considerations in the design process. It is committed to reducing the overall energy consumption in project constructions and promoting the environmental benefits of projects and surrounding areas.

Case study: the Project of Zhaoqing International Technology and Innovation Centre (Zone B)

In 2019, the Group launched Zhaoqing International Technology and Innovation Centre, a residential property project incorporating a lot of green elements.

- The non-load-bearing walls of buildings are built using autoclaved aerated concrete blocks, which can effectively reduce the weight of a building itself and thus the load on building structure, so as to reduce structural consumables;

- Use the water pumps with energy-saving electric motors whose energy efficiency levels meet the prevailing energy-saving evaluation value requirements of relevant national standards;

- Use the split-type air conditioners, with which we reduce the energy consumption of heating, ventilation and air conditioning system in the transition season;

- Adopt the water-saving irrigation methods such as micro-irrigation and drip-irrigation for irrigation in the greenery, and the water-saving irrigation covers 100% of the landscape area.

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION (continued)

Green Buildings and Construction (continued)

Green Residence Certification (JY Lychee Town)

In 2019, the JY Lychee Town project was awarded the Guangdong Provincial Green Residence Certification at the "Awarding Ceremony of Paying Tribute to the 40th Anniversary of China's Reform and Opening-up Initiative" hosted by Guangdong Real Estate Industry Association.

The JY Lychee Town project has passed more than 100 assessments in ten aspects including environmental construction, residential functions and living energy, and has been awarded the Guangdong Green Residence Certification by Guangdong Real Estate Industry Association. The certification assessment is based on "Guangdong Province Green Residence Standards" to select quality residences from a professional perspective.

JY Lychee Town, as the first project developed by JY Grandmark, is tailored to local conditions and built into a low-density, humane, green and livable community based on the original ecology of the plot. In terms of overall planning, garden design, supporting constructions, community cultural life and property services, the project is in compliance with the standards of green residences. It also reflects the high quality standards of green residences through the diversion of people and traffic, environmental protection facilities, engineering quality, integrated installations and other details.

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION (continued)

Green Operation

Energy management

The Group attaches great importance to the rational use of energy resources, continuously strengthens energy consumption management and supervision during business development, actively explores the space for energy conservation and consumption reduction, and vigorously develops a sustainable operating model. During the Year, the Group adopted the following energy-saving measures:

- Strengthen the management of electrical equipment, increase the power factor of the power system, and reduce the reactive power loss of electrical equipment;
- Strengthen the maintenance of electrical equipment, timely repair and reduce power consumption;
- Under the premise of meeting the quality of hotel lighting, gradually adopt more energy-efficient LED lights;
- Hotel rooms are equipped with the card switch, which is convenient for guests to turn off all power after leaving a room, so as to avoid waste;
- Actively encourage employees to reduce the use of elevators to reduce power consumption, and try not to take elevators when not lifting heavy objects;
- The property service centre regularly conducts the electricity-saving propaganda activities for property owners to enhance their awareness of power saving.

In 2019, Conghua Hot Spring Hotel (從化溫泉酒店) and Guangzhou Just Stay Hotel invested a total of over RMB1 million in energy-saving renovation projects.

Energy saving practices

In 2019, Conghua Hot Spring Hotel carried out the renewal and replacement of the waste heat recovery pipes of the air-conditioning main units. As a result, the welded iron pipes were replaced with the PPR hot water pipes, which were directly connected to the hot water tanks, omitting the heat exchange in the half-volume heat exchanger, thus greatly improving the heat exchange efficiency. From July to October 2019, the peak usage period of air conditioning in summer saved a total of approximately 30,000 kWh of electricity.

Guangzhou Just Stay Hotel underwent the energy-saving renovation of all gas stoves in its kitchen. It has installed and used new energy-saving stoves, replaced the hot water unit from the original gas boiler to a new, more energy-efficient heat pump unit, thereby effectively reducing energy consumption.

The air conditioning waste heat recovery pipelines and loop pump equipment

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION (continued)

Green Operation (continued)

Water management

The Group continued to improve the water use systems, such as establishing the inspection system for water supply pipelines, regularly conducting the leak detection on water supply pipelines, and finding and replacing leaky faucets and pipes in a timely manner.

In terms of hotel water management, the hotel actively uses the central air-conditioning cooling water system to control drifting water. The water distributor and packing of cooling tower will be checked before the beginning of each cooling period, which effectively reduces loss of drifting water from the cooling water due to evaporation and flow during the loop. In terms of the use of water for property greenery and cleaning, the Group introduced water-saving equipment to ensure the rational use of water resources.

Energy-saving practices

The hotel improved the hot spring water refilling system to avoid wasting water due to poor remote control signals. Since completion of the improvement, the amount of hot spring water used in guest rooms has decreased significantly. In the fourth quarter of 2019, 2,606 cubic metres of hot spring water was saved as compared with the corresponding period of the previous year.

The hot spring water of Conghua Hot Spring Hotel was previously used for irritating creek landscape after simple treatment. In 2018, the hotel completed equipment improvement of the backwater system. The hot-spring backwater at 35˚C~37˚C was filtered, sterilised, and re-used after being heated; and the mountain water was used in the rainy season to replenish the water in the creek. In 2019, a total of RMB740, 300 was saved in water and gas costs.

In addition, the hotel completed the improvement of the hot-spring thermostatic system at the end of December 2019. It will be put into use in 2020 after the commissioning is completed.

The air-energy heat pump equipment for the hot-spring thermostatic system

LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION (continued)

Green Operation (continued)

Waste management

The Group actively promotes the separation and collection of wastes in accordance with governmental regulations in the areas where it operates. The garbage is transported to designated garbage stations for unified treatment, so as to avoid environmental pollution in the community caused by unprofessional and untimely treatment methods. At the same time, the Group actively cooperates with the sub-district departments of the government to carry out the publicity activities for garbage classification, and enhance public awareness of garbage classification through slogan displays, putting classification labels on garbage bins and taking other methods.

The Group strictly manages the small amounts of hazardous wastes from its property and hotel businesses and daily office, such as pesticides, packaging materials and waste ink cartridges. Relevant departments will properly handle wastes. After the wastes are classified according to the "Solid Waste Classification List" prepared by the environmental department, they will be cleared away and handled by professional outsourcing company.

Green Office

The Group promotes the "low-carbon office" model, actively implements various energy-saving and consumption-reduction measures, encourages its employees to practice environmental protection behaviours, and eliminates wastes, in an effort to create an energy-saving and environmentally friendly working atmosphere.

In 2019, the Group's main practices in low-carbon office include:

- Actively carry out the publicity activities for energy-saving and emission-reduction and remind our employees to save water, electricity and paper by posting leaflets;

- Strictly control the lighting time in office area. The front-desk staff of the Company will turn off office headlights and unnecessary air conditioning when they are off work, thus reducing waste of electricity;

- Each center arranges two employees to carry out regular supervision and inspection of office environment. If the requirements are not met, we will require to make rectifications on the same day;

- Promote green conferences and encourage remote conferences such as telephone and video conferences to reduce travel expenses as well as emissions of exhaust gas and greenhouse gas caused by the use of fuel during travel; put a teapot in a conference room, and encourage each employee to bring a water cup to reduce the use of plastic bottled water.

- Promote paperless office and use emails or WeChat for daily communication; strengthen the approval through the OA system to reduce the wastes caused by printing approval paper; encourage duplex black and white printing and put a used-paper carton next to a photocopier and reuse those paper for printing so as to reduce paper consumption;

- Strengthen the management of office supplies procurement and reduce the consumption of office resources.

The 2019 environmental performance summary table[1]

KPI[2]		Unit	Usage/Emissions
A1.1	Sulfur dioxide	kg	0.38
	Nitrogen oxides	kg	774.36
	Particulate matter	kg	4.07
A1.2	Greenhouse gas emissions (Scope 1)	tCO_2e	1,902.98
	Greenhouse gas emissions (Scope 2)	tCO_2e	5,767.07
	Greenhouse gas emissions (Scope 1 + Scope 2)	tCO_2e	7,670.05
	Greenhouse gas emission intensity	tCO_2e/million revenue	3.19
A1.3	Hazardous waste	Tonnes	5.17
A1.4	Non-hazardous waste	Tonnes	316.61
A2.1	Gasoline	Litre	25,043.26
	Diesel	Litre	288.00
	Liquefied petroleum gas	m^3	5,938.67
	Pipelined natural gas	Kg	908,765.00
	Electricity consumption	MWh	6,869.32
	Direct energy consumption	Gigajoule	33,391.45
	Indirect energy consumption	Gigajoule	24,729.55
	Total energy consumption	Gigajoule	58,121.00
	Energy consumption intensity	Gigajoule/million revenue	24.19
A2.2	Water consumption	m^3	499,519.58
	Water consumption intensity	m^3/million revenue	207.89

1 The scope of environmental information collection in 2019 covers the Group's headquarters, the office and sales areas of five urban project companies, the office and public areas of two property projects under management, and two hotels. The time range is from 1 January to 31 December 2019.

Emission factors refer to the ESG Environmental Data Reporting Guide of the Stock Exchange. The GHG emission factor of purchased electricity refers to the 2017 China Regional Grid Baseline Emission Factor by the National Ministry of Ecology and Environment. The energy consumption factor refers to the GB2589-2008T General Energy Consumption Calculation General Principles issued by the People's Republic of China.

The Group's water usage is mainly taken from the municipal water supply system during the Year and there is no concern regarding the sourcing of water. The Group's business does not involve production and use of packaging materials.

GIVING BACK TO THE COMMUNITY AND BUILDING THE FUTURE TOGETHER

The Group continuously fulfils its corporate citizenship responsibility, inherits the charity mission, enthusiastically devotes itself to poverty alleviation, actively participates in social welfare cause and activities, takes charity as a business operation, and endeavours to bring positive impact on social development by adhering to the charitable philosophy of "Promoting Self-reliance".

In 2019, the Group donated 1 million HKD to the Community Chest of Hong Kong. The donation has been used for solving major social issues including medical care, community development, child welfare, elderly support and etc., providing care and assistance to the individuals in need.

Participation in Poverty Alleviation

The Group concentrated its manpower, materials and financial resources to effectively help solve the problems encountered by poor people, and participated in the assistance work in Qushi Town, Mangbang Town, Yingde City and other places. It sets out with public welfare and education poverty alleviation to help with the fight against poverty in poverty-stricken areas through various channels and measures.

Poverty Alleviation

The Group actively responds to the national call for poverty alleviation and rural revitalisation, actively participated in poverty alleviation donations in the surrounding areas of its projects, and is committed to promoting the overall development of local places.

On 31 May 2019, the Group cooperated with Hetang District Committee of Zhuzhou City, the People's Government of Hetang District of Zhuzhou City and the Mingzhao Social Work Service Center of Hetang District of Zhuzhou City to provide financial support, assistance, daily care and poverty alleviation guidance to poor villagers in the four villages of Mingzhao Street of Hetang District with total donation of RMB40, 000.

On 28 June 2019, the Group donated RMB100, 000 under the call of "Guangdong Poverty Alleviation Day" in Yingde City, supporting poverty alleviation and rural revitalization and contributing to local charity.

On 5 September 2019, at the donation ceremony for the poverty alleviation fund held in Qushi Town, the Group donated a poverty alleviation fund of RMB150, 000 to Qushi Town, for which the People's Government of Qushi Town presented the Group with a plaque reading "Poverty Alleviation Contributor", extending its gratitude to the Group for our strong support to the whole town's poverty alleviation cause. The donation fund was deposited into the special account for the poverty alleviation fund of Qushi Town to help people in need to solve the "affordable housing" problem. The incomes and expenditures of the fund were publicised to the public so as to ensure that the fund will be used properly.

GIVING BACK TO THE COMMUNITY AND BUILDING THE FUTURE TOGETHER (continued)

Poverty Alleviation (continued)

On 10 November 2019, JY Grandmark carried out a poverty alleviation donation activity in Mangbang Town, Tengchong, with a total donation of RMB100,000 to help improve the living conditions of local villagers.

A poverty alleviation activity in the urban and rural areas in Hetang District

A poverty alleviation donation in Qushi Town

Promoting Education for Poverty Alleviation

The Group deeply understands that providing good education to children in poverty-stricken areas is an important task in poverty alleviation work. Therefore, the Group actively carried out various education-oriented public welfare projects which not only convey love, but also allow more children to receive fair educational opportunities.

On 31 October 2019, the Group carried out the activity of "making donations to benefit campus". The Group brought various books and globes to the children in Hongmu Wanquan Primary School in Qushi Town with total donation of RMB5,000. The volunteers present encouraged the students to cherish existing opportunities, strive for self-reliance and study hard to reward the society.

On 26 November 2019, in order to enrich students' extracurricular activities, JY Grandmark held a painting competition regarding a weapon exhibition with No. 1 Primary School in Yingde Town and held an activity themed "caring for students in need", and made some more donations of over RMB1,000 in supporting education-oriented poverty alleviation.

A donation activity in Hongmu Wanquan Primary School in Qushi Town

GIVING BACK TO THE COMMUNITY AND BUILDING THE FUTURE TOGETHER (continued)

Supporting New Village Construction

Under the overall planning of the local charity association, the Group actively participated in the new village construction. In the 2019 Guangdong Poverty Alleviation Day activity in Conghua District, namely the "Yangcheng Charity for People" action, the Group pledged a donation of RMB200,000 for the farmland irrigation network restoration project in Gaosha Village, Liangkou Town, Conghua District. In July 2019, the Group participated in the dangerous house reconstruction project for Lingshui Kunteng Building Materials Co., Ltd. (陵水昆騰建材有限責任公司) in Yingzhou Village, Yingzhou Town, with a total donation of approximately RMB60,000. Through continuous operation in environmental transformation and industrial assistance, the Group helped local villagers reshape rural spirit, and encouraged them to participate in rural revitalization, thus promoting the new village construction in local places.

The donation site for the "2019 Guangdong Poverty Alleviation Day" activity in Conghua District

Independent Auditor's Report

To the Shareholders of JY Grandmark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JY Grandmark Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 110 to 209, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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.

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 matter identified in our audit is summarised as follows:

- Assessment of net realisable value ("**NRV**") of properties under development ("**PUD**") and completed properties held for sale ("**PHS**")

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of NRV of PUD and PHS Refer to notes 4(a), 22 and 23 to the consolidated financial statements. PUD and PHS amounted to RMB3,955,015,000 and RMB1,772,134,000 respectively as at 31 December 2019, which in aggregate accounted for 62% of the Group's total assets. PUD and PHS are stated at the lower of cost and NRV. NRV is determined by referencing to the estimated selling price based on prevailing market conditions less estimated costs to completion of PUD and variable selling expenses. No NRV provision was made for PUD and PHS based on management's assessment as at 31 December 2019. We focused on NRV assessment because PUD and PHS are major assets of the Group and the determination of NRV involved significant estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated management's key internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion of PUD; (ii) We selected, on a sample basis, PUD and PHS projects and challenged management's estimates when determining the NRV of PUD and PHS by: • Comparing the estimated selling price to the most recent selling price for the PUD and PHS or the prevailing market price of the similar type of properties in the similar locations; • Comparing the ratio of estimated variable selling expenses to the selling price with the Group's historical ratio to assess whether the estimated variable selling expenses were within a reasonable range; • Assessing the Group's estimates of the anticipated costs to completion for PUD by reconciling the actual costs incurred to approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar locations. We found that management's estimates used in the assessment of NRV of PUD and PHS are properly 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 and Those Charged with Governance 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.

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

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.

- 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.

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

Consolidated Statement of Financial Position

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**320,264**	330,837
Right-of-use assets	*19*	**260,377**	262,703
Investment properties	*20*	**187,703**	184,275
Intangible assets	*21*	**2,582**	1,854
Other receivables and prepayments	*24*	**12,929**	12,969
Deferred income tax assets	*15*	**126,131**	128,899
Investment in a joint venture	*16*	**–**	20,559
Investment in an associate	*17*	**29,653**	35,326
		939,639	977,422
Current assets			
Inventories		**1,645**	1,816
Contract costs	*5*	**23,148**	47,745
Properties under development	*22*	**3,955,015**	3,221,273
Completed properties held for sale	*23*	**1,772,134**	535,301
Trade and other receivables and prepayments	*24*	**480,736**	218,283
Prepaid taxes	*25*	**56,962**	147,602
Financial assets at fair value through profit or loss		**–**	600
Restricted cash	*26*	**1,019,118**	264,546
Cash and cash equivalents	*27*	**956,933**	218,881
Amounts due from related parties	*36*	**7,759**	980,702
		8,273,450	5,636,749
Total assets		**9,213,089**	6,614,171

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*28*	**14,746**	–
Other reserves	*29*	**1,765,202**	62,643
Retained earnings	*29*	**939,006**	486,661
		2,718,954	549,304
Non-controlling interests		**100,455**	103,975
Total equity		**2,819,409**	653,279
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*15*	**186,142**	37,082
Bank and other borrowings	*30*	**1,379,922**	318,656
Lease liabilities	*35*	**62,921**	57,853
		1,628,985	413,591
Current liabilities			
Bank and other borrowings	*30*	**1,923,102**	439,436
Trade and other payables	*31*	**2,553,385**	3,900,146
Lease liabilities	*35*	**3,743**	2,120
Current income tax liabilities		**234,465**	85,466
Amounts due to related parties	*36*	**50,000**	1,120,133
		4,764,695	5,547,301
Total liabilities		**6,393,680**	5,960,892
Total equity and liabilities		**9,213,089**	6,614,171

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

The financial statements on pages 110 to 209 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**2,402,810**	1,328,887
Cost of sales	6	**(1,258,578)**	(816,297)
Gross profit		**1,144,232**	512,590
Selling and marketing expenses	6	**(131,046)**	(74,225)
Administrative expenses	6	**(162,938)**	(124,598)
Net impairment losses on financial assets	3.1.2	**(236)**	(170)
Other income	7	**3,731**	1,276
Other expenses	8	**(3,098)**	(2,759)
Other gains – net	9	**61,021**	230,570
Operating profit		**911,666**	542,684
Finance costs	11	**(14,219)**	–
Finance income	11	**15,605**	649
Finance income – net	11	**1,386**	649
Share of results of a joint venture	16	**(158)**	(2,781)
Share of results of an associate	17	**(1,387)**	(1,282)
Profit before income tax		**911,507**	539,270
Income tax expense	12	**(416,590)**	(157,511)
Profit for the year		**494,917**	381,759
Profit attributable to:			
Owners of the Company		**501,517**	386,486
Non-controlling interests		**(6,600)**	(4,727)
		494,917	381,759
Other comprehensive loss for the year			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(29,399)**	(24,550)
Other comprehensive loss for the year, net of tax		**(29,399)**	(24,550)
Total comprehensive income for the year		**465,518**	357,209
Total comprehensive income attributable to:			
Owners of the Company		**472,118**	361,936
Non-controlling interests		**(6,600)**	(4,727)
		465,518	357,209
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	**0.41**	0.32

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					
	Share capital RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Sub-total** RMB'000	**Non-controlling Interests** RMB'000	**Total** RMB'000
Balance at 1 January 2018	–	74,857	119,001	193,858	172,393	366,251
Comprehensive income						
– Profit/(loss) for the year	–	–	386,486	386,486	(4,727)	381,759
– Other comprehensive loss	–	(24,550)	–	(24,550)	–	(24,550)
Total comprehensive income/(loss)	–	(24,550)	386,486	361,936	(4,727)	357,209
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	18,826	(18,826)	–	–	–
Disposal of subsidiaries	–	–	–	–	(69,096)	(69,096)
Capital injections from non-controlling interests	–	–	–	–	4,405	4,405
Capital injections from ultimate controlling shareholder	–	9,800	–	9,800	–	9,800
Deemed distributions to ultimate controlling shareholder	–	(60,100)	–	(60,100)	–	(60,100)
Capitalisation of loan due to ultimate controlling shareholder	–	43,810	–	43,810	–	43,810
Acquisition of a subsidiary	–	–	–	–	1,000	1,000
Total transactions with owners	–	12,336	(18,826)	(6,490)	(63,691)	(70,181)
Balance at 31 December 2018	–	62,643	486,661	549,304	103,975	653,279
Balance at 1 January 2019	**–**	**62,643**	**486,661**	**549,304**	**103,975**	**653,279**
Comprehensive income						
– Profit/(loss) for the year	**–**	**–**	**501,517**	**501,517**	**(6,600)**	**494,917**
– Other comprehensive loss	**–**	**(29,399)**	**–**	**(29,399)**	**–**	**(29,399)**
Total comprehensive income/(loss)	**–**	**(29,399)**	**501,517**	**472,118**	**(6,600)**	**465,518**
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	**–**	**49,172**	**(49,172)**	**–**	**–**	**–**
Capitalisation of loan due to ultimate controlling shareholder *(Note 29(a))*	**–**	**461,995**	**–**	**461,995**	**–**	**461,995**
Issue of shares in connection with the capitalisation issue *(Note 29(b))*	**10,749**	**(10,749)**	**–**	**–**	**–**	**–**
Issue of shares in connection with the Company's listing *(Note 29(b))*	**3,997**	**1,258,969**	**–**	**1,262,966**	**–**	**1,262,966**
Share issuance costs	**–**	**(27,429)**	**–**	**(27,429)**	**–**	**(27,429)**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**54**	**54**
Capital injections from non-controlling interests	**–**	**–**	**–**	**–**	**3,026**	**3,026**
Total transactions with owners	**14,746**	**1,731,958**	**(49,172)**	**1,697,532**	**3,080**	**1,700,612**
Balance at 31 December 2019	**14,746**	**1,765,202**	**939,006**	**2,718,954**	**100,455**	**2,819,409**

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32(a)*	**(1,111,140)**	42,848
Income tax paid		**(207,326)**	(189,660)
Interest paid		**(129,394)**	(63,003)
Net cash used in operating activities		**(1,447,860)**	(209,815)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**(162,343)**	(86,583)
Proceeds from disposal of subsidiaries, net of cash disposed of	*38*	**77,853**	635,200
Purchases of property, plant and equipment		**(7,859)**	(8,947)
Proceeds from disposal of property, plant and equipment and intangible assets		**465**	243
Purchases of intangible assets		**(1,833)**	(1,096)
Net cash inflow from financial assets at fair value through profit or loss		**600**	37,200
Investment in an associate		**–**	(24,500)
Investment in a joint venture		**–**	(23,340)
Cash advanced to related parties		**–**	(287,241)
Cash repayments from related parties		**936,844**	–
Payments to original shareholder and non-controlling interest of a subsidiary acquired	*31(b)*	**(715,152)**	–
Interest received on financial assets at fair value through profit or loss		**1,832**	9,123
Interest received		**5,953**	649
Net cash generated from investing activities		**136,360**	250,708
Cash flows from financing activities			
Proceeds from borrowings	*32(c)*	**3,275,599**	262,502
Repayments of borrowings	*32(c)*	**(1,141,607)**	(690,735)
Advances from related parties		**–**	566,077
Repayments of related parties		**(615,735)**	–
Deemed distributions to ultimate controlling shareholder		**–**	(60,100)
Capital injection from non-controlling interests		**3,026**	4,405
Capital injection from ultimate controlling shareholder		**–**	9,800
Proceeds from the Company's listing	*28&29*	**1,262,966**	–
Payments for listing related expenses		**(22,606)**	(1,932)
Increase in restricted cash for securing bank borrowings		**(721,997)**	(208,561)
Lease payments	*32(c)*	**(1,738)**	(9,327)
Net cash generated from/(used in) financing activities		**2,037,908**	(127,871)
Net increase/(decrease) in cash and cash equivalents		**726,408**	(86,978)
Exchange gains on cash and cash equivalents		**11,644**	8,197
Cash and cash equivalents at beginning of year		**218,881**	297,662
Cash and cash equivalents at end of year	*27*	**956,933**	218,881

The notes on pages 115 to 209 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the "**PRC**").

The Company has been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards, amended standards and interpretation adopted by the Group

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

HKFRS 16 "Leases" is effective for annual beginning on or after 1 January 2019 and early adopted by the Group since year ended 31 December 2016. Other than HKFRS 16, the rest of the new and amended standards are not early adopted by the group and did not have a material impact.

(d) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	Effective date to be determined
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group's assessment of these new standards and amendments did not identify a significant impact on the Group's financial performance and position.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combination*

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. 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 interests 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 interests' proportionate share in the recognised amounts of the 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 HKFRS. 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 profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 profit or loss.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

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.

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

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

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(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.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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 if equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investment in subsidiaries is 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.

2.3 Associates

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 after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence 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 profit or loss, 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 investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in the statement of comprehensive income.

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

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognise the amount adjacent to "share of results of a joint venture" in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

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

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**"). The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within 'finance income – net'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'Other gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All 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 profit or loss during the financial period in which they are incurred.

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

Buildings	20-70 years
Vehicles and machinery	3-5 years
Others	3-10 years

Buildings mainly comprise office buildings and hotel buildings.

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

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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 and are recognised within 'Other gains – net' in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 Intangible assets

Intangible assets mainly comprised of computer software, which 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 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Investment properties

Investment properties, principally comprising retail properties, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Other gains-net' in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

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

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life – for example, goodwill or construction license – are not subject to 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 each reporting period.

2.11 Inventories

Inventories mainly comprise of hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2 Summary of significant accounting policies (continued)

2.12 Properties under development and completed properties held for sale

2.12.1 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12.2 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

2.13.1 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 debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, 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.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 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.

2.13.3 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 the consolidated statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (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 two 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost is measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other gains – net' in the period in which it arises.

Equity instruments

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 statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.15 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.17 Land use rights under properties under development and completed properties held for sale

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 24 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.19 Contract assets and liabilities and costs for obtaining contracts

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 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 conditional rights to consideration exceeds the satisfied 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.

The Group recognises the incremental costs of obtaining a contract with a customer within contract costs if the Group expects to recover these costs.

2.20 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (continued)

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payable are presented 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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

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 profit or loss 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 removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are 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.

2 Summary of significant accounting policies (continued)

2.24 Borrowing costs (continued)

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's entities operate and generate 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.

(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, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. 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 tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position 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.

2 Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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 associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries 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 income tax assets against current income 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.

2.26 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(b) Housing funds, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other social insurance plan. 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, medical insurances and other social insurances 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 statement of financial position date.

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

(d) Mandatory Provident Fund Scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

2.27 Provisions and contingent liabilities

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC 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 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:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts 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.

In determine 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 contracts 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.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(b) Hotel operations

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) Rental income

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

(d) Property management

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered.

(e) Financial components

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.

2.29 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.30 Leases

The Group leases various lands, buildings and equipment. 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.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is 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 asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment below US Dollar ("**US$**") 5,000.

(a) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liabilities, but they are recognised in the consolidated statements of comprehensive income when the event or condition that triggers those payments occurs.

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(c) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liabilities. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised by the Company's shareholders 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.32 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability 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 are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.33 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) 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 after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.34 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme 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

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019 and 2018, major non-RMB assets and liabilities are cash and cash equivalent, restricted cash, trade and other receivables and prepayments, amounts due from related parties, trade and other payables, amounts due to related parties and borrowings, which are denominated in HK Dollar ("**HK$**") or US$. Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December	
	2019	2018
	RMB'000	RMB'000
HK$	**1,378,427**	97,656
US$	**475,342**	211,209
	1,853,769	308,865

Financial liabilities	As at 31 December	
	2019	2018
	RMB'000	RMB'000
HK$	**1,516,425**	1,151,984
US$	**2,192**	–
	1,518,617	1,151,984

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the 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% strengthened/weakened in RMB against the relevant currencies, the effects of total comprehensive income for the periods are as follows:

	Change of total comprehensive income increase/(decrease) As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB against HK$:		
Strengthened by 5%	**5,175**	39,537
Weakened by 5%	**(5,175)**	(39,537)

	Change of total comprehensive Income increase/(decrease) As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB against US$:		
Strengthened by 5%	**(17,743)**	(7,920)
Weakened by 5%	**17,743**	7,920

The aggregate net foreign exchange losses recognised in profit or loss were RMB4,144,000 (2018: nil).

(b) Cash flow and fair value interest rate risks

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in RMB and HK$.

The Group closely monitors 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 arises.

As at 31 December 2019, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB2,851,941,000 (2018: RMB558,092,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risks (continued)

The table below summarises the impact of changes in interest rate as at 31 December 2019 with all other variables held at constant on the Group's post-tax profit for the year:

	Increase/(Decrease) in post-tax profit for the year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest rate of bank and other borrowings at variable rates – increase 0.5% (2018: 0.5%)	**10,695**	2,093
Interest rate of bank and other borrowings at variable rates – decrease 0.5% (2018: 0.5%)	**(10,695)**	(2,093)

3.1.2 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell 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 minimal. Detailed disclosure of these guarantees is made in Note 33. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For the trade receivables arising from hotel operating and commercial property, due to the aging of receivables is totally under 90 days, and no bad debt is found in history, the Group considers that the credit risk is immaterial.

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. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material for the years ended 31 December 2019 and 2018.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Management has closely monitored the credit qualities and the collectability of trade receivables and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero. No loss allowance provision is made for trade receivables for the year ended 31 December 2019 (2018: nil).

(b) Other receivables and amounts due from related parties

Other financial assets at amortised cost include other receivables from third parties and amounts due from related parties.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting dates, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

The loss allowance provision for other receivables from third parties as at 31 December 2019 reconcile to the opening loss allowance for that provision as follows:

	Other receivables	
	2019	2018
	RMB'000	RMB'000
Opening loss allowance as at 1 January	**647**	477
Increase in loss allowance recognised in profit or loss during the year	**236**	170
Closing loss allowance as at 31 December	**883**	647

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables and amounts due from related parties (continued)

For the years ended 31 December 2019 and 2018, the provision for loss allowance were recognised in profit or loss in "net impairment losses on financial assets" in relation to the impaired other receivables.

For the year ended 31 December 2019, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 2% (2018: 2%). Expected loss of deposits for acquisitions of land use rights and property development projects was not material during the years ended 31 December 2019 and 2018 as there was no recent history of default and management considered the credit risk is low.

As at 31 December 2019 and 2018, the maximum exposure to loss of other receivables from third parties and related parties were the carrying amounts.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholder and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

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

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Bank and other borrowings	**2,093,576**	**409,060**	**857,936**	**317,026**	**3,677,598**
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	**1,308,392**	**–**	**–**	**–**	**1,308,392**
Amounts due to related parties	**50,000**	**–**	**–**	**–**	**50,000**
Lease liabilities	**6,870**	**4,646**	**13,423**	**138,557**	**163,496**
Guarantee in respect of mortgage facilities for certain purchasers	**1,075,944**	**–**	**–**	**–**	**1,075,944**
	4,534,782	**413,706**	**871,359**	**455,583**	**6,275,430**

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Bank and other borrowings	481,533	68,148	162,199	160,931	872,811
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,611,300	–	–	–	1,611,300
Amounts due to related parties	1,120,133	–	–	–	1,120,133
Lease liabilities	5,029	4,166	9,975	139,217	158,387
Guarantee in respect of mortgage facilities for certain purchasers	894,058	–	–	–	894,058
	4,112,053	72,314	172,174	300,148	4,656,689

(All amounts in RMB Yuan thousands unless otherwise stated)

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 owner 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 owner or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (excluding non-interest bearing items) less total of cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net borrowings.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Borrowings	**3,303,024**	758,092
Lease liabilities	**66,664**	59,973
Less: Cash and cash equivalents	**(956,933)**	(218,881)
Restricted cash	**(1,019,118)**	(264,546)
Net borrowings	**1,393,637**	334,638
Total equity	**2,819,409**	653,279
Total capital	**4,213,046**	987,917
Gearing ratio	**33%**	34%

The gearing ratio remained stable from 31 December 2018 to 31 December 2019.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follow:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity 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 (for example, over-the-counter derivatives) 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

See Note 20 for disclosures of the investment properties that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2019 by level of the inputs to valuation techniques used to measure fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Financial assets at fair value through profit or loss	–	–	–	–
At 31 December 2018				
Financial assets at fair value through profit or loss	–	–	600	600

(a) Financial instruments in level 3

The fair value of financial assets at fair value through profit or loss in level 3 is estimated by discounted cash flows at rates that reflect management's best estimation of the expected risk level. The significant unobservable inputs of the valuation techniques include expected future cash flow, expected recovery date and discount rates that correspond to the expected risk level.

Financial assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Level 3	Discounted cash flows that are estimated based on expected future cash flows, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow.	The higher the future cash flow, the higher the fair value.
			Discount rates that correspond to the expected risk level.	The lower the discount rate, the higher the fair value.

As at 31 December 2019, there is no financial assets at fair value through profit or loss held by the Group. For the year ended 31 December 2018, if the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax would have been approximately RMB60,000 higher/lower.

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.4 Financial instruments by category

	At 31 December 2019		
	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding prepayments)	**–**	**326,366**	**326,366**
Amounts due from related parties	**–**	**7,759**	**7,759**
Restricted cash	**–**	**1,019,118**	**1,019,118**
Cash and cash equivalents	**–**	**956,933**	**956,933**
Total	**–**	**2,310,176**	**2,310,176**

	At 31 December 2018		
	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding prepayments)	–	99,245	99,245
Amounts due from related parties	–	980,702	980,702
Restricted cash	–	264,546	264,546
Cash and cash equivalents	–	218,881	218,881
Financial assets at fair value through profit or loss	600	–	600
Total	600	1,563,374	1,563,974

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.4 Financial instruments by category (continued)

	At 31 December 2019	
	Liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position		
Bank and other borrowings	**3,303,024**	**3,303,024**
Amounts due to related parties	**50,000**	**50,000**
Lease liabilities	**66,664**	**66,664**
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	**1,308,392**	**1,308,392**
Total	**4,728,080**	**4,728,080**

	At 31 December 2018	
	Liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position		
Bank and other borrowings	758,092	758,092
Amounts due to related parties	1,120,133	1,120,133
Lease liabilities	59,973	59,973
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,611,300	1,611,300
Total	3,549,498	3,549,498

4 Critical accounting estimates and judgements

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) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2019 and 2018.

(b) Fair value of investment properties

The Group assesses the fair value of its completed investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value gains from investment properties are disclosed in Note 20.

4 Critical accounting estimates and judgements (continued)

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax 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. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

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

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	2,290,345	–	74,449	24,990	2,389,784
Recognised at a point in time	2,290,345	–	–	–	2,290,345
Recognised over time	–	–	74,449	24,990	99,439
Revenue from other sources:					
rental income	–	36,312	–	–	36,312
Inter-segment revenue	–	(12,093)	(616)	(10,577)	(23,286)
Revenue from external customers	2,290,345	24,219	73,833	14,413	2,402,810
Gross profit	1,124,259	20,389	3,385	(3,801)	1,144,232
Selling and marketing expenses					(131,046)
Administrative expenses					(162,938)
Net impairment losses on financial assets					(236)
Other income					3,731
Other expenses					(3,098)
Other gains – net					61,021
Finance income – net					1,386
Share of results of a joint venture *(Note 16)*	(158)	–	–	–	(158)
Share of results of an associate *(Note 17)*	(1,387)	–	–	–	(1,387)
Profit before income tax					911,507
Income tax expense					(416,590)
Profit for the year					494,917
Depreciation and amortisation	13,923	–	15,869	51	29,843
Fair value gains on investment properties – net *(Note 20)*	–	3,428	–	–	3,428
Segment assets	8,538,314	198,298	348,250	2,096	9,086,958
Segment assets include:					
Interests in an associate *(Note 17)*	29,653	–	–	–	29,653
Addition to non-current assets (other than financial instruments and deferred income tax assets)	17,299	–	662	129	18,090
Segment liabilities	2,637,528	3,196	18,907	10,418	2,670,049

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	1,245,754	–	66,903	7,942	1,320,599
Recognised at a point in time	1,245,754	–	–	–	1,245,754
Recognised over time	–	–	66,903	7,942	74,845
Revenue from other sources:					
rental income	–	15,434	–	–	15,434
Inter-segment revenue	–	(5,413)	(314)	(1,419)	(7,146)
Revenue from external customers	1,245,754	10,021	66,589	6,523	1,328,887
Gross profit	503,733	8,953	421	(517)	512,590
Selling and marketing expenses					(74,225)
Administrative expenses					(124,598)
Net impairment losses on financial assets					(170)
Other income					1,276
Other expenses					(2,759)
Other gains – net					230,570
Finance income – net					649
Share of results of a joint venture *(Note 16)*	(2,781)	–	–	–	(2,781)
Share of results of an associate *(Note 17)*	(1,282)	–	–	–	(1,282)
Profit before income tax					539,270
Income tax expense					(157,511)
Profit for the year					381,759
Depreciation and amortisation	9,477	–	16,071	38	25,586
Fair value gains on investment properties – net *(Note 20)*	–	11,097	–	–	11,097
Segment assets	5,742,952	396,045	334,903	10,772	6,484,672
Segment assets include:					
Interests in a joint venture *(Note 16)*	20,559	–	–	–	20,559
Interests in an associate *(Note 17)*	35,326	–	–	–	35,326
Addition to non-current assets (other than financial instruments and deferred income tax assets)	10,847	–	3,839	132	14,818
Segment liabilities	5,050,188	1,816	20,318	7,930	5,080,252

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and financial assets at fair value through profit or loss are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Segment assets	**9,086,958**	6,484,672
Unallocated:		
– Deferred income tax assets	**126,131**	128,899
– Financial assets at fair value through profit or loss	**–**	600
Total assets	**9,213,089**	6,614,171

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred and current income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Segment liabilities	**2,670,049**	5,080,252
Unallocated:		
– Current income tax liabilities	**234,465**	85,466
– Deferred income tax liabilities	**186,142**	37,082
– Short-term borrowings and current portion of long-term borrowings	**1,923,102**	439,436
– Long-term borrowings	**1,379,922**	318,656
Total liabilities	**6,393,680**	5,960,892

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Sale commissions	**23,148**	47,745

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2019, the amount of amortisation was RMB76,180,000 (2018: RMB35,900,000). There was no impairment loss in relation to the costs capitalised.

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contract liabilities related to sales of properties	**1,109,683**	2,046,730
Contract liabilities related to others	**6,080**	6,865
	1,115,763	2,053,595

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised for the year ended 31 December 2019 related to carried-forward contract liabilities:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of properties	**1,882,148**	1,104,522
Others	**6,865**	5,420
	1,889,013	1,109,942

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers (continued)

(iii) Unsatisfied contracts related to property development and sales:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Expected to be recognised within one year	**1,086,700**	1,790,239
Expected to be recognised after one year	**236,176**	369,390
	1,322,876	2,159,629

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	**1,128,901**	708,998
Employee benefit expenses (including directors' emoluments) *(Note 10)*	**147,799**	111,531
Employee benefit expenditure – including directors' emoluments	**166,570**	136,027
Less: capitalised in properties under development	**(18,771)**	(24,496)
Commission fees	**76,180**	35,900
Hotel operations expenses	**29,417**	28,785
Business taxes and other levies *(Note (i))*	**20,225**	26,050
Advertising costs	**39,874**	25,523
Entertainment expenses	**19,265**	20,232
Depreciation and amortisation of intangible assets and right-of-use assets	**29,843**	25,586
Listing expenses	**23,546**	10,840
Office and travelling expenses	**11,283**	8,086
Auditor's remuneration	**2,800**	934
Property management fees	**7,596**	1,704
Others	**15,833**	10,951
Total	**1,552,562**	1,015,120

Note (i) According to the Announcement on Policies for Deepening the VAT Reform (Announcement 2019 No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) which was promulgated on 20 March 2019 and came into force as of 1 April 2019, the VAT rates was further adjusted, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

7 Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Forfeited customer deposits	**533**	800
Others	**3,198**	476
	3,731	1,276

8 Other expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Donations	**1,376**	2,443
Others	**1,722**	316
	3,098	2,759

9 Other gains – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest on financial assets at fair value through profit or loss	**1,832**	9,123
Gains/(losses) on disposals of property, plant and equipment	**199**	(8)
Fair value gains on investment properties *(Note 20)*	**3,428**	11,097
Gains on disposal of subsidiaries *(Note 38)*	**59,706**	210,358
Net foreign exchange losses	**(4,144)**	–
	61,021	230,570

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Employee benefit expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**156,812**	128,028
Pension costs – statutory pension	**9,758**	7,999
	166,570	136,027
Less: capitalised in properties under development	**(18,771)**	(24,496)
	147,799	111,531

(a) Pensions scheme – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

10 Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group were all directors (2018: three), whose emoluments are reflected in the analysis in Note 41. The emoluments payable to the remaining individuals during the years 2019 and 2018 are as follows:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Wages, salaries and bonuses and other benefits	**–**	3,619
Pension costs – statutory pension	**–**	20
	–	3,639

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Nil – HK$1,000,000	**–**	–
HK$1,000,000 – HK$1,500,000	**–**	–
HK$1,500,000 – HK$2,000,000	**–**	–
HK$2,000,000 – HK$2,500,000	**–**	2
	–	2

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

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Finance income – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance costs		
– Interest expense on bank and other borrowings	**130,413**	62,546
– Interest expense on leases	**2,983**	444
Less:		
– Interest capitalised	**(119,177)**	(62,990)
	14,219	–
Finance income		
– Interest income from bank deposits	**(15,605)**	(649)
Finance income – net	**(1,386)**	(649)

12 Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax:		
– Corporate income tax	**161,768**	119,717
– Land appreciation tax	**235,356**	85,637
	397,124	205,354
Deferred income tax		
– Corporate income tax	**25,849**	(47,843)
– Land appreciation tax	**(6,383)**	–
	19,466	(47,843)
	416,590	157,511

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the group entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**911,507**	539,270
Calculated at tax rate of 25%	**227,877**	134,818
Effects of:		
– Different tax rates available to different subsidiaries of the Group	**4,287**	(16,035)
– Land appreciation tax deductible for PRC corporate income tax purposes	**(57,243)**	(21,409)
– Expenses and development costs not deductible for tax purposes	**12,696**	8,980
– Land appreciation tax	**228,973**	85,637
– Income not subject to tax	**–**	(34,480)
Income tax expense	**416,590**	157,511

(a) 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 year, 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%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax 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 tax rate can 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 the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

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

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 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 rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the year ended 31 December 2019 (2018: Nil).

13 Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018, the ordinary shares issued upon the incorporation of the Company (Note 28), the ordinary shares issued to capitalisation of loan due to ultimate controlling shareholder on 12 November 2019 (Note 29(a)) and the capitalisation issue on 13 November 2019 (Note 29(b)), were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then.

	As at 31 December	
	2019	2018
Profit attribute to owners of the Company (RMB'000)	**501,517**	386,486
Weighted average number of ordinary shares in issue (thousand)	**1,228,999**	1,200,000
Earnings per share – basic (RMB per share)	**0.41**	0.32
Earnings per share – diluted (RMB per share)	**0.41**	0.32

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

14 Dividend

A dividend in respect of the year ended 31 December 2019 of RMB9.14 cents per ordinary share, amounting to a total dividend of RMB150,460,000, is to be proposed at the annual general meeting on 28 May 2020. These financial statements do not reflect this dividend payable.

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets		
– to be realised within 12 months	**63,134**	91,601
– to be realised after more than 12 months	**62,997**	37,298
	126,131	128,899
Deferred income tax liabilities		
– to be realised within 12 months	**–**	–
– to be realised after more than 12 months	**186,142**	37,082
	(60,011)	91,817

(a) Deferred income tax assets

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**132,350**	80,315
Recognised in profit or loss	**(2,113)**	56,155
Disposal of subsidiaries	**(50)**	(4,120)
End of year	**130,187**	132,350
Offsetting with deferred income tax liabilities	**(4,056)**	(3,451)
Net deferred income tax assets	**126,131**	128,899

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(a) Deferred income tax assets (continued)

Movement of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses	Deductible temporary differences of expenses and cost of sales	Temporary difference in sales recognition and related cost of sales	Elimination of unrealised profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	18,543	2,740	59,032	–	80,315
Recognised in profit or loss	15,492	712	27,539	12,412	56,155
Disposal of subsidiaries	(4,120)	–	–	–	(4,120)
At 31 December 2018	29,915	3,452	86,571	12,412	132,350
Recognised in profit or loss	29,257	10,241	(53,759)	12,148	(2,113)
Disposal of a subsidiary	(50)	–	–	–	(50)
At 31 December 2019	**59,122**	**13,693**	**32,812**	**24,560**	**130,187**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

(b) Deferred income tax liabilities

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beginning of the year	**40,533**	32,221
Acquisition of subsidiaries	**132,312**	–
Recognised in profit or loss	**17,353**	8,312
End of the the year	**190,198**	40,533
Offsetting with deferred income tax assets	**(4,056)**	(3,451)
Net deferred income tax liabilities	**186,142**	37,082

15 Deferred income tax (continued)

(b) Deferred income tax liabilities (continued)

Movement of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Fair value gains on investment properties	Excess of carrying amounts of completed properties held for sale over the tax bases	Interest capitalisation	Revaluation surplus arising from business combinations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	23,026	–	9,195	–	32,221
Recognised in profit or loss	2,775	–	5,537	–	8,312
At 31 December 2018	25,801	–	14,732	–	40,533
Acquisition of a subsidiary	–	6,715	–	125,597	132,312
Recognised in profit or loss	857	1,999	20,880	(6,383)	17,353
At 31 December 2019	**26,658**	**8,714**	**35,612**	**119,214**	**190,198**

As at 31 December 2019, deferred income tax liabilities of RMB110,094,000 (2018: RMB52,082,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB1,100,937,000 as at 31 December 2019 (2018: RMB520,817,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

16 Investment in a joint venture

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balances	**20,559**	–
Additions	**–**	23,340
Share of results	**(158)**	(2,781)
Disposals	**(20,401)**	–
Ending balances	**–**	20,559

(a) The Group's interest in a joint venture is accounted using equity method. The aggregate amount of the Group's share of loss from joint venture for the year ended 31 December 2019 was RMB158,000 (2018: RMB2,781,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investment in a joint venture (continued)

(b) Nature of investment in a joint venture as at 31 December 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2019	2018	
Guangzhou Wanjing Property Development Co., Ltd. (the "**Wanjing**") 廣州市萬景房地產有限公司	PRC	Property development	**N/A**	77.8%	Equity

(c) As at 31 December 2019 and 2018, there were no significant contingencies relating to the Group's interests in the joint venture.

(d) The Group disposed of its subsidiary, Guangzhou Jinghong investment Co., Ltd, the holding company of Wanjing, to a third party on 11 June 2019 at a consideration of RMB74,893,000. The joint venture was disposed of accordingly.

(e) Summarised financial information for a joint venture

Set out below is the summarised financial information for Wanjing:

Summarised balance sheets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	–	3,057
Current assets		
Cash and cash equivalents	–	46
Trade and other receivables	–	2,434,092
Total assets	–	2,437,195
Non-current liabilities		
Bank borrowings	–	1,300,000
Current liabilities	–	1,110,770
Total liabilities	–	2,410,770
Net assets	–	26,425
The Group's share in %	–	77.8%
Carrying amount	–	20,559

16 Investment in a joint venture (continued)

(e) Summarised financial information for a joint venture (continued)

Summarised statements of comprehensive income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	**(270)**	(3,440)
Finance costs	**(1)**	(135)
Income tax expenses	**68**	–
Loss for the year	**(203)**	(3,575)
Total comprehensive loss for the year	**(203)**	(3,575)

17 Investment in an associate

The movement of investment in an associate is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances	**35,326**	36,608
Addition	**–**	24,500
Share of results	**(1,387)**	(1,282)
Disposal	**–**	(24,500)
Elimination of unrealised profits	**(4,286)**	–
Ending balances	**29,653**	35,326

(a) Nature of investment in an associate as at 31 December 2019:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest As at 31 December 2019	% of ownership interest As at 31 December 2018	Measurement method
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. (the "**Donghuzhou**") 廣州市南沙東湖洲房地產有限公司	PRC	Property development	**30%**	30%	Equity

(b) As at 31 December 2019 and 2018, there were no significant contingencies relating to the Group's interests in the associate.

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Investment in an associate (continued)

(c) Summarised financial information for an associate

Set out below is the summarised financial information for Donghuzhou:

Summarised balance sheets

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	**–**	3,337
Properties under development	**534,564**	360,510
Cash and cash equivalents	**53,863**	36,013
Trade and other receivables and prepayments	**172,859**	33,448
Current assets	**761,286**	429,971
Total assets	**761,286**	433,308
Bank and other borrowings	**138,000**	–
Current liabilities	**524,442**	315,556
Total liabilities	**662,442**	315,556
Net assets	**98,844**	117,752
The Group's share in %	**30%**	30%
Carrying amount	**29,653**	35,326

Summarised statement of comprehensive income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	**(989)**	(1,585)
Selling expenses	**(4,028)**	(2,727)
Finance income	**257**	89
Other income	**207**	21
Other expenses	**(70)**	(72)
Loss for the year	**(4,623)**	(4,274)
Total comprehensive loss for the year	**(4,623)**	(4,274)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Property, plant and equipment

	Buildings	Vehicles and machinery	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018				
Cost	345,981	5,737	8,253	359,971
Accumulated depreciation	(16,065)	(1,223)	(3,550)	(20,838)
Net book amount	329,916	4,514	4,703	339,133
Year ended 31 December 2018				
Opening net book amount	329,916	4,514	4,703	339,133
Additions	1,681	4,901	2,365	8,947
Disposals of subsidiaries	–	–	(224)	(224)
Disposals	–	(73)	(178)	(251)
Depreciation	(13,022)	(1,849)	(1,933)	(16,804)
Exchange difference	–	52	(16)	36
Closing net book amount	318,575	7,545	4,717	330,837
At 31 December 2018				
Cost	347,662	10,617	10,200	368,479
Accumulated depreciation	(29,087)	(3,072)	(5,483)	(37,642)
Net book amount	318,575	7,545	4,717	330,837
Year ended 31 December 2019				
Opening net book amount	**318,575**	**7,545**	**4,717**	**330,837**
Additions	**–**	**5,838**	**2,021**	**7,859**
Disposals	**–**	**(65)**	**(195)**	**(260)**
Depreciation	**(13,004)**	**(2,473)**	**(2,734)**	**(18,211)**
Exchange difference	**–**	**29**	**10**	**39**
Closing net book amount	**305,571**	**10,874**	**3,819**	**320,264**
At 31 December 2019				
Cost	**347,662**	**16,419**	**12,036**	**376,117**
Accumulated depreciation	**(42,091)**	**(5,545)**	**(8,217)**	**(55,853)**
Net book amount	**305,571**	**10,874**	**3,819**	**320,264**

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Property, plant and equipment (continued)

Depreciation of the property, plant and equipment has been charged to profit or loss or capitalised in properties under development as follows:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Selling and marketing expenses	**239**	166
Administrative expenses	**3,576**	2,700
Cost of sales	**14,180**	13,791
	17,995	16,657
Properties under development	**216**	147
	18,211	16,804

As at 31 December 2019, the following net book amount of buildings were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Buildings	**300,091**	284,728

As at 31 December 2019, buildings mainly comprised of hotels of RMB272,752,000 (2018: RMB284,728,000) which are located in the PRC.

19 Right-of-use assets

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Lands *(Note (a))*	**249,268**	255,778
Buildings	**11,109**	6,925
	260,377	262,703

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

19 Right-of-use assets (continued)

(b) The movement of right-of-use assets is shown in the table below for the years ended 31 December 2019 and 2018:

	Lands RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2018			
Cost	261,202	16,052	277,254
Accumulated amortisation	(4,367)	(6,640)	(11,007)
Net book amount	256,835	9,412	266,247
Year ended 31 December 2018			
Opening net book amount	256,835	9,412	266,247
Additions	3,667	1,110	4,777
Amortisation	(4,724)	(3,735)	(8,459)
Exchange difference	–	138	138
Closing net book amount	255,778	6,925	262,703
At 31 December 2018			
Cost	264,869	17,300	282,169
Accumulated amortisation	(9,091)	(10,375)	(19,466)
Net book amount	255,778	6,925	262,703
Year ended 31 December 2019			
Opening net book amount	**255,778**	**6,925**	**262,703**
Additions	**663**	**7,735**	**8,398**
Amortisation	**(7,173)**	**(3,576)**	**(10,749)**
Exchange difference	**–**	**25**	**25**
Closing net book amount	**249,268**	**11,109**	**260,377**
At 31 December 2019			
Cost	**265,532**	**25,060**	**290,592**
Accumulated amortisation	**(16,264)**	**(13,951)**	**(30,215)**
Net book amount	**249,268**	**11,109**	**260,377**

(c) As at 31 December 2019, lands with net book value of RMB13,865,000 (2018: RMB14,409,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Right-of-use assets (continued)

(d) Amortisation of the right-of-use assets has been charged to profit or loss or capitalised in assets under construction as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	**9,982**	7,663
Cost of sales	**767**	796
	10,749	8,459

20 Investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening net book value	**184,275**	173,178
Fair value changes	**3,428**	11,097
Closing net book value	**187,703**	184,275

As at 31 December 2019 and 2018, investment properties mainly comprise three retail properties.

As at 31 December 2019, three retail properties of RMB187,703,000 (2018: RMB184,275,000) were pledged as collateral for the Group's bank and other borrowings (Note 30).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental income	**9,584**	8,542
Direct operating expenses from investment properties that generate rental income	**(1,265)**	(848)
	8,319	7,694

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

20 Investment properties (continued)

(a) Fair value hierarchy

An independent valuation of the Group's completed investment properties was performed by the independent and professionally qualified valuer to determine the fair value of the investment properties as at 31 December 2019 and 2018. The revaluation gains or losses are included in 'Other gains – net' in the consolidated statements of comprehensive income.

As at 31 December 2019 and 2018, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels for the year ended 31 December 2019 and 2018.

(b) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent and professionally qualified valuer who holds a recognised relevant professional qualification and have 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 review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months for the years ended 31 December 2019 and 2018.

At each financial year end, the financial department:

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

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Investment properties (continued)

(c) Valuation techniques

Completed investment properties comprise of retail properties. For retail properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques for the year ended 31 December 2019.

	Property category	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	184,275,000	Term and reversionary method	Market price (RMB/square metre)	110-221	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

	Property category	**Fair value at 31 December 2019**	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs (probability)**	**Relationship of unobservable inputs to fair value**
Completed investment properties	Retail properties	**187,703,000**	Term and reversionary method	Market price (RMB/square metre)	114-227	The higher the market price, the higher the fair value
				Term yields	4.00%-4.50%	The higher the term yields, the lower the fair value

As at 31 December 2019 and 2018, the period of leases whereby the Group leases out its investment properties held in the PRC were between 2 to 8 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

21 Intangible assets

	Computer software RMB'000
Year ended 31 December 2018	
Opening net book amount	1,249
Additions	1,096
Disposal	(21)
Amortisation	(470)
Closing net book amount	1,854
At 31 December 2018	
Cost	2,861
Accumulated amortisation	(1,007)
Net book amount	1,854
Year ended 31 December 2019	
Opening net book amount	**1,854**
Additions	**1,833**
Disposal	**(6)**
Amortisation	**(1,099)**
Closing net book amount	**2,582**
At 31 December 2019	
Cost	**4,688**
Accumulated amortisation	**(2,106)**
Net book amount	**2,582**

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Properties under development

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development expected to be completed:		
– Land use rights	**2,595,003**	2,153,042
– Contractual rights of land *(Note (a))*	**256,732**	236,999
– Construction costs	**963,761**	759,376
– Interests capitalised	**139,519**	71,856
	3,955,015	3,221,273

(a) Contractual rights of land mainly represents the agricultural land and forest land acquired from the collective economic organisations in 2017, which will be transferred the usage to land use rights in near future.

(b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.

(c) The capitalisation rates of borrowings is 5.90% (2018: 5.74%) for the year ended 31 December 2019.

(d) As at 31 December 2019, properties under development with net book value of RMB1,016,776,000 (2018: RMB221,985,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

23 Completed properties held for sale

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	**128,967**	128,006
Construction costs	**758,061**	374,447
Interest capitalised	**54,763**	32,848
	941,791	535,301
Completed properties held for sale acquired	**830,343**	–
	1,772,134	535,301

The completed properties held for sale are all located in the PRC.

As at 31 December 2019, completed properties held for sale with net book value of RMB1,095,440,000 (2018: RMB288,832,000), were pledged as collateral for the Group's bank and other borrowings (Note 30).

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Trade and other receivables and prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Included in current assets:		
Trade receivables – third parties *(Note (a))*	**7,552**	6,645
Other receivables – third parties *(Note (b))*	**319,697**	93,247
Prepayments for acquisition of land use rights *(Note (c))*	**132,854**	100,330
Other prepayments *(Note (d))*	**34,445**	31,677
	494,548	231,899
Less: non-current portion	**(12,929)**	(12,969)
Less: impairment	**(883)**	(647)
	480,736	218,283

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2019, trade receivables with net book value of RMB1,190,000 (2018: RMB6,122,000) were pledged as collateral for the Group's bank and other borrowings (Note 30).

(a) Details of trade receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables — third parties	**7,552**	6,645
Less: allowance for impairment	**–**	–
Trade receivables — net	**7,552**	6,645

Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**7,552**	6,645

Trade receivables mainly arise from sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group's trade receivables are denominated in RMB.

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Trade and other receivables and prepayments (continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits for acquisition of land use rights	**275,419**	42,969
Cash advances to third parties	**–**	16,150
Receivables from disposal of a subsidiary	**–**	3,000
Others	**44,278**	31,128
	319,697	93,247
Less: allowance for impairment	**(883)**	(647)
Other receivables – net	**318,814**	92,600

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Prepayments for property development projects	**12,668**	14,080
Prepaid business taxes and other taxes	**4,274**	1,974
Others	**17,503**	15,623
Other prepayment	**34,445**	31,677

25 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Corporate income taxes	**15,626**	1,981
Land appreciation taxes	**10,334**	64,778
Value added taxes	**31,002**	80,843
	56,962	147,602

26 Restricted cash

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantee deposits for construction of pre-sold properties *(Note (a))*	**87,171**	55,985
Guarantee deposits for borrowings *(Note (b))*	**930,558**	208,561
Others	**1,389**	–
	1,019,118	264,546
Denominated in:		
– RMB	**88,560**	55,985
– US$	**437,879**	208,561
– HK$	**492,679**	–
	1,019,118	264,546

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

(a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.

(b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 31 December 2019, the Group has placed cash deposits of approximately RMB930,558,000 (2018: RMB208,561,000) with designated banks as security for bank borrowings (Note 30).

(All amounts in RMB Yuan thousands unless otherwise stated)

27 Cash and cash equivalents

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and in hand	**1,976,051**	483,427
Less: restricted cash	**(1,019,118)**	(264,546)
Cash and cash equivalents	**956,933**	218,881

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in RMB	**306,878**	120,667
Denominated in HK$	**612,592**	95,566
Denominated in US$	**37,463**	2,648
	956,933	218,881

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
Ordinary share of HK$0.01 each upon incorporation	38,000,000	HK$380,000	RMB336,000	RMB336,000
Issued and fully paid				
At 2 November 2018 (date of incorporation)	1	HK$0.01	RMB0.01	RMB0.01
Issue of shares of HK$0.01 each	2	HK$0.02	RMB0.02	RMB0.02
At 31 December 2018 and 1 January 2019	3	HK$0.03	RMB0.03	RMB0.03
Issue of share in connection with capitalisation of shareholder's loan *(Note 29(a))*	1	HK$0.01	RMB0.01	RMB0.01
Issue of shares in connection with the capitalisation issue *(Note 29(b))*	1,199,999,996	HK$12,000,000	RMB10,749,000	RMB10,749,000
Issue of shares in connection with the Company's listing *(Note 29(b))*	446,173,000	HK$4,462,000	RMB3,997,000	RMB3,997,000
At 31 December 2019	1,646,173,000	HK$16,462,000	RMB14,746,000	RMB14,746,000

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Other reserves and retained earnings

	Combined reserves RMB'000	Statutory reserve RMB'000	Exchange difference RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	50,300	32,191	(7,634)	74,857	119,001	193,858
Profit for the year	–	–	–	–	386,486	386,486
Transfer to statutory reserves	–	18,826	–	18,826	(18,826)	–
Capital injection from controlling shareholder	9,800	–	–	9,800	–	9,800
Deemed distribution to controlling shareholder	(60,100)	–	–	(60,100)	–	(60,100)
Capitalisation of shareholder's loan	43,810	–	–	43,810	–	43,810
Other comprehensive loss	–	–	(24,550)	(24,550)	–	(24,550)
Balance at 31 December 2018	43,810	51,017	(32,184)	62,643	486,661	549,304
Balance at 1 January 2019	**43,810**	**51,017**	**(32,184)**	**62,643**	**486,661**	**549,304**
Profit for the year	**–**	**–**	**–**	**–**	**501,517**	**501,517**
Transfer to statutory reserves	**–**	**49,172**	**–**	**49,172**	**(49,172)**	**–**
Capitalisation of loan due to ultimate controlling shareholder *(Note (a))*	**461,995**	**–**	**–**	**461,995**	**–**	**461,995**
Issue of shares in connection with the capitalisation issue *(Note (b))*	**(10,749)**	**–**	**–**	**(10,749)**	**–**	**(10,749)**
Issue of shares in connection with the Company's listing *(Note (b))*	**1,258,969**	**–**	**–**	**1,258,969**	**–**	**1,258,969**
Share issurance cost *(Note (c))*	**(27,429)**	**–**	**–**	**(27,429)**	**–**	**(27,429)**
Other comprehensive loss	**–**	**–**	**(29,399)**	**(29,399)**	**–**	**(29,399)**
Balance at 31 December 2019	**1,726,596**	**100,189**	**(61,583)**	**1,765,202**	**939,006**	**2,704,208**

(a) On 12 November 2019, the Company issued 1 ordinary share to Sze Ming Limited to settle HK$515,746,000 (RMB461,995,000) due to CHAN Sze Ming Michael, the ultimate controlling shareholder.

(b) On 13 November 2019, the Company issued 1,199,999,996 ordinary shares (HK$0.01 each) to Sze Ming Limited by way of capitalisation of HK$12,000,000 (approximately RMB10,749,000) conditional on the share premium amount of the Company being credited as a result of the global offering (the "**Global Offering**").

On 5 December 2019, the Company issued a total of 400,000,000 ordinary shares at a price of HK$3.16 per share as a result of the completion of the Global Offering.

On 27 December 2019, 46,173,000 shares were issued upon the partial exercise of the over-allotment option in connection with the Global Offering at a price of HK$3.16 per share.

Number of total issued shares of the Company was increased to 1,646,173,000 shares upon completion of the capitalisation issue, the Global Offering and the partial exercise of over-allotment option.

(c) Share issuance cost mainly included share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the listing. Incremental costs that were directly attributable to the issue of the new shares amounting RMB27,429,000 was treated as a deduction against the share premium arising from the issuance.

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Bank borrowings	**3,096,995**	758,092
Loans from a third party *(Note (a))*	**206,029**	–
	3,303,024	758,092
Included in non-current liabilities:		
– Secured *(Note (c) & (d))*	**1,595,888**	500,949
– Unsecured *(Note (d))*	**–**	57,143
Less: current portion of non-current liabilities	**(215,966)**	(239,436)
	1,379,922	318,656
Included in current liabilities:		
– Secured *(Note (c) & (d))*	**703,862**	200,000
– Unsecured *(Note (d))*	**1,003,274**	–
Add: Current portion of non-current liabilities	**215,966**	239,436
	1,923,102	439,436
Total borrowings	**3,303,024**	758,092

(a) On 27 December 2019, a third party offered a loan of RMB206,029,000 to the Group, with the interest rate of 7.00% per annum. The borrowing was guaranteed by the Company and the expiring date is 26 January 2021.

(b) As at 31 December 2019, the Group's borrowings are denominated in following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**1,807,071**	758,092
HK$	**1,495,953**	–
	3,303,024	758,092

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings (continued)

(c) As at 31 December 2019, bank and other borrowings totalling RMB2,299,750,000 (2018: RMB700,949,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Lands	**13,865**	14,409
Property, plant and equipment	**300,091**	284,728
Investment properties	**187,703**	184,275
Properties under development	**1,016,776**	221,985
Completed properties held for sale	**1,095,440**	288,832
Trade receivables	**1,190**	6,122
Restricted cash	**930,558**	208,561
	3,545,623	1,208,912

(d) The Group's unsecured borrowings of RMB555,384,000 (2018: RMB57,143,000) as at 31 December 2019 were guaranteed by the Company.

The Group's secured borrowings of RMB2,226,150,000 (2018: RMB483,468,000) as at 31 December 2019 were guaranteed by certain subsidiaries.

(e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
6 months or less	**1,609,986**	59,458
6-12 months	**313,116**	379,978
1-2 years	**329,386**	51,256
Over 2 years	**1,050,536**	267,400
	3,303,024	758,092

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Bank and other borrowings (continued)

(f) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Within 1 year	**1,923,102**	439,436
1 to 2 years	**329,386**	51,256
2 to 5 years	**797,092**	148,066
Over 5 years	**253,444**	119,334
	3,303,024	758,092

(g) The annual weighted average effective interest rates were as follows:

	As at 31 December	
	2019	2018
Bank and other borrowings	**6.43%**	5.74%

(h) The carrying amounts of the borrowings approximate their fair values as at 31 December 2019 and 2018 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

31 Trade and other payables

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Trade payables *(Note (a))*	**888,864**	489,454
Notes payable	**156,369**	135,505
Amounts due to non-controlling interests *(Note (b))*	**62,123**	303,172
Amounts due to original shareholder of a subsidiary acquired *(Note (b))*	**–**	449,410
Outstanding consideration payables for acquisitions *(Note (c))*	**52,809**	96,760
Contract liabilities *(Note 5)*	**1,115,763**	2,053,595
Deposits payables *(Note (d))*	**54,243**	61,622
Accrued expenses	**37,240**	40,613
Salaries payable	**52,944**	45,985
Other taxes payable	**76,286**	189,266
Interest payable	**6,282**	2,280
Other payables *(Note (e))*	**50,462**	32,484
	2,553,385	3,900,146

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Trade and other payables (continued)

(a) Aging analysis of the trade payables based on invoice dates is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**508,758**	223,831
Over 90 days and within 365 days	**280,135**	181,705
Over 365 days	**99,971**	83,918
	888,864	489,454

The Group's trade payables as at 31 December 2019 is denominated in RMB, US$ and HK$.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**884,962**	489,454
US$	**2,192**	–
HK$	**1,710**	–
	888,864	489,454

(b) During the year ended 31 December 2018, Guangzhou Yinong Enterprise Co., Ltd. ("**Guangzhou Yinong**"), one of the subsidiaries of the Group, acquired 50.1% equity interest of Guangzhou Jinghong Investment Co., Ltd ("**Guangzhou Jinghong**") from Guangzhou Jinghengyue Investment Co., Ltd ("**Guangzhou Jinghengyue**"). Prior to the acquisition, Guangzhou Jinghengyue and the non-controlling interest advanced total amount of RMB449,410,000 and RMB265,742,000, respectively to Guangzhou Jinghong, which was further advanced to a joint venture for the purpose of acquisition of land use rights. The amounts due to the original shareholder and the non-controlling interest had been fully paid in 2019. The remaining balance represents advances from the non-controlling interests of certain subsidiaries of the Group in the original course of business, which are interest-free, unsecured and repayable on demand.

(c) The amounts mainly comprise the consideration payables for the acquisitions, which are repayable according to the terms and conditions agreed with the original shareholders.

(d) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.

(e) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Cash flow information

(a) Cash (used in)/generated from operations:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**494,917**	381,759
Adjustments for:		
Income tax expense	**416,590**	157,511
Finance income	**(15,605)**	(649)
Finance costs	**14,219**	–
Depreciation and amortisation of intangible assets and right-of-use assets *(Note 6)*	**29,843**	25,586
Share of results of an associate	**1,387**	1,282
Share of results of a joint venture	**158**	2,781
Fair value gains on investment properties *(Note 9)*	**(3,428)**	(11,097)
Interest of financial assets at fair value through profit or loss *(Note 9)*	**(1,832)**	(9,123)
Gains on disposal of subsidiaries *(Note 9)*	**(59,706)**	(210,358)
Provision for impairment of other receivables	**236**	170
(Gains)/losses on disposals of property, plant and equipment	**(199)**	8
Net exchange differences	**4,144**	–
Elimination of unrealised profits	**4,286**	–
	885,010	337,870
Changes in working capital:		
Properties under development and completed properties held for sale and inventories	**(957,732)**	(1,485,739)
Restricted cash	**(32,575)**	56,883
Trade and other receivables and prepayments	**(407,677)**	(770,939)
Amount due from related parties – trade balance	**(1,401)**	(333)
Prepaid taxes (excluding prepaid income taxes)	**49,841**	2,771
Contract costs	**24,597**	(11,125)
Trade and other payables	**(716,300)**	1,908,687
Amount due to related parties – trade balance	**45,097**	4,773
	(1,996,150)	(295,022)
Cash (used in)/generated from operations	**(1,111,140)**	42,848

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Cash flow information (continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment and intangible assets		
Net book amount *(Note 18 & 21)*	**266**	251
Gains/(losses) on disposals *(Note 9)*	**199**	(8)
Proceeds	**465**	243

(c) Reconciliation of liabilities arising from financing activities:

	Borrowings due within 1 year	Borrowings due after 1 year	Amounts due to related parties	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	437,414	684,131	629,293	64,373	1,815,211
Cash flows-operating activities	–	–	4,773	(444)	4,329
Cash flows-financing activities	(237,414)	(190,819)	566,077	(9,327)	128,517
Reclassification	239,436	(239,436)	–	–	–
Currency translation differences	–	–	–	150	150
Other non-cash movements *(Note (i))*	–	64,780	(80,010)	5,221	(10,009)
Balance as at 31 December 2018	439,436	318,656	1,120,133	59,973	1,938,198
Balance as at 1 January 2019	**439,436**	**318,656**	**1,120,133**	**59,973**	**1,938,198**
Cash flows-operating activities	**–**	**–**	**50,000**	**(2,983)**	**47,017**
Cash flows-financing activities	**1,267,700**	**866,292**	**(615,735)**	**(1,738)**	**1,516,519**
Reclassification	**215,966**	**(215,966)**	**–**	**–**	**–**
Currency translation differences	**–**	**–**	**–**	**31**	**31**
Other non-cash movements *(Note (i))*	**–**	**410,940**	**(504,398)**	**11,381**	**(82,077)**
Balance as at 31 December 2019	**1,923,102**	**1,379,922**	**50,000**	**66,664**	**3,419,688**

(i) Other non-cash movements mainly comprise: (i) the acquisition of subsidiaries with loans, (ii) accrued interest expense and lease liabilities, (iii) the capitalisation of amounts due to controlling shareholder, (iv) the amounts due to related parties were settled with corresponding receivables arising from rendering of management consultancy services, and (v) the movement of amount due from ultimate controlling shareholder.

(All amounts in RMB Yuan thousands unless otherwise stated)

33 Guarantee

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers *(Note (a))*	**1,075,944**	894,058

(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 certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage 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 default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

34 Commitments

Commitments for capital and property development expenditure:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted but not provided for:		
Property development activities	**1,896,976**	2,170,163

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to lease liabilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Right-of-use assets	**260,377**	262,703

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Lease liabilities		
Current	**3,743**	2,120
Non-current	**62,921**	57,853
	66,664	59,973

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income show the following amounts relating to lease:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Amortisation charge of right-of-use assets	**10,749**	8,459
Interest expense (included in finance costs)	**2,983**	444

The total cash outflow for leases for the year ended 31 December 2019 was RMB4,721,000 (2018: RMB9,771,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities (continued)

(c) Commitments and present value of lease liabilities are shown in the table below for the year ended 31 December 2019:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Commitments in relation to lease liabilities are payable as follows:		
Within 1 year	**6,870**	5,029
1 to 2 years	**4,646**	4,166
2 to 5 years	**13,423**	9,975
Over 5 years	**138,557**	139,217
Minimum lease payments	**163,496**	158,387
Future finance charges	**(96,832)**	(98,414)
Total lease liabilities	**66,664**	59,973

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
The present value of lease liabilities is as follows:		
Within 1 year	**3,743**	2,120
1 to 2 years	**1,605**	1,383
2 to 5 years	**4,773**	1,823
Over 5 years	**56,543**	54,647
	66,664	59,973

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Lease liabilities (continued)

(d) Movements of lease liabilities is shown in the table below for the year ended 31 December 2019:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2018	3,431	60,942
Lease payment	(9,771)	–
Accrued interest	444	–
Increase in right-of-use assets	4,777	–
Exchange difference	90	60
Reclassification between current and non-current	3,149	(3,149)
As at 31 December 2018	2,120	57,853

	Lease liabilities – current RMB'000	**Lease liabilities – non-current RMB'000**
At 1 January 2019	**2,120**	**57,853**
Lease payment	**(4,721)**	**–**
Accrued interest	**2,983**	**–**
Increase in right-of-use assets	**2,365**	**6,033**
Exchange difference	**25**	**6**
Reclassification between current and non-current	**971**	**(971)**
As at 31 December 2019	**3,743**	**62,921**

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Guangdong Zhuosidao Education Investment Management Co., Ltd. ("**Zhuosidao Education**") 廣東卓思道教育投資管理有限公司	Controlled by ultimate controlling shareholder
Sino Kingdom Development Limited ("**Sino Kingdom**") 世基發展有限公司	Controlled by ultimate controlling shareholder
Golden United Development Limited ("**Golden United**") 嘉源發展有限公司	Controlled by ultimate controlling shareholder
Donghuzhou 廣州市南沙東湖洲房地產有限公司	Associate of the Group
Wanjing 廣州市萬景房地產有限公司	Joint Venture of the Group
Sze Ming Limited 思銘有限公司	Ultimate holding company of the Company

36 Related party transactions (continued)

(b) Transactions with related parties

The ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who own 72.9% of the Company's shares.

The Group had the following transactions with related parties for the year ended 31 December 2019:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
(i) Sales of properties		
– ultimate controlling shareholder	**–**	496
Total	**–**	496
(ii) Provision of guarantee in respect of borrowings outstanding		
– ultimate controlling shareholder	**–**	222,010
Total	**–**	222,010
(iii) Rendering of property management services		
– Donghuzhou	**1,167**	707
Total	**1,167**	707
(iv) Rendering of management consultancy services		
– Donghuzhou	**14,286**	–
Total	**14,286**	–

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions (continued)

(c) Balances with related parties

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Amounts due from an associate and a joint venture		
Trade balances		
– Donghuzhou	**1,734**	333
	1,734	333
Non-trade balances		
– Donghuzhou	**6,025**	51,857
– Wanjing	**–**	851,186
	6,025	903,043
Amounts due from ultimate controlling shareholder and entities controlled by ultimate controlling shareholder		
Non-trade balances		
– Zhuosidao Education	**–**	39,826
– Ultimate controlling shareholder	**–**	37,500
	–	77,326
Amounts due to an associate		
Prepayments from		
Trade balance		
– Donghuzhou	**50,000**	4,903
	50,000	4,903
Amounts due to ultimate controlling shareholder and an entity controlled by ultimate controlling shareholder		
Non-trade balances		
– Ultimate controlling shareholder	**–**	1,115,230
	–	1,115,230

Amounts due to/from related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Related party transactions (continued)

(d) Key management compensation

Key management compensation for the years ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**37,291**	19,145
– Pension costs	**105**	101
	37,396	19,246

37 Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below:

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests – Direct	Ownership interests held by the Group: Attributable equity interests – Indirect	Equity interests held by non-controlling interests
景業控股有限公司 Jingye Holdings Limited	13/12/2013	Limited liability company	BVI	Investment holding	US$101	US$200	100%	–	–
廣州意濃實業有限公司 Guangzhou Yinong Enterprise Co., Ltd. ("**Guangzhou Yinong**")	01/07/2002	Limited liability company	Mainland China	Property development	RMB 500,000,000	RMB 500,000,000	–	100%	–
廣州市景業房地產開發有限公司 Guangzhou Jingye Real Estate Development Co., Ltd.	18/06/2008	Limited liability company	Mainland China	Property development	RMB 301,000,000	RMB 301,000,000	–	100%	–
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB 100,000,000	RMB 100,000,000	–	100%	–
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd. ("**Guangzhou Zhuodu**")	30/07/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	–	100%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests		Ownership interests held by the Group: Equity interests held by non-controlling interests
							Direct	Indirect	
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	–	100%	–
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB 500,000	RMB 500,000	–	100%	–
廣州廣澤房地產開發有限公司 Guangzhou Guangze Real Estate Development Co., Ltd. ("**Guangzhou Guangze**")	05/11/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	–	100%	–
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB 10,500,000	RMB 10,500,000	–	100%	–
景業控股(香港)有限公司 Jingye Holdings (HK) Limited ("**Jingye Holdings (HK)**")	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK$1	HK$1	–	100%	–
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	US$1	US$1	–	100%	–
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK$1	HK$1	–	100%	–
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB 50,000,000	RMB 50,000,000	–	100%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests		Ownership interests held by the Group: Equity interests held by non-controlling interests
							Direct	Indirect	
廣州市舜邦投資管理有限公司 Guangzhou Shunbang Investment Management Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	–	100%	–
廣東景業健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.	05/12/2016	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB 1,016,000	–	100%	–
廣州市舜安健康產業管理有限公司 Guangzhou Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB 1,000,000	RMB 1,000,000	–	100%	–
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB 200,000	–	100%	–
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB 400,000,000	RMB 346,436,000	–	60%	40%
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB 399,000,000	RMB 344,010,000	–	60%	40%
廣州灝邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	–	60%	40%

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests		Ownership interests held by the Group: Equity interests held by non-controlling interests
							Direct	Indirect	
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	–	100%	–
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB 50,000,000	RMB 50,090,000	–	100%	–
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB 52,000,000	RMB 10,400,000	–	80%	20%
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB 25,000,000	RMB 25,000,000	–	100%	–
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 35,000,000	–	70%	30%
英德金雄水泥有限公司 Yingde Jinxiong Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB 24,120,000	RMB 24,120,000	–	100%	–
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB 2,000,000	RMB 2,000,000	–	100%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
舜邦投資管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK$10	HK$10	–	100%	–
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	US$10	US$10	–	100%	–
舜邦商務管理(廣州)有限公司 Shunbang Corporate Management (Guangzhou) Co., Ltd.	23/04/2018	Limited liability company	Mainland China	Business management	RMB 100,000,000	RMB 50,000,000	–	100%	–
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Limited	27/03/2018	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB0	–	100%	–
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	–	100%	–
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	US$10	US$0	–	100%	–
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK$10	HK$10	–	100%	–
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB 300,000,000	RMB 300,000,000	–	90%	10%

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests		Ownership interests held by the Group: Equity interests held by non-controlling interests
							Direct	Indirect	
廣州市景悦房地產有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB0	–	90%	10%
肇慶市景悦科技發展有限公司 Zhaoqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	–	90%	10%
廣州市普盛房地產開發有限公司 Guangzhou Pusheng Real Estate Development Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB 5,000,000	RMB 5,000,000	–	80%	20%
海南烜煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	–	80%	20%
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB 100,000,000	RMB 30,000,000	–	100%	–
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB 1,000,000	RMB 1,000,000	–	100%	–
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	–	100%	–
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	–	100%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group — Attributable equity interests — Direct	Ownership interests held by the Group — Attributable equity interests — Indirect	Ownership interests held by the Group — Equity interests held by non-controlling interests
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	US$10	US$0	–	100%	–
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK$10	HK$10	–	100%	–
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB 5,000,000	RMB 5,000,000	–	100%	–
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB 50,000,000	RMB 5,000,000	–	100%	–
中山市景悦投資有限公司 Zhongshan Jingyue Investment Co., Ltd.	12/04/2019	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	–	95%	5%
中山市悦恒商業管理有限公司 Zhongshan Yueheng Corporate Management Co., Ltd. ("**Zhongshan Yueheng**")	20/09/2010	Limited liability company	Mainland China	Property management	RMB 500,000	RMB 500,000	–	95%	5%
湖南卓都物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB 3,000,000	RMB0	–	100%	–
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB 350,000,000	RMB 130,000,000	–	100%	–

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2019 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group: Attributable equity interests — Direct	Ownership interests held by the Group: Attributable equity interests — Indirect	Ownership interests held by the Group: Equity interests held by non-controlling interests
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	–	100%	–
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	–	100%	–
肇慶卓都物業管理有限公司 Zhaoqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	–	100%	–

The English names of the companies in Mainland China 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.

The accumulated non-controlling interests as at 31 December 2019 was RMB100,455,000 (2018: RMB103,975,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

38 Disposal of subsidiaries

(a) Description

(i) On 11 June 2019, Guangzhou Yinong entered into an equity transfer agreement with Guangzhou Henghui Investment Co., Ltd. (the "**Guangzhou Henghui**"), pursuant to which, Guangzhou Henghui acquired the 50.1% equity interest of Guangzhou Jinghong from Guangzhou Yinong at a consideration of RMB74.9 million, based on the equity interest of Guangzhou Jinghong, which is approximately to its fair value. The disposal was completed on 11 June 2019.

(ii) On 30 June 2018, Jingye Holdings (HK) entered into an agreement with Asia Perfect Development Limited to dispose of Sure Fine together with its wholly-owned subsidiary, Well Power at a consideration of HK$600 million, based on the fair value of Sure Fine. The transfer was completed on 18 October 2018.

(iii) On 15 June 2018, Guangzhou Guangze and Guangdong Hengyue entered into an equity transfer agreement with Jinghengyue Holdings (HK) Limited ("**Jinghengyue HK**"), pursuant to which, Jinghengyue HK acquired 55% equity interest of Guangzhou Jinghengyue at a consideration of RMB110 million from Guangzhou Guangze. The consideration was based on the equity interest of Guangzhou Jinghengyue, which is approximately to its fair value. The transfer was completed on 15 June 2018.

(iv) On 11 May 2018, Guangzhou Zhuodu entered into an equity transfer agreement with Juxin Business Management (Guangzhou) Co., Ltd. ("**Juxin Business Management**"), pursuant to which, Juxin Business Management acquired 100% equity interest of Guangzhou Juxin at a consideration of RMB3 million, based on the equity interest of Guangzhou Juxin, which is approximately to its fair value. The disposal was completed on 11 May 2018. On 28 June 2019, Guangzhou Zhuodu received the disposal consideration of Guangzhou Juxin.

(All amounts in RMB Yuan thousands unless otherwise stated)

38 Disposal of subsidiaries (continued)

(b) Details of the disposal of the subsidiaries

During the years ended 31 December 2019 and 2018, the Group disposed of interests in the subsidiaries mentioned above to third parties. Details of the disposals are as follows:

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Disposal consideration		
— Cash to be received *(Note)*	**–**	3,000
— Cash received	**74,893**	642,620
Property, plant and equipment	**–**	224
Investment in an associate/a joint venture	**20,401**	24,500
Deferred income tax assets	**50**	4,120
Properties under development	**–**	313,823
Trade and other receivables and prepayments	**163,697**	466,845
Financial assets at fair value through profit or loss	**–**	13,000
Cash and cash equivalents	**40**	7,420
Trade and other payables	**(169,055)**	(325,574)
Non-controlling interests	**54**	(69,096)
Total net assets	**15,187**	435,262
Gains on disposal before income tax	**59,706**	210,358
Income tax expense	**(14,217)**	(1,832)
Gains on disposal	**45,489**	208,526
Cash proceeds	**74,893**	642,620
— Cash and cash equivalents of the subsidiaries disposed of	**(40)**	(7,420)
Net cash inflow on disposal	**74,853**	635,200

Note: On 30 June 2019, the outstanding cash of RMB3,000,000 as at 31 December 2018 was received.

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Business combination

(a) Summary of acquisition

For the year ended 31 December 2019, the Group acquired a property holding company, which has been accounted for under business combination.

The financial information of the acquired company on the acquisition date is listed as follows:

	Year ended 31 December 2019 RMB'000
Purchase consideration (refer to (b) below):	
— Cash paid	118,482
Total purchase consideration	118,482
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade receivables, prepayments and other receivables	847
Completed properties held for sale	893,279
Bank and other borrowings	(410,940)
Trade and other payables	(232,392)
Deferred income tax liabilities	(132,312)
Net assets acquired	118,482

(b) Purchase consideration – cash outflow

	Year ended 31 December 2019 RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Total cash consideration	118,482
Total cash paid in current year	118,482
Net outflow of cash	118,482

(c) Acquired receivables

The fair value of trade receivables for the acquisition in 2019 was RMB847,000.

(d) Revenue and profit contribution

The acquired business in 2019 contributed revenues of RMB79,941,000 and profit of RMB657,000 to the Group for the period from the respective acquisition dates to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB2,426,022,000 and RMB493,508,000 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Business combination (continued)

(e) Acquisition related cost

Acquisition-related costs of RMB255,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

(f) Apart from the business combination as described above, payments for acquisition of subsidiaries treated as assets deal by the Group, net of cash acquired, amounted to RMB43,861,000 for the year ended 31 December 2019 (2018: RMB86,583,000).

40 The Company's statement of financial position and reserve movement

(a) The Company's statement of financial position is as follows:

		As at 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**1,938,091**	549,382
Current assets			
Other receivables and prepayments		**1,220**	–
Amounts due from subsidiaries		**165,118**	–
Restricted cash		**492,679**	–
Cash and cash equivalents		**583,747**	–
Dividend receivables		**196,176**	–
		1,438,940	–
Total assets		**3,377,031**	549,382
EQUITY			
Share capital	*28*	**14,746**	–
Other reserves	*40(b)*	**2,232,168**	549,382
Retained earnings/(accumulated losses)	*40(b)*	**187,403**	(78)
Total equity		**2,434,317**	549,304
LIABILITIES			
Current liabilities			
Other payables		**2,145**	78
Bank and other borrowings		**940,569**	–
		942,714	78
Total liabilities		**942,714**	78
Total equity and liabilities		**3,377,031**	549,382

40 The Company's statement of financial position and reserve movement (continued)

(b) Movement of the Company's other reserves is as follows:

	Notes	Other reserves RMB'000	(Accumulated loss)/profit RMB'000
At 2 November 2018 (date of incorporation)		–	–
Deemed contribution		549,382	–
Loss for the period		–	(78)
At 31 December 2018		549,382	(78)
At 1 January 2019		**549,382**	**(78)**
Capitalisation of loan due to ultimate controlling shareholder	*29(a)*	**461,995**	**–**
Issue of shares in connection with the capitalisation issue	*29(b)*	**(10,749)**	**–**
Issue of shares in connection with the Company's listing	*29(b)*	**1,258,969**	**–**
Share issurance cost	*29(c)*	**(27,429)**	**–**
Profit for the period		**–**	**187,481**
At 31 December 2019		**2,232,168**	**187,403**

41 Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group for the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fees, Salaries and other benefits	**30,225**	13,385
Pension costs	**53**	55
Total	**30,278**	13,440

(i) For the year ended 31 December 2019

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
Executive Directors				
Mr. CHAN Sze Ming Michael *(Chairman)*	9,135	16	–	9,151
Ms. ZHENG Catherine Wei Hong *(President)*	5,988	10	–	5,998
Mr. LIU Huaxi	6,110	7	–	6,117
Mr. XUE Shuangyou	3,642	10	–	3,652
Mr. WU Xinping	3,628	10	–	3,638
Ms. WEI Miaochang	1,722	–	–	1,722
	30,225	53	–	30,278

(All amounts in RMB Yuan thousands unless otherwise stated)

41 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2018

Name of Directors	Salaries and other benefits RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
Executive Directors				
Mr. CHAN Sze Ming Michael *(Chairman)*	1,634	15	–	1,649
Ms. ZHENG Catherine Wei Hong *(President)*	3,695	15	–	3,710
Mr. XUE Shuangyou	3,285	10	–	3,295
Mr. WU Xinping	3,090	10	–	3,100
Ms. WEI Miaochang	1,681	5	–	1,686
	13,385	55	–	13,440

Note:

Mr. CHAN Sze Ming Michael, Ms. ZHENG, Mr. WU, and Mr. XUE were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019.

No remunerations are paid or receivables in respect of accepting offices as director for the years ended 31 December 2019 and 2018.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2019 and 2018.

No director waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018.

(b) Directors' retirement benefits

For the years ended 31 December 2019 and 2018, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

For the years ended 31 December 2019 and 2018, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

For the years ended 31 December 2019 and 2018, the Company didn't pay to any third party for making available directors' services.

(All amounts in RMB Yuan thousands unless otherwise stated)

41 Benefits and interests of directors (continued)

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

For the years ended 31 December 2019 and 2018, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, 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 for the years ended 31 December 2019 and 2018.

42 Events after the statement of financial position date

(a) Since January 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors have assessed the potential impact of the COVID-19 Outbreak to the Group as outlined below:

- The Group does not have property projects in Hubei, which severely affected by the COVID-19 Outbreak, the directors expect the epidemic would not have a significant impact on the Group's operating results in 2020.

- The Group's rental income and revenue from hotel operations in 2020 could possibly be affected by the epidemic temporarily. Given that the income from the both business lines contributed less than 5% to the Group, the directors expect the COVID-19 Outbreak would not have a significant impact on the Group's operating results in 2020.

The Group will closely monitor the development of the COVID-19 Outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

(b) The Company issued senior notes in an aggregate principal amount of US$150,000,000 in Hong Kong on 10 March 2020 (the "**2020 Note**"). The interest rate of the 2020 Note is fixed at 7.5% per annum. The 2020 Note will mature on 9 March 2021, and are puttable for early redemption at the principal amount at any time prior to 9 March 2021. The 2020 Note were listed on the Hong Kong Stock Exchange on 11 March 2020.

Financial Summary

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,402,810**	1,328,887	838,259	640,675
Cost of sales	**(1,258,578)**	(816,297)	(568,089)	(476,230)
Gross profit	**1,144,232**	512,590	270,170	164,445
Selling and marketing expenses	**(131,046)**	(74,225)	(44,499)	(39,180)
Administrative expenses	**(162,938)**	(124,598)	(66,050)	(41,475)
Net impairment losses on financial assets	**(236)**	(170)	(336)	(34)
Other income	**3,731**	1,276	721	670
Other expenses	**(3,098)**	(2,759)	(2,858)	(2,746)
Other gain – net	**61,021**	230,570	36,618	60,379
Operating profit	**911,666**	542,684	193,766	142,059
Finance income/(costs) – net	**1,386**	649	(9,566)	672
Share of results of a joint venture	**(158)**	(2,781)	–	–
Share of results of associates	**(1,387)**	(1,282)	(792)	(228)
Profit before income tax	**911,507**	539,270	183,408	142,503
Income tax expenses	**(416,590)**	(157,511)	(97,330)	(57,996)
PROFIT FOR THE YEAR	**494,917**	381,759	86,078	84,507
Profit attributable to:				
Owners of the Company	**501,517**	386,486	89,789	84,507
Non-controlling interests	**(6,600)**	(4,727)	(3,711)	–
	494,917	381,759	86,078	84,507

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**939,639**	977,422	907,830	569,212
Current assets	**8,273,450**	5,636,749	3,552,038	1,778,517
Total assets	**9,213,089**	6,614,171	4,459,868	2,347,729
Non-current liabilities	**1,628,985**	413,591	775,239	642,936
Current liabilities	**4,764,695**	5,547,301	3,318,378	1,636,080
Total liabilities	**6,393,680**	5,960,892	4,093,617	2,279,016
Net assets	**2,819,409**	653,279	366,251	68,713
Equity attributable to owners of the Company	**2,718,954**	549,304	193,858	68,713
Non-controlling interests	**100,455**	103,975	172,393	–
Total equity	**2,819,409**	653,279	366,251	68,713

Glossary

In this Annual Report, the following expressions have the following meanings unless the context requires otherwise:

"Adoption Date"	13 November 2019, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
"AGM" or "Annual General Meeting"	the annual general meeting of the Company to be held at Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 28 May 2020 at 2:30 p.m.
"AGM Notice"	the notice convening the AGM set out on pages 22 to 27 of the circular of the Company dated 17 April 2020
"Articles"	the amended and restated articles of association of the Company as amended from time to time
"ASP"	average selling price
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealings in securities
"BVI"	the British Virgin Islands
"CG Code"	the principles of the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"close associates"	has the meaning ascribed thereto in the Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as amended and revised) of the Cayman Islands
"Company" or "JY Grandmark"	JY Grandmark Holdings Limited (景業名邦集團控股有限公司), a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and for the purposes of this annual report, means each of Sze Ming Limited and Mr. CHAN Sze Ming Michael
"core connected person"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"GFA"	gross floor area
"Global Offering"	the global offering of shares of the Company as defined in the Prospectus
"Group"	the Company and its subsidiaries
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"International Underwriters"	the underwriters for the International Placing (as defined in the Prospectus) entered into the International Underwriting Agreement

"International Underwriting Agreement"	the underwriting agreement relating to the International Placing (as defined in the Prospectus) to be entered into by, among others, the Company and the International Underwriters on 29 November 2019
"IPO"	initial public offering
"Listing Date"	Thursday, 5 December 2019, on which the Shares were first listed and from which dealings in the Shares were permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum"	the amended and restated memorandum of association of the Company as amended from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Over-allotment Option"	the option granted by the Company to the International Underwriters under the International Underwriting Agreement
"PRC" or "China"	the People's Republic of China, which for the purposes of this annual report excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
"Prospectus"	the prospectus of the Company dated 25 November 2019
"Remuneration Committee"	the remuneration committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the nominal value of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	a share option scheme approved and adopted by the Company on 13 November 2019
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"U,S," or "United States"	the United States of America, its territories and possessions, any states of the United States and the District of Columbia
"US$" or "U.S. dollars" or "US dollars"	United States dollars, the lawful currency of the United States
"%"	per cent

* For ease of reference, the names of companies and entities established in China have been included in this annual report in English by way of translation if such Chinese entities do not have an English name as part of their legal name, and if there is any inconsistency between the Chinese names of the Chinese entities mentioned in this annual report and their English translations, the Chinese version shall prevail.

JY GRANDMARK HOLDINGS LIMITED