Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2768

2019
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Shum Tin Ching *(Chairman)*
Shen Xiaodong

Executive Directors

Zhang Yi *(Vice Chairman and President)*
Huang Fuqing *(Vice Chairman)*
Cheuk Hiu Nam
Wang Jianfeng

Independent non-executive Directors

Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, JP
Gu Yunchang

AUDIT COMMITTEE

Tai Kwok Leung, Alexander *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, JP *(Chairman)*
Tai Kwok Leung, Alexander
Cheuk Hiu Nam

NOMINATION COMMITTEE

Shum Tin Ching *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

JOINT COMPANY SECRETARIES*

Cheuk Hiu Nam
Lau Yee Wa *(appointed w.e.f. 10 June 2019)*

AUTHORISED REPRESENTATIVES*

Cheuk Hiu Nam
Lau Yee Wa *(appointed w.e.f. 10 June 2019)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law:
Mayer Brown

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
CMB Wing Lung Bank Limited
Nanyang Commercial Bank
Chong Hing Bank Limited
Industrial and Commercial Bank of China Limited
Banco Tai Fung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS

Room 1403, 9 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

WEBSITE

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STOCK CODE

2768

* Ms. Wong Tak Yee resigned as one of the joint company secretaries and an authorised representative of the Company with effect from 10 June 2019.

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (the "Company" and together with its subsidiaries, collectively as the "Group") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China ("PRC"). As at 31 December 2019, the total land bank of the Group was approximately 14 million sq.m..

With over 20 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and strengthen the "Jiayuan" brand.

As of 31 December 2019, the Group has a portfolio of 63 property projects in China. Ever since its establishment, the Group has had a deep presence in the property project development in Jiangsu region. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market. Also, the Group purchased the quality properties of Shanghai from Mr. Shum Tin Ching ("Mr. Shum"), Chairman, non-executive Director and ultimate controlling shareholder of the Company, thus enhancing its brand influence in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the "Belt and Road" initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group acquired a property management business, for which property management services of the Group was established in Zhejiang and gradually developed, extending to 20 provinces and municipalities throughout the PRC including Shanghai, Jiangsu, Anhui, Hainan, Chongqing, Beijing etc. In the third quarter of 2019, the Group acquired various projects located in major cities of Anhui Province from Mr. Shum, signifying a new level in the Group's international development.

The Group's residential and commercial complexes in cities with sizeable economies and populations have been or will be developed into mixed-use community centres. The Group strives to infuse the following key values into the developments:

(i) Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school nets. In addition, the Group has participated in the construction of five schools in its developed property projects, aiming at building an excellent school net;

(ii) Leisure value: It is the Group's general practice to spare a large portion of its site area for the construction of classical landmarks, European or Japanese theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to its customers; and

(iii) Commercial value: The residential properties under the Group also include retail stores and shopping malls, providing a "one-stop" shopping experience to its customers and taking care of the daily needs of residents and citizens nearby.

CHAIRMAN'S STATEMENT

Dear **Shareholders**,

In 2019, against the backdrop of generally tight real estate policies in the PRC, both stringent and relaxed regulations were implemented with a major keynote of city-specific policies. The national real estate market maintained a stable and progressive trend. With respect to commodity housing, sales area maintained at a high level and sales amount reached another record high.

In response to the fast-changing market environment, the Group proactively carried out a series of internal reforms to increase sales and optimize our capital and debt structure. The Group continued to deliver an encouraging performance in terms of various operating indicators in 2019, which exemplified our strategic efforts of focusing on regional layout to achieve improvement and expansion. Contracted sales and average property selling price of the Group amounted to approximately RMB28.9 billion and RMB11,804 per square meter ("sq.m.") in 2019 respectively, representing a year-on-year increase of 43% and 5% respectively whereas contracted sales area reached 2,445,666 sq.m. in 2019, representing a year-on-year increase of 37%.

In addition, by adopting a strategy of active expansion and prudent investment during the year 2019, the Group continued to develop on a larger scale. In the second half of 2019, the Group successfully completed the acquisition of the property development projects in Anhui Province from Mr. Shum, and further acquired new land banks in Jiangsu Province and other regions. The Group also expanded its business footprint and influence in Anhui Province. Besides, the Group has business strategies of further expanding into Southeast Asia along the "Belt and Road" regions, laying a sound foundation for overseas development in the future. So far, the Group has formed a development layout in the Yangtze River Delta Economic Rim, the Guangdong-Hong Kong-Macao Greater Bay Area, the countries and regions along the "Belt and Road" initiative, signifying our progress towards "growing bigger and stronger".

PROSPECTS

Approaching 2020, objectively speaking, the outbreak of Novel Coronavirus ("COVID-19") led to a temporary slump in sales in the real estate market. Nevertheless, with the containment and cure of the COVID-19 in the future, the Group believes that the temporarily sluggish market will release its effective power with anticipation that it would fuel a boom in the real estate market.

City-specific policies and two-way control policies will remain the long-term policy keynote for the Chinese real estate market given that the goal of government control is to facilitate the sound development of the real estate market. The Group will continue to abide by its sound and stable development strategies, and adhere to its strategic goal of "growing bigger and stronger". Capturing the present trends and devoted to developing the Yangtze River Delta Economic Rim, the Guangdong-Hong Kong-Macao Greater Bay Area, the countries and regions along the "Belt and Road" regions, the Group will further raise its own management standard in an effort to achieve high quality development, thereby offering customers quality products which can satisfy their aspirations for a quality life and constantly creating benefits for its shareholders.

Jiayuan International Group Limited
Chairman
Shum Tin Ching

Hong Kong
9 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Market Review

In 2019, in light of the uncertainty of both within and outside the PRC, its economic performance maintained at a reasonable and steady growth. In addition, the economic and trade conflicts between the PRC and the United States have been gradually resolved under a positive growth momentum. PRC local governments implemented different local policies for the real estate industry under the PRC central government's spiritual guidance of "property is for living but not for speculation" and "city-specific policies" and based on the actual local condition to ensure that performance of the real estate market continued to remain stable.

Looking back in 2019, the real estate market in the PRC maintained a steady growth. According to the data from the National Bureau of Statistics, from January to December in 2019, the investment in national property development amounted to approximately RMB13,219 billion, representing a year-on-year increase of approximately 10%. The sold area of commodity properties amounted to approximately 1,716 million sq.m., representing a year-on-year decrease of approximately 0.1%. The sales amount of commodity properties amounted to approximately RMB15,973 billion, representing a year-on-year increase of approximately 7%.

II. Business review

Record High Sales

Taking an overview of 2019, the Group continued to develop by surmounting difficulties and precisely grasping opportunities for development brought by the PRC's continuous economic growth, implementing

the development model of "focusing on real estate with diversification". The Group recorded a significant increase in sales. As at 31 December 2019, the contracted sales of the Group amounted to approximately RMB29 billion, representing a year-on-year increase of approximately 43%. Contracted sales area of the Group amounted to approximately 2,445,666 sq.m., representing a year-on-year increase of approximately 37%. The average price of contracted sales amounted to approximately RMB11,804 per sq.m., representing a year-on-year increase of approximately 5%.

National Layout Highlighting Strategic Values

The Group fully understood that land reserves are important foundation for development for property developers. In 2019, the Group ventured into certain key cities with high growth potentials and acquired premium projects in Anhui, Nanjing, Yangzhou and Yancheng with total gross floor area ("GFA") reaching 5 million sq.m. at a low premium through project merger and acquisition, tender and bidding in the public market and joint development. Besides, in terms of regional development strategy, the Group will continue to strictly follow the "13th Five-Year Plan" of the PRC and maintain its focus on four main areas, namely the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta Economic Zone, key provincial capital cities, as well as cities along the "Belt and Road" regions. The Group will continue to focus on development of large-scale residential and commercial complex projects, diversifying businesses and further increasing land values.

Layout of the Guangdong-Hong Kong-Macao Greater Bay Area Taking Shape

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been issued by the Hong Kong government, stating the intention to build the Greater Bay Area into an international center of technology and innovation. As one of the regions with the best comprehensive strengths and the most vivid economy in the PRC, occupying a land area of 56,000 sq.km. and with a population of more than 70 million, the Greater Bay Area is considered a major driver for global economic growth in the future. In 2016, the Group took the lead in entering city clusters in the Greater Bay Area and has obtained premium land parcels in Hong Kong, Macao, Shenzhen and other cities of Guangdong Province, so as to derive benefits from the economic boom in the Greater Bay Area. As high-end talents keep moving to the region and with increasingly better infrastructure and supporting facilities for daily living, the Group anticipates that the Greater Bay Area will then become a "one-hour high-quality living sphere" where the travelling time among key cities and peripheral cities will be within one hour. There will be immense potential of appreciation in value for properties in the region.

Broadening Financing Channels and Boosting Financial Strengths

The Group strongly believes that solid financial strengths are important pillars of its diversified business development. Therefore, the Group strove to speed up cash recovery from property sales, actively strengthened its control over the degree of leverage and fortified its capital management and expense control abilities during the year 2019, and set up special programs and issued senior notes through various financing channels to optimize debt and capital structure, including the setting up of "Jinyuan – Jiayuan International's Account Receivables for the Balance Payment of Properties Sold Asset-Backed Special Program" in September 2019 to issue asset-backed securities to eligible investors backed by the account receivables for the remaining payment balance of properties sold, with an issue size of approximately RMB430 million, which were quoted and traded on the Shanghai Stock Exchange; and the public issue of 505 million USD-denominated senior notes due 2022 and 238 million USD-denominated senior notes due 2023.

In 2019, the Group's ratio of long-term debts to short-term debts optimized from 5:5 to 7:3, while its net gearing ratio also significantly improved with a decrease to approximately 78%, thereby further boosting the Group's financial strengths and assisting the Group in exploring more financing channels in the future. In October 2019, Moody's Investors Service has upgraded the Company's corporate family rating to "B2" with a stable outlook rating.

Sound Investor Relations and Uplift of Corporate Transparency

In 2019, the Group continued to participate in exchanges and roadshows held by major financial institutions, such as the Interim Strategy Meeting 2019 organised by Industrial Securities (興業證券2019年中期策略會), as well as 2019 Listed Companies Cross Border Roadshow Week (2019上市公司跨境路演周) jointly organised by International Roadshow Center (上市公司跨境路演平台) and SWS Research (申萬宏源研究). Through such interactions, the Group shared its performance and development with domestic and foreign investment banks, rating agencies, investors and analysts and successfully established sound bilateral channels of communication.

Market Recognition for the Group's Overall Performance

In 2019, the Group achieved bright business performance. The Group was awarded with the "Outstanding Listed Companies Award 2019" by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited, the "Listed Company Awards of Excellence 2019 – Main Board (Large Cap)" granted by Hong Kong Economic Journal, and, for the fourth time consecutively, the accolade of "Hong Kong Outstanding Enterprise" awarded by Economic Digest. Meanwhile, a number of the Group's property projects won accolades from various media and organisations, including "Yangzhou Popular Real Estate Award 2019" (2019年揚州人氣樓盤獎) in respect of Yangzhou Jiayuan Jiulong Bay (揚州佳源玖瓏灣), the "15th Internet Popularity List of PRC Real Estate – High-quality Influential Property Project" (第十五屆中國房地產網絡人氣榜品質影響力樓盤) in respect of Yangzhou Jiayuan Guifu (揚州佳源桂府) awarded by Fang.com (房天下) and "Jiangsu's Properties with Exemplary Living Environment" (江蘇人居環境典範樓盤) in respect of Taixing Jiayuan Venice Metropolis (泰興佳源威尼斯城) and so forth, which were testimony of the influence of the "Jiayuan" brand in the real estate market in the PRC.

Performance of Corporate Social Responsibilities and Fostering Sustainable Development

With devotion and commitment to the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of such communities. In 2019, the Group also participated in charitable activities organised by charitable organisations, such as visiting youths and senior citizens in the community organised by the Kwun Tong Methodist Social Service, which conveyed positive energy to and encouraged these youths and senior citizens to face their life with positive attitude. In addition, the Group pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

III. Continuous Expansion of Land Bank

Deeply rooted in the Yangtze River Delta Region for many years, the Group took the lead in entering city clusters of the Guangdong-Hong Kong-Macao Greater Bay Area in 2016. The Group acquired various property projects in the core cities of the Greater Bay Area through project merger and acquisition and joint development. Meanwhile, the Group deployed resources to provincial capital cities with strong fundamentals and planned for high-quality projects in areas along the "Belt and Road" regions, with abundant land reserves. As at 31 December 2019, the Group had 63 development projects in total, spanning 19 domestic and foreign cities. The Group has land reserves with a total GFA of approximately 14 million sq.m., covering Yangtze River Delta Region, Anhui Province, city cluster in the Guangdong-Hong Kong-Macao Greater Bay Area, cities along the "Belt and Road" regions and other key provincial capital cities. The Group believes the targeted regions and cities will be enough to meet its development needs for the next three to five years. Hence, the abundant land reserves will provide strong assurance to the continuous growth of the Group's operating results in the future.

During 2019, the Group acquired two premium projects at a low premium in Nanjing and Yangzhou through tender and bidding in the public market, and joint development. With respect to the introduction of further assets, acquisition by the Group of the property management business personally held by Mr. Shum, was completed in the first half of 2019 and the acquisition of property development projects located in Anhui Province personally held by Mr. Shum was completed in the third quarter of 2019. These asset injections were intended to enhance profitability and further the Group's business footprint in the city cluster in the Yangtze River Delta Economic Zone. In terms of regional development strategy, the Group will continue to strictly follow the "13th Five-Year Plan" of the PRC and maintain its focus on four main areas; namely, the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta Economic Zone, key provincial capital cities, as well as cities along the "Belt and Road" regions, with the aim of further development of large-scale residential and commercial complex projects, diversifying property projects and boosting land values.

IV. Prospects

In 2020, the Group expects that the PRC government will continue to implement different control policies and speed up the establishment of a long-term mechanism for the PRC real estate market to promote its steady and healthy development. However, the county and township dwellers have an ongoing desire to improve their living conditions since urbanisation is far from over. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to strictly implement prudent financial policies and risk control measures, ensure construction quality and labour safety, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and procure investment returns.

The COVID-19 outbreak at the beginning of 2020 had certain impact on the overall economy. Whilst the Group does not have projects in Hubei Province, the nationwide epidemic prevention and control measures adopted by the government has had impact on the Group's sales in February, although the impact will be temporary and limited in the opinion of the Group. The Group has also taken multiple anti-epidemic measures in a timely and effective manner, actively exploring innovative models such as online sales and enhancing management of accounts receivables to adapt to and cope with market changes. From 24 January to 8 February 2020, the Group provided rental reductions for some of its leasable properties, actively supporting the PRC government's epidemic prevention and control to facilitate the anti-epidemic work. The Group attaches high importance to the physical health of property owners and employees and carried out self-protection properly to cement a safety defense line for anti-epidemic for the community. With generous support and strong leadership from the PRC government, the gradual progress in its epidemic prevention and control efforts, relevant relief policies constantly coming into effect and industries resuming operation in an orderly manner, the Group believes the ever-growing trend in the PRC economy will not change. At present, construction and production are gradually resuming at the Group's projects. The Group is fully confident of the long-term development of the real estate market.

In addition, the Group will continue to replenish its premium land bank by adopting pragmatic strategies for land acquisition, optimize the strategic layout of various key regions, and develop competitive and premium properties to suit the different urbanisation stages of the PRC with a view to meeting market demand in different regions. Going forward, while maintaining healthy development, the Group will make flexible adjustments according to market conditions, seeking to achieve continuously high-quality and well-coordinated development for overall uplift of profitability, so as to maximise value for its shareholders.

Property Projects

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2019, the Group had investment properties with a total GFA of approximately 2 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition.

Project	Year ended 31 December 2019 Contracted sales RMB (million) (unaudited)	Year ended 31 December 2019 Contracted gross floor area ("GFA") (sq.m.)	Year ended 31 December 2019 Contracted average selling price ("ASP") (RMB per sq.m.)	Year ended 31 December 2018 Contracted sales RMB (million) (unaudited)	Year ended 31 December 2018 Contracted gross floor area ("GFA") (sq.m.)	Year ended 31 December 2018 Contracted average selling price ("ASP") (RMB per sq.m.)
1. Nanjing Jiayuan Wuxing Plaza 南京佳源五星廣場	3,822	149,057	25,641	–	–	–
2. Yangzhou Centurial Honour Mansion 揚州世紀天城榮御府	1,935	157,760	12,267	3,055	301,319	10,140
3. Taizhou Venice Metropolis 泰州威尼斯城	1,496	154,977	9,651	2,420	267,548	9,045
4. Anhui Jiayuan Paris Metropolis 安徽佳源巴黎都市	1,350	71,563	18,867	–	–	–
5. Hong Kong projects 香港項目 (1)	1,393	9,614	144,869	295	3,619	81,487
6. Nantong Jiayuan Metropolis 南通佳源都市	1,267	155,228	8,160	1,110	142,115	7,811
7. Urumqi Jiayuan Metropolis 烏魯木齊佳源都市	1,267	130,370	9,715	–	–	–
8. Suqian Paris Metropolis 宿遷巴黎都市	1,524	172,652	8,827	183	26,334	6,949
9. Yangzhou Jiayuan Yurun Huafu 揚州佳源雨潤華府	1,225	93,488	13,103	1,319	109,235	12,079
10. Anhui Jiayuan Xinggangcheng 安徽佳源星港城	1,071	162,012	6,612	–	–	–
11. Yangzhou Jiayuan Yurun Guifu 揚州佳源雨潤桂府	1,068	73,396	14,546	3,141	217,441	14,445
12. Yangzhou Jiayuan Westmount Villa 揚州西峰玖墅	931	52,668	17,681	2,471	167,286	14,770
13. Anhui Jiayuan He County Central City 安徽佳源和縣中央城	854	111,280	7,676	–	–	–
14. Anhui Mingbang Xuefu 安徽名邦學府	734	101,555	7,230	–	–	–
15. Anhui Mengcheng Biguiyuan 安徽蒙城碧桂園	624	87,664	7,118	–	–	–
16. Changzhou Ruiyuan Jiayuan Yue Fu 常州睿源佳源悅府	614	32,562	18,846	–	–	–
17. Changzhou Dexin Junchen Fu 常州德信君宸府	600	17,305	34,701	–	–	–
18. Nanjing Zijin Mansion 南京紫金華府	573	13,856	41,368	352	8,967	39,230
19. Yangzhou Jiayuan Jiulong Bay 揚州佳源玖瓏灣	561	34,417	16,292	–	–	–
20. Anhui Bengbu Oriental Metropolis 安徽蚌埠東方都市	560	66,678	8,403	–	–	–
21. Anhui Fengtai Jiayuan Metropolis 安徽鳳台佳源都市	548	81,017	6,768	–	–	–
22. Anhui Lu'an Jiayuan Hua Fu 安徽六安佳源華府	545	100,025	5,449	–	–	–
23. Shanghai projects 上海項目 (2)	680	32,788	20,735	1,107	60,601	18,258
24. Others	3,626	383,734	9,450	4,727	482,744	9,793
Total	28,868	2,445,666	11,804	20,180	1,787,209	11,292

Note 1: Hong Kong projects include One Vista (San Hop Lan) and T-Plus

Note 2: Shanghai projects include Huijing Huating (上海•匯景華庭), Fengcheng Mingdu (上海•奉成名都) and Jiayuan Dream Square (佳源夢想廣場)

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 31 December 2019:

Project	Total GFA Held for Investment	Leased GFA	Total Rental Income For the year ended 31 December	
			2019	2018
	(sq.m.)	(sq.m.)	(RMB million)	(RMB million)
Yangzhou				
1. Park Number One 公園一號	721	721	0.3	0.3
2. Jiayuan Centurial Garden 世紀花園	8,653	8,653	1.2	0.9
3. Jiayuan Centurial Scenery Park 佳源世紀景園	915	915	–	–
4. Centurial Honour Mansion 世紀天城榮御府(1)	4,537	4,537	–	–
5. Jiayuan Centurial City 佳源世紀天城	127,002	99,991	16.4	–
6. Jiayuan Yurun Guifu 佳源雨潤桂府	1,588	1,588	–	–
7. Jiayuan Jiulong Bay 佳源玖瓏灣(1)	24,928	–	–	–
Taizhou				
8. Jiayuan Central Plaza 佳源中心廣場	47,567	47,567	2.4	1.8
9. Venice Metropolis 威尼斯城	101,232	62,221	77.9	–
10. Jiayuan New World 新天地	24,354	24,354	3.4	3.4
11. Qiangxi Garden 羌溪花苑	2,550	2,550	0.5	0.5
12. Jiayuan Mingfu 佳源名府	14,275	14,275	0.5	2.4
13. Oriental Bright City 東方不夜城	34,419	34,419	8.8	5.8
14. Quexiandao Number One 鵲仙島一號	10,428	10,192	2.4	3.0
15. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	37,296	29,842	–	–
Suqian				
16. Rome Metropolis 羅馬都市	43,886	37,534	1.3	3.2
Changzhou				
17. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	1.7	2.2
Nanjing				
18. Zijin Mansion 紫金華府	55,124	30,575	12.6	–
19. Jiayuan Wuxing Plaza 佳源五星廣場(1)	20,000	–	–	–
Shanghai				
20. Jiayuan Dream Square 夢想廣場(1)	21,260	21,260	38.7	36.8
21. Fengcheng Mingdu 奉城名都	13,621	13,621	10.0	10.7
22. Huijing Huating 匯景華庭	7,844	7,844	13.4	2.7
Anhui				
23. Hefei Paris Metropolis 合肥巴黎都市(1)	216,729	67,240	13.6	–
24. He County Central City 和縣中央城(1)	29,886	–	–	–
25. Guoyang Jiayuan Xinggangcheng 渦陽佳源星港城(1)	31,130	–	–	–
Cambodia				
26. Cambodia, Phnom Penh 柬埔寨金邊*	1,164,054	–	–	–
Others	–	–	5.8	–
Total	2,093,776	569,676	210.9	73.7

Note 1: Part of the project is currently under construction.

* *The project is proposed for development.*

Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 31 December 2019:

	Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Yangtze River Delta Region								
1	Jiayuan Centurial City 佳源世紀天城	Yangzhou City, Jiangsu Province	Under development	2022 Q1	Mixed-use	214,260	420,315	100%
2	Centurial Honour Mansion 世紀天城榮御府	Yangzhou City, Jiangsu Province	Under development	2021 Q1	Mixed-use	167,826	478,272	100%
3	Jiayuan Westmount Villa 佳源西峰玖墅	Yangzhou City, Jiangsu Province	Under development	2020 Q2	Residential	143,822	129,791	70%
4	Jiayuan Centurial Villa 佳源世紀豪園	Yangzhou City, Jiangsu Province	Completed	–	Residential	391,088	1,803	100%
5	Jiayuan Centurial Garden 佳源世紀花園	Yangzhou City, Jiangsu Province	Completed	–	Residential	234,671	8,653	100%
6	Park Number One 公園一號	Yangzhou City, Jiangsu Province	Completed	–	Residential	75,591	721	100%
7	Jiayuan Centurial Scenery Park 佳源世紀景園	Yangzhou City, Jiangsu Province	Completed	–	Residential	60,972	915	100%
8	Jiayuan Yurun Guifu 佳源雨潤桂府	Yangzhou City, Jiangsu Province	Under development	2020 Q3	Residential	119,973	137,009	100%
9	Jiayuan Yurun Huafu 佳源雨潤華府	Yangzhou City, Jiangsu Province	Under development	2020 Q4	Residential	91,722	156,243	100%
10	Jiayuan Jiulong Bay 佳源玖瓏灣	Yangzhou City, Jiangsu Province	Under development	2020 Q2	Mixed-use	49,676	155,027	100%
11	Zijin Mansion 紫金華府	Nanjing City, Jiangsu Province	Completed	–	Residential	339,008	86,343	100%
12	Jiayuan Wuxing Plaza 佳源五星廣場	Nanjing City, Jiangsu Province	Under development	2022 Q3	Residential	58,609	678,977	51%
13	Youyou Huafu 優優華府	Taizhou City, Jiangsu Province	Under development	2022 Q4	Residential	56,910	141,645	100%
14	Venice Metropolis 威尼斯城	Taizhou City, Jiangsu Province	Under development	2022 Q3	Residential	660,576	682,313	100%
15	Taixing Jiayuan Central Plaza 泰興佳源中心廣場	Taizhou City, Jiangsu Province	Completed	–	Mixed-use	81,887	56,697	100%

	Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Yangtze River Delta Region								
16	Jiayuan Mingfu 佳源名府	Taizhou City, Jiangsu Province	Completed	–	Mixed – use	42,054	16,839	100%
17	Jiayuan New World 新天地	Taizhou City, Jiangsu Province	Completed	–	Mixed – use	190,802	91,951	100%
18	Qiangxi Garden 羌溪花苑	Taizhou City, Jiangsu Province	Completed	–	Residential	69,486	5,846	100%
19	Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Taizhou City, Jiangsu Province	Completed	–	Mixed – use	83,048	144,489	100%
20	Oriental Bright City 東方不夜城	Taizhou City, Jiangsu Province	Completed	–	Residential	77,021	34,419	100%
21	Oriental Paris City 東方巴黎城	Taizhou City, Jiangsu Province	Completed	–	Residential	231,702	30,470	100%
22	Quexiandao Number One 鵲仙島一號	Taizhou City, Jiangsu Province	Completed	–	Residential	68,330	13,127	100%
23	Jiayuan Central Plaza 佳源中心廣場	Taizhou City, Jiangsu Province	Under development	2022 Q4	Mixed – use	15,702	15,702	100%
24	Jiayuan Metropolis 佳源都市	Suzhou City, Jiangsu Province	Under development	2020 Q4	Residential	52,988	128,360	100%
25	Elite International Garden 名人國際花園	Suqian City, Jiangsu Province	Completed	–	Residential	53,970	389	90%
26	Park Number One 公園一號	Suqian City, Jiangsu Province	Completed	–	Residential	126,183	26,610	90%
27	Paris Metropolis 巴黎都市	Suqian City, Jiangsu Province	Under development	2021 Q3	Residential	220,520	479,397	90%
28	Rome Metropolis 羅馬都市	Suqian City, Jiangsu Province	Under development	2020 Q4	Residential	302,505	700,419	100%
29	The Bund Number One 外灘一號	Suqian City, Jiangsu Province	Under development	2021 Q2	Residential	83,991	172,186	100%
30	Jiayuan Central Plaza 佳源中心廣場	Changzhou City, Jiangsu Province	Completed	–	Mixed – use	58,601	54,469	100%

Project		Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Yangtze River Delta Region								
31	Junchen Fu 君宸府	Changzhou City, Jiangsu Province	Under development	2020 Q4	Residential	26,768	77,075	51%
32	Yuefu 悦府	Changzhou City, Jiangsu Province	Under development	2020 Q3	Residential	17,996	47,692	100%
33	Jiayuan Metropolis 佳源都市	Nantong City, Jiangsu Province	Under development	2021 Q2	Residential	198,434	370,949	100%
34	Jiayuan Paris Metropolis 佳源巴黎都市	Zhenjiang City, Jiangsu Province	Under development	2020 Q4	Residential	119,607	123,638	100%
35	Fengcheng Mingdu 奉城名都	Shanghai City	Completed	–	Mixed – use	8,442	14,232	90%
36	Huijing Huating 匯景華庭	Shanghai City	Completed	–	Mixed – use	5,162	7,844	90%
37	Jiayuan Dream Square 佳源夢想廣場	Shanghai City	Under development	2020 Q4	Mixed – use	31,528	86,481	90%
38	Yancheng Jiayuan Square 鹽城佳源廣場	Yancheng City, Jiangsu Province	Under development	2022 Q4	Mixed – use	130,827	480,701	65%
39	Bengbu Oriental Metropolis 蚌埠東方都市	Bengbu City, Anhui Province	Under development	2021 Q2	Mixed – use	210,248	345,400	82%
40	Fengtai Jiayuan Metropolis 鳳台佳源都市	Huainan City, Anhui Province	Under development	2020 Q4	Mixed – use	75,920	188,600	100%
41	He County Central City 和縣中央城	Ma'anshan City, Anhui Province	Under development	2023 Q1	Mixed – use	322,462	481,482	79%
42	Lu'an Jiayuan Huafu 六安佳源華府	Lu'an City, Anhui Province	Under development	2022 Q3	Mixed – use	136,533	391,658	70%
43	Lujiang Oriental Metropolis 廬江東方都市	Hefei City, Anhui Province	Under development	2020 Q4	Mixed – use	180,704	155,225	42%
44	Guoyang Jiayuan Xinggangcheng 渦陽佳源星港城	Bozhou City, Anhui Province	Under development	2021 Q4	Mixed – use	189,200	487,907	91%
45	Lixin Jiayuan Metropolis 利辛佳源都市	Bozhou City, Anhui Province	Under development	2020 Q3	Mixed – use	66,800	98,857	60%

Project		Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Yangtze River Delta Region								
46	Hefei Paris Metropolis 合肥巴黎都市	Hefei City, Anhui Province	Under development	2020 Q3	Mixed – use	416,995	860,582	100%
47	Mengcheng Biguiyuan 蒙城碧桂園	Bozhou City, Anhui Province	Under development	2020 Q4	Mixed – use	120,100	173,800	30%
48	Mingbang Xuefu 名邦學府	Bozhou City, Anhui Province	Under development	2020 Q4	Mixed – use	184,221	131,266	51%
49	Minhe Project Dwellings 民和民居	Bozhou City, Anhui Province	Under development	2022 Q4	Mixed – use	77,463	223,697	67%
50	Chengnan Xuefu 城南學府	Hefei City, Anhui Province	Under development	2021 Q4	Mixed – use	104,014	263,748	60%
51	Bailin Chuntian 柏林春天	Lu'an City, Anhui Province	Completed	–	Mixed – use	48,500	17,269	55%
52	Dongfang Huating 東方華庭	Hefei City, Anhui Province	Completed	–	Mixed – use	120,408	3,425	99%
Guangdong – Hong Kong – Macao Greater Bay Area								
53	One Vista 匯賢一號	Hong Kong, Guangdong Province	Under development	2020 Q1	Mixed – use	1,793	25,409	70%
54	Success Centre 成功中心	Hong Kong, Guangdong Province	Under development	2020 Q2	Mixed – use	1,394	22,205	70%
55	T – plus 菁雋	Hong Kong, Guangdong Province	Completed	–	Residential	2,202	2,110	70%
56	Ocean Hill 悦峯	Macao, Guangdong Province	Proposed for development	2022 Q4	Residential	5,597	60,969	100%
57	Shenzhen Dingxi 深圳鼎曦	Shenzhen City, Guangdong Province	Proposed for development	2022 Q2	Mixed – use	4,940	41,140	70%
58	Shenzhen Songling 深圳松齡	Shenzhen City, Guangdong Province	Proposed for development	2022 Q2	Mixed – use	4,281	38,100	70%
59	Jiayuan Didu Hot Spring Resort 佳源帝都溫泉山莊	Enping City, Guangdong Province	Under development	2021 Q1	Residential	593,637	1,180,000	78%

	Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Other key provincial cities								
60	Heng Feng Jia Yuan 恒豐佳源	Guiyang City, Guizhou Province	Proposed for development	2023 Q1	Residential	120,000	856,375	43%
61	Russian Cultural Complex 俄羅斯文化綜合體	Dongfang City, Hainan Province	Under development	2020 Q4	Mixed – use	223,304	85,910	36%
Along the "Belt and Road" initiative								
62	Cambodia, Phnom Penh 柬埔寨金邊	Phnom Penh, Cambodia	Proposed for development	2023 Q1	Residential	1,164,054	1,164,054	50%
63	Jiayuan Metropolis 佳源都市	Urumqi City, Xinjiang	Proposed for development	2023 Q1	Residential	74,000	295,087	63%
Total						9,411,028	13,852,284	

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development; (ii) property investment and (iii) property management service. For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB16,070 million, representing an increase of approximately 18% from approximately RMB13,616 million in 2018. Profit and total comprehensive income for the year ended 31 December 2019 was approximately RMB2,463 million, representing an increase of approximately 5% from approximately RMB2,349 million in 2018.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 17% to approximately RMB15,374 million for the year ended 31 December 2019 from approximately RMB13,127 million for the year ended 31 December 2018. The increase was mainly due to the delivery of properties pre-sold under Hefei Paris Metropolis in Anhui, Jiayuan Yurun Guifu in Yangzhou and T-plus in Hong Kong upon their completion in 2019.

Property Management

On 21 January 2019, the Group completed the acquisition of the entire equity interest in Chuangyuan Holdings Limited ("Chuangyuan", together with its subsidiaries, the "Chuangyuan Group"), which is engaged in the property management business in the PRC. Property management became a new operating segment of the Group for the year ended 31 December 2019.

The Group's revenue from property management primarily includes (i) post-delivery property management services such as security, repair and maintenance, cleaning and garden landscape maintenance provided to property owners, residents and tenants of residential communities and commercial properties; and (ii) pre-delivery property management services including on-site security, cleaning, greening and gardening as well as customer service and other ancillary services provided to property developers prior to the establishment of an owners' committee.

Revenue generated from property management increased by approximately 53% to approximately RMB486 million for the year ended 31 December 2019 from approximately RMB318 million for the year ended 31 December 2018. The increase was in line with the Group's delivery of completed properties in 2019.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment increased by approximately 174% to approximately RMB211 million for the year ended 31 December 2019 from approximately RMB77 million for the year ended 31 December 2018. The increase was primarily due to an increase of monthly rental income generated from leasing contracts of the property investments during the year.

Others

The amount of RMB93 million recorded for the year ended 31 December 2018 represented (i) the revenue generated from the disposal of certain subsidiaries of Chuangyuan Group conducting sales and installation services of software and system equipment of RMB89 million, which was part of the reorganisation of Chuangyuan Group that was completed before the completion of its acquisition by the Group on 21 January 2019; and (ii) the revenue generated from the provision of commercial operation consulting service of RMB4 million.

Gross Profit and Gross Profit Margin

Gross profit increased by 16% to approximately RMB5,242 million for the year ended 31 December 2019 from approximately RMB4,504 million for the year ended 31 December 2018, while the Group's gross profit margin maintained at 33% for the years ended 31 December 2019 and 2018.

Other Income

The Group had other income of approximately RMB308 million for the year ended 31 December 2019 as compared with approximately RMB352 million for the year ended 31 December 2018, representing a decrease of approximately RMB44 million or 13%. The decrease was due to a combination effect of decreased interest income on loan receivables and increase in interest income on financial assets at fair value through profit or loss and bank deposits.

Other Gains and Losses

The Group's other losses decreased by 21% to approximately RMB141 million for the year ended 31 December 2019 from approximately RMB179 million for the year ended 31 December 2018. The decrease in other losses was mainly due to a combination effect of decreases in net foreign exchange losses of approximately RMB106 million in 2019, which was mainly attributable to the foreign exchange loss on borrowings denominated in USD against the depreciation of RMB against USD, as well as gains on disposal of investment in associates of RMB22 million, fair value loss of RMB55 million on derivative financial instruments and losses on deemed disposal of a subsidiary of RMB40 million during 2019.

Fair Value Change on Investment Properties

The Group's fair value change on investment properties increased to approximately RMB437 million for the year ended 31 December 2019 from approximately RMB366 million for the year ended 31 December 2018. The increase by approximately 19% was mainly derived from the investment properties located in Nanjing, Yangzhou and Hefei.

Selling and Marketing Expenses

The Group's selling and marketing expenses decreased to approximately RMB303 million for the year ended 31 December 2019 from approximately RMB359 million for the year ended 31 December 2018. The decrease by approximately 16% was mainly attributable to a decrease in sales commission paid to property agents as a result of increased direct sales conducted with customers in 2019.

Administrative Expenses

The Group's administrative expenses increased by approximately 17% to approximately RMB492 million for the year ended 31 December 2019 from approximately RMB420 million for the year ended 31 December 2018, which was mainly attributable to the increase of staff salaries and allowances resulting from the expansion of operation scale of the Group.

Finance Costs

The Group's finance costs decreased to approximately RMB283 million for the year ended 31 December 2019 from approximately RMB293 million for the year ended 31 December 2018. The decrease in finance costs of approximately 3% was attributable to the decrease in amounts of bank and other borrowings and senior notes in 2019.

Income Tax Expense

The Group's income tax expense increased to approximately RMB2,329 million for the year ended 31 December 2019 from approximately RMB2,141 million for the year ended 31 December 2018. The Group's income tax expense included payments and provisions made for enterprise income tax and land appreciation tax less deferred taxation during the year 2019. The increase by approximately 9% was in line with the increase in the Group's taxable profit in 2019.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year increased by approximately 5% to approximately RMB2,463 million for the year ended 31 December 2019 from approximately RMB2,349 million for the year ended 31 December 2018 which was in line with the expansion of the Group's operation in 2019.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2019, the Group had an aggregate of restricted/pledged bank deposits and cash and cash equivalents of approximately RMB8,154 million (as at 31 December 2018: approximately RMB6,703 million), representing an increase of approximately 22% as compared to that as at 31 December 2018. As at 31 December 2019, restricted/pledged bank deposits of approximately RMB2,123 million (as at 31 December 2018: approximately RMB2,103 million) were restricted for use in specific property development projects or pledged for mortgage guarantees given by the Group.

Borrowings and the Group's Pledged Assets

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB12,130 million (as at 31 December 2018: approximately RMB14,801 million). Amongst the borrowings, approximately RMB4,668 million (as at 31 December 2018: approximately RMB7,013 million) will be repayable within one year and approximately RMB7,462 million (as at 31 December 2018: approximately RMB7,788 million) will be repayable after one year.

As at 31 December 2019, bank and other borrowings of approximately RMB11,442 million (as at 31 December 2018: approximately RMB14,751 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2019, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB13,272 million (as at 31 December 2018: approximately RMB17,659 million).

Senior Notes

In May 2019, the Company issued senior secured notes with a principal amount of US$225,000,000 due in May 2022 (the "May 2022 Senior Notes") (in exchange for the senior notes issued with a principal amount of US$160,000,000 due in October 2019, bearing interest at a fixed rate of 10% per annum with interest payable semi-annually in arrears) which are listed on the Frankfurt Stock Exchange. The May 2022 Senior Notes, bearing interest at a fixed rate of 11.375% per annum with interest payable semi-annually in arrears, will mature in May 2022.

In July 2019, the Company issued senior secured notes with a principal amount of US$225,000,000 due in March 2022 (the "March 2022 Senior Notes") (a portion of which amounted to US$174,671,000 was used to exchange for a portion of the senior secured notes issued with a principal amount of US$25,000,000 due in October 2020 (to be consolidated with and formed a single series with the US$225,000,000, 12% due October 2020 senior notes issued in October 2018, the US$70,000,000 12% due October 2020 senior notes issued in November 2018 and the US$80,000,000 12% due October 2020 senior notes issued in December 2018) ("the Exchanged Notes") which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 4418). The March 2022 Senior Notes, bearing interest at a fixed rate of 13.75% per annum with interest payable semi-annually in arrears, will mature in March 2022. All of the Exchanged Notes in the principal amount of US$174,671,000 were cancelled and the remaining outstanding aggregate principal amount of the Exchanged Notes after such cancellation is US$225,329,000.

In August 2019, the Company issued senior secured notes with a principal amount of US$25,000,000 due in May 2022 (to be consolidated with and form a single series with the May 2022 Senior Notes) (the "May 2022 Senior Notes I") which are listed on the Frankfurt Stock Exchange. The May 2022 Senior Notes I, bearing interest at a fixed rate of 11.375% per annum with interest payable semi-annually in arrears will mature in May 2022.

In October 2019, the Company issued senior secured notes with a principal amount of US$200,000,000 due in February 2023 (the "February 2023 Senior Notes") which are listed on the Stock Exchange (Stock Code: 40023). The February 2023 Senior Notes, bearing interest at a fixed rate of 13.75% per annum with interest payable semi-annually in arrears, will mature in February 2023.

In November 2019, the Company issued senior secured notes with a principal amount of US$37,500,000 due in February 2023 (to be consolidated with and form a single series with the February 2023 Senior Notes) (the "February 2023 Senior Notes I") which are listed on the Stock Exchange (Stock Code: 40023). The February 2023 Senior Notes I, bearing interest at a fixed rate of 13.75% per annum with interest payable semi-annually in arrears, will mature in February 2023.

In November 2019, the Company issued senior secured notes with a principal amount of US$30,000,000 due in March 2022 (to be consolidated with and form a single series with the March 2022 Senior Notes) (the "March 2022 Senior Notes I") which are listed on the Stock Exchange (Stock Code: 4418). The March 2022 Senior Notes I, bearing interest at a fixed rate of 13.75% per annum with interest payable semi-annually in arrears, will mature in March 2022.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly as at 31 December 2019. It decreased to approximately 78% from 145% as at 31 December 2018, which was mainly attributable to the Group's effort in speeding up cash recovery from property sales, actively strengthening its control over the degree of leverage and fortifying capital management ability in 2019. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes as mentioned above net of cash and cash equivalents and restricted/pledged bank deposits) over the total equity.

Key Risks and Uncertainties

The following content lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Risks Pertaining to the Property Market and Operations

The Group's businesses and prospects are largely dependent on the performance of the property market in mainland China. The property market in mainland China is affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's financial, economic, monetary, industrial and environmental conservation policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group continues to implement its strategies to develop and strengthen penetration of different regional markets thereby reducing its dependence on specific markets. The Group's operation is subject to a number of risk factors distinctive to property development, property management, property investment, and property related businesses. Default on the part of the Group's buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations.

Exchange Rate Risk

The Group mainly operates its business in the PRC. Other than the foreign currency denominated bank deposits, deposits paid for a life insurance policy, borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations in 2019, though RMB depreciated against USD and HKD, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

Commitments

As at 31 December 2019, the Group had committed payment for the investment property under construction and property development expenditure of approximately RMB9,676 million (as at 31 December 2018: RMB8,776 million).

Contingent Liabilities

As at 31 December 2019, the Group had provided guarantees amounting to approximately RMB13,290 million (as at 31 December 2018: approximately RMB11,393 million) in respect of mortgage bank loans granted to purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the Directors consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2019.

Material Acquisitions and Disposals

On 21 January 2019, the Group completed the transaction for which the Group entered into the sale and purchase agreement with Mr. Shum whereby the Company agreed to acquire the entire issued share capital of Chuangyuan at a consideration of HK$688,974,000, which was fully settled by the issue and allotment of 50,180,189 consideration shares by the Company to Mr. Shum or his nominee(s). The Chuangyuan Group is principally engaged in the property management business in the PRC.

On 8 August 2019, the Company completed the acquisition of the entire issued share capital of Huiyuan Investment Holdings Limited ("Huiyuan"), which is engaged in property development an property investment in the PRC. Huiyuan indirectly held property development projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities. Huiyuan was wholly-owned by Mr. Shum. Pursuant to the relevant sale and purchase agreement, the consideration of RMB4,155,169,000 (equivalent to approximately HK$4,840,772,000) was fully settled by the issue and allotment of 1,377,959,475 consideration shares by the Company to Mr. Shum or his nominee(s).

Save as disclosed above, the Group did not have any material acquisitions and disposals during the year ended 31 December 2019.

Significant Investment

Save as those disclosed under the section headed "Management Discussion and Analysis" and notes 17 and 19 to the Consolidated Financial Statements, the Group did not have any significant investment during the year ended 31 December 2019.

Events after the Reporting Period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across the Asia region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on its financial statements as a result of the COVID-19 outbreak.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this annual report.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2019, the Group had approximately 5,191 employees (as at 31 December 2018: 4,326 employees). For the year ended 31 December 2019, the Group incurred employee costs of approximately RMB444 million (as at 31 December 2018: approximately RMB313 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees, details of which are set out in the section headed "Share Option Scheme" on pages 37 to 38 of this annual report.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Shum Tin Ching (沈天晴), aged 61, is the chairman of the board of Directors (the "Board"), the non-executive Director, the chairman of the Nomination Committee of the Company and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum's principal responsibilities include overall strategic planning of the Group, and he will not participate in the day-to-day management of the business operations of the Group. He was formerly an executive director of Boyuan Holdings Limited (Stock Code: BHL), a listed company in Australia from October 2015 to June 2018. Mr. Shum graduated from Zhejiang Broadcasting and Television College* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by Human Resource Department of Zhejiang Province* (浙江省人事廳) in December 2006. Mr. Shum has over 20 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) ("Jia Yuan Chuangsheng") (formerly known as Jiaxing Zujia Property Development Co., Ltd.* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaxing, Zhejiang Province of the PRC, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum is also the sole director of the Company's controlling shareholder, Mingyuan Group Investment Limited ("Mingyuan Investment") since 4 May 2015. Mr. Shum is the spouse of Ms. Wang Xinmei and the father of Mr. Shen Xiaodong, a non-executive Director of the Company.

EXECUTIVE DIRECTORS

Mr. Zhang Yi (張翼), aged 48, was appointed as a vice chairman, the president and an executive Director of the Company with effect from 17 February 2019. He is the Chief Executive of the Company and is primarily responsible for operation and overall management for the Group. Mr. Zhang has extensive experience in corporate management, industrial investment, mergers and acquisitions, operational integration and capital operation of listed companies.

Prior to joining the Group, from August 2016 to January 2019, Mr. Zhang was an executive director and the chief executive officer of Grandland Holdings Group Co., Ltd. (廣田控股集團有限公司); he was also the chairman of Guangtian Investment Co., Ltd. (廣田投資有限公司) and the chairman of Shenzhen Wanding Futong Equity Investment Management Co., Ltd. (深圳萬鼎富通股權投資管理有限公司).

Mr. Zhang served HNA Group Co., Ltd. (中國海航集團有限公司) from July 1995 to August 2016 and held various positions, which included: a project manager, a manager and a general manager assistant of the planning and finance department of Hainan Airlines, the financial controller and the general manager of Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限公司), the financial controller and the general manager of the planning and finance department of Hainan Airlines Holdings Co., Ltd. (海南航空控股股份有限公司) (formerly known as Hainan Airlines Co., Ltd. (海南航空股份有限公司)) (Stock Code: 600221), which is listed on the Shanghai Stock Exchange, a vice president and the financial controller of Haihang Tourism Holdings (Group) Co., Ltd. (海航旅遊控股(集團)有限公司), the chairman and the chief executive officer of HNA Hotel Holdings (Group) Co., Ltd. (海航酒店控股(集團)有限公司), the chairman and the chief executive officer of Haihang Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), the chairman and the chief executive officer of Haihang Commerce Holdings (Group) Co., Ltd. (海航商業控股(集團)有限公司) and the chairman, the executive chairman, the chief executive officer and the president of Haihang Industry Holdings (Group) Co., Ltd. (海航實業控股(集團)有限公司).

Mr. Zhang obtained his bachelor's degree in Economics from Wuhan University in June 1995 and his EMBA from Cheung Kong Graduate School of Business (長江商學院) in December 2006. He is now pursuing his EMBA with Tsinghua University PBC School of Finance (清華大學五道口金融學院). He became a senior accountant in July 2005.

Mr. Huang Fuqing (黃福清), aged 58, is the vice chairman of the Board and an executive Director of the Company. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province of the PRC. He is also a director of certain subsidiaries of the Group. Mr. Huang has over 20 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing of the PRC which was completed in 2018. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.* (常州市常信房地產開發有限公司) from December 1998 to December 2002.

Ms. Cheuk Hiu Nam (卓曉楠), aged 45, is an executive Director, a joint company secretary and a member of the Remuneration Committee of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. She primarily assists the Group in effective corporate governance and coordinates the business operations of different departments from the compliance perspective. She is also a director of certain subsidiaries of the Group. Ms. Cheuk has over 15 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. From July 2015 to February 2019, she took up the position of the chief executive officer of the Company. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the vice president, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising the financial matters and the human resource. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor degree in Business Administration in May 1995.

Mr. Wang Jianfeng (王建鋒), aged 52, is an executive Director of the Company. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identifying of new real estate development projects for the Group. He is also a director of certain subsidiaries of the Group. Mr. Wang has over 25 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

NON-EXECUTIVE DIRECTOR

Mr. Shen Xiaodong (沈曉東), aged 36, was appointed as a non-executive Director of the Company with effect from 17 February 2019. Mr. Shen is the son of Mr. Shum Tin Ching, the chairman, a non-executive Director and a controlling shareholder of the Company.

Mr. Shen has over 10 years' experience in properties industry. He was a vice president of the Group responsible for corporate strategy from October 2015 to February 2019. Mr. Shen was the general manager of Shanghai Dingyuan Property Development Co., Ltd. (上海定源房地產有限公司), which became a subsidiary of the Group since November 2018, from December 2007 to May 2015.

Mr. Shen obtained his bachelor's degree in civil engineering from Zhejiang University City College in 2006 and his master's degree in humanities and social sciences from University of New Castle upon Tyne in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 62, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2017.

Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Luk Fook Holdings (International) Limited (Stock Code: 590), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee, nomination committee and strategic development committee of AAG Energy Holdings Limited (Stock Code: 2686), and an independent non-executive director, the chairman of the audit committee, and a member of the related party transactions control committee of Shengjing Bank Co., Ltd. (Stock Code: 2066), which are all listed on the Main Board of the Stock Exchange. Mr. Tai was formerly an independent non-executive director of Anhui Conch Cement Company Limited (Stock Code: 914), from May 2013 to May 2019, which is listed on the Main Board of the Stock Exchange. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference.

Dr. Cheung Wai Bun, Charles (張惠彬), JP, aged 83, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Dr. Cheung is currently working as a non-executive director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung was formerly an independent non-executive director and director general of audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Codes: 2727 (Hong Kong), which is listed on the Main Board of the Stock Exchange from November 2004 to February 2014, and A Stock 601727 (Shanghai), which is listed on the Shanghai Stock Exchange, from November 2007 to February 2014). He is also an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026), Modern Dental Group Limited (Stock Code: 3600) and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), which are all listed on the Main Board of the Stock Exchange. Dr. Cheung is a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which is listed on the Main Board of the Stock Exchange. Dr. Cheung is an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), which is listed on the GEM of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and chairman (subsequently co-chairman of the board) of Grand T G Gold Holdings Limited (Stock Code: 8299), from July 2009 to March 2016, and an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, which are all listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of China Financial International Investments Limited (Stock Code: 721), from March 2001 to September 2018, and China Taifeng Beddings Holdings Limited (Stock Code: 873), from April 2017 to July 2018, which are all listed on the Main Board of the Stock Exchange. He possesses extensive banking, finance and commercial experiences.

Mr. Gu Yunchang (顧雲昌) (alias Gu Yongchuang 顧勇闖), aged 76, was appointed as an independent non-executive Director on 12 February 2016 and is a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Gu was the vice chairman of the China Real Estate Research Association* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (Stock Code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016. Mr. Gu was also an independent non-executive director of COFCO Property (Group) Co., Ltd. (Stock Code: 31), from April 2012 to June 2018 and an independent non-executive director of Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), from May 2013 to May 2019, which are all listed on the Shenzhen Stock Exchange. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (Stock Code: 884) and Sunshine 100 China Holdings Ltd. (Stock Code: 2608), which are all listed on the Main Board of the Stock Exchange.

Save as disclosed above, as at the date of this annual report, each of the Directors mentioned above:

(a) did not hold any other position in the material subsidiaries of the Group;

(b) did not hold any directorship in any other listed company in the last three years;

(c) did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company; and

(d) is not a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Zhang Xiang (張翔), aged 36, is the chief financial officer of the Group primarily responsible for the overall financial operation of the Group. Mr. Zhang has over 14 years of experience in the fields of audit, accounting, financial management as well as merger and acquisition. Prior to joining the Group in February 2019, he served Ernst & Young from 2006 to 2015 with his last position as a senior manager. Mr. Zhang served as the chief financial officer of Shenzhen Grandland Group Co., Ltd.* (深圳廣田集團股份有限公司), an enterprise listed on the Shenzhen Stock Exchange (stock code: 002482.SZ), from 2016 to 2018. Meanwhile, from 2017 to 2019, he served as the chairman and executive director of Guangrong Financing Guarantee Co., Ltd.* (廣融融資擔保有限公司) and Guangrong Microfinance Co., Ltd.* (廣融小額貸款有限公司).

Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) and obtained a double bachelor's degree. He became a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 2010 and 2011, respectively.

Mr. Ma Mingya (馬明亞), aged 48, is the assistant executive officer of Jiayuan International Group Limited and the president of Shanghai Jiayuan Hucheng Property Group Co., Ltd.* (上海佳源滬城房地產集團有限公司) (known as Jiayuan Shanghai Group for short). Mr. Ma has approximately 23 years of experience in the real estate development industry and has been involved in the Group's business since July 2019. Mr. Ma is primarily responsible for management and overseeing the day-to-day operation and expansion of the Group's real estate development projects located in and around Shanghai. Mr. Ma also serves as the legal person and chairman of Shanghai Xiangyuan Property Co., Ltd.* (上海祥源房地產有限公司), the legal person and chairman of Xingzhou Jiayuan Property Development Co., Ltd.* (星洲佳源房地產開發有限公司) in Yancheng, Jiangsu Province and the legal person and executive director of Yancheng Xiangyuan Property Co., Ltd.* (鹽城祥源房地產有限公司), respectively.

Mr. Ma graduated from Nanjing University (南京大學) in June 2009 and obtained a master's degree in project management. He also obtained a degree in Executive Master of Business Administration (EMBA) at China Europe International Business School (中歐國際工商學院) in October 2011. He has been recognised as a senior engineer by Human Resource Department of Jiangsu Province in the PRC* (中國江蘇省人事廳) since December 2009.

Mr. Deng Wenping (鄧文平), aged 53, has served as the president of Anhui Jiayuan Property Group Co., Ltd.* (安徽佳源房地產集團有限公司) (known as Jiayuan Anhui Group for short), primarily responsible for management and overseeing the regional property development projects in Anhui Province and Hubei Province since August 2018. Mr. Deng has approximately 13 years of experience in the real estate development industry. He served as the general manager of Qijiang County Guangyuan Real Estate Development Co., Ltd.* (廬江縣廣源置業發展有限公司) (Qijiang Guangyuan) from January 2008 to December 2012. From August 2012 to December 2012, he was responsible for the preliminary preparation work for Jiayuan Anhui project development. He served as the general manager of Bengbu Mingyuan Real Estate Development Company Limited (蚌埠明源房地產開發有限公司) (Bengbu Mingyuan) from January 2013 to October 2017 and the vice president of Jiayuan Anhui Group from November 2017 to August 2018. Prior to this, Mr. Deng had 20 years of experience in the banking industry where he successively held the posts of the director of real estate credit loan department, the general manager of corporation department and the president of the sub-branch at Chaohu Branch of China Construction Bank.

Mr. Deng graduated from the discipline of civil engineering in Chongqing University (重慶大學) in July 1989. He obtained a graduation certificate in an advanced seminar course on chief executive officer (CEO) in the University of Science and Technology of China (中國科學技術大學) in April 2015.

Ms. Qiu Xiangming (邱祥明), aged 44, is currently the vice president of Ning Gang Jia Yuan Property Group Co., Ltd.* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short). Ms. Qiu had served as the assistant executive officer and the general manager of operation management center for Jia Yuan Ning Gang Group from January 2018 to May 2019, and was promoted to the position of vice president of the Group in May 2019. She served as the general manager of Changzhou Jinyuan from February 2014 to March 2018 and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province. Ms. Qiu has approximately 17 years of experience in the real estate development industry. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009.

Ms. Qiu graduated from Changzhou Institute of Technology* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Ministry of Finance in the PRC since May 2006.

Ms. Gao Yan (高艷), aged 46, is the general manager of Yangzhou Xiangjiang New City Centre Property Limited* (揚州香江新城市中心置業有限公司) since June 2016; she is also the assistant executive officer of Ning Gang Jia Yuan Property Group Co., Ltd.* (寧港佳源房地產集團有限公司) (known as Jia Yuan Ning Gang Group for short) since August 2018. She served as the general manager of Taixing Guangyuan Property Development Co., Ltd.* (泰興市廣源房地產開發有限公司) (Taixing Guangyuan) from August 2013 to August 2015. Ms. Gao has been involved in the Group's business since July 2003, primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province. Ms. Gao also acts as finance manager of Yangzhou Hengyuan Property Development Co., Ltd.* (揚州市恒源房地產開發有限公司) (Yangzhou Hengyuan) (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.* (江都市廣源房地產開發有限公司)).

Ms. Gao graduated from Jiangsu Broadcasting and Television College* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

CHANGES IN INFORMATION OF DIRECTOR

There are no changes in information of Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Company's 2019 Interim Report.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 86 of this annual report.

DIVIDENDS

The Company has adopted a dividend policy, which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits, as dividends to the shareholders.

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK11 cents per share (2018: HK11 cents per share) to shareholders whose names appear on the register of members of the Company on 17 June 2020.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the election form for scrip dividend on or about 29 June 2020. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 23 July 2020.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 8 to 25 of this annual report. Discussion details on the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report"; the status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Litigation and Compliance" below; and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis". The aforesaid discussion forms a part of the Directors' Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 200 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2019 are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2019 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB7,190 million less accumulated losses amounted to RMB1,068 million and they are subject to a solvency test.

EQUITY-LINKED AGREEMENTS

Save the share option scheme of the Company as disclosed herein, 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 at the end of the year.

SIGNIFICANT RELATIONSHIP WITH STAKEHOLDERS

Employees

As of 31 December 2019, the Group had a total number of 5,191 employees. During the reporting period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

Customers

While continuing to focus on development of large-scale residential and commercial complex projects as well as further increasing land values for its customers, the Company strictly followed the PRC government's spiritual guidance of "property is for living but not for speculation" and "city-specific policies".

Suppliers

During day-to-day operation and management, the Company maintained constant communication with the suppliers to understand their opinions and requirements and responded actively in order to enhance trust in partnering suppliers and strengthen bilateral cooperative relationship.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

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

Non-executive Directors:

Mr. Shum Tin Ching *(Chairman)*
Mr. Shen Xiaodong *(appointed w.e.f. 17 February 2019)*

Executive Directors:

Mr. Zhang Yi *(Vice Chairman and President) (appointed w.e.f. 17 February 2019)*
Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Joint Company Secretary)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, JP
Mr. Gu Yunchang

In accordance with Article 84 of the Articles of Association of the Company, Mr. Shum Tin Ching, Mr. Huang Fuqing and Ms. Cheuk Hiu Nam shall retire at the forthcoming annual general meeting of the Company to be held on 10 June 2020 (the "Annual General Meeting"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2019.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, other than Mr. Zhang Yi, has entered into a service contract with the Company for a term of three years commencing from 8 March 2019. Mr. Zhang Yi has entered into a service contract with the Company for a term of three years commencing from 17 February 2019. Such service contracts may be terminated in accordance with the terms of the service contracts.

Each of the non-executive Directors and independent non-executive Directors, other than Mr. Shen Xiaodong, was appointed to the Board pursuant to their respective letters of appointment, for a term of three years commencing from 8 March 2019, and such appointment may be terminated in accordance with the terms of the letters of appointment. Mr. Shen Xiaodong has entered into a service contract with the Company for a term of three years commencing from 17 February 2019, and such service contract may be terminated in accordance with the terms of the service contract.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Directors and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment or service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the non-executive Directors and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2019 are set out in note 14 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the three independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since 8 March 2016 (the "Listing Date"), the date on which the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of the Stock Exchange, and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Material Acquisitions and Disposals" and "Events after the Reporting Period", no other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2019 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK$0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 7.3% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

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 existed during the year ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or 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 interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company 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 for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares or securities held[(1)]	Percentage of interest in the Company[(5)]
Mr. Shum Tin Ching	Interest of a controlled corporation	2,712,244,324[(2)] shares (L)	68.76%
	Beneficial owner	19,566,400[(3)] shares (L)	0.50%
	Interest of a controlled corporation	500,000,000[(2),(4)] shares (S)	12.68%

Notes:

(1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.

(2) The disclosed interest represents an interest in the Company held by Mingyuan Group Investment Limited ("Mingyuan Investment"), which is wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

(3) These shares are wholly owned by Mr. Shum Tin Ching as a beneficial owner.

(4) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company.

(5) As at 31 December 2019, the total number of issued shares of the Company was 3,944,252,161.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Number of shares or securities held[1]	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	150,000 shares (L)	100%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (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 interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[8]
Ms. Wang Xinmei[2]	Interest of spouse	2,731,810,724 shares (L)	69.26%
	Interest of spouse	500,000,000[4] shares (S)	12.68%
Mingyuan Investment[3]	Beneficial owner	2,712,244,324 shares (L)	68.76%
	Beneficial owner	500,000,000[4] shares (S)	12.68%
CCB International Overseas Limited[5],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
Design Time Limited[6]	Beneficial owner	26,228,771 shares (L)	0.66%
CCBI Investments Limited[6]	Interest of a controlled corporation	26,228,771 shares (L)	0.66%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[8]
CCB International (Holdings) Limited[5],[6],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
	Interest of a controlled corporation	26,228,771 shares (L)	0.66%
CCB Financial Holdings Limited[5],[6],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
	Interest of a controlled corporation	26,228,771 shares (L)	0.66%
CCB International Group Holdings Limited[5],[6],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
	Interest of a controlled corporation	26,228,771 shares (L)	0.66%
China Construction Bank Corporation[5],[6],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
	Interest of a controlled corporation	26,228,771 shares (L)	0.66%
Central Huijin Investment Ltd.[5],[6],[7]	Person having a security interest in shares	500,000,000[4] shares (L)	12.68%
	Interest of a controlled corporation	26,228,771 shares (L)	0.66%

Notes:

(1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.

(2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(3) These shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching.

(4) On 31 December 2019, Mingyuan Investment entered into a release agreement with CCB International Overseas Limited, pursuant to which, CCB International Overseas Limited agreed to discharge and release 600,000,000 shares out of 2,712,244,324 shares held by Mingyuan Investment in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited on 29 June 2017. On the same day, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 500,000,000 shares out of 2,712,244,324 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a loan issued to the Company.

(5) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(6) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(7) CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..

(8) As at 31 December 2019, the total number of issued shares of the Company was 3,944,252,161.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions with related parties during the year ended 31 December 2019 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in notes 37 to the consolidated financial statements. They do not constitute notifiable connected transaction under the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2019 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year Ended 31 December 2019 RMB'000
Non-exempt continuing connected transactions		
1. Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu")[(1)] and Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu")[(1)]	Procurement of intelligent system equipment	**35,947**
2. Jiaxing City Boyuan Architecture Design Co., Ltd. ("Jiaxing Boyuan")[(2)]	Procurement of architecture design services	**30,881**
3. Jiayuan Chuangsheng Holdings Group Co., Ltd. ("Jiayuan Chuangsheng")[(3)]	Provision of property management services	**36,894**

Notes:

(1) Zhejiang Xigu is a company indirectly controlled by Ms. Wang Xinmei, the spouse of Mr. Shum. Jiaxing Deyu is a wholly-owned subsidiary of Zhejiang Xigu. Both of Zhejiang Xigu and Jiaxing Deyu are principally engaged in the manufacture, installation and sale of software and system equipment.

In 2015, the Group entered into intelligent system equipment procurement agreements and purchased a variety of intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system for some of the Group's property development projects.

On 31 December 2018, the Company entered into an intelligent system equipment procurement framework agreement with Zhejiang Xigu and Jiaxing Deyu to govern the procurement of intelligent system equipment by the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2019 was RMB60 million. The annual caps for the years ending 31 December 2020 and 2021 will be approximately RMB75 million and RMB90 million, respectively.

(2) Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum, and is principally engaged in project design and decoration.

In 2015, the Group engaged Jiaxing Boyuan for providing the Group with architecture design services for some of the Group's property development projects including (i) formulating the proposal, the preliminary design plan and the construction plan; and (ii) supervising the implementation of relevant design plan and construction plan for projects under construction.

On 31 December 2018, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan to govern the provision of architecture design services by Jiaxing Boyuan to the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2019 was RMB40 million. The annual caps for the years ending 31 December 2020 and 2021 will be approximately RMB65 million and RMB90 million, respectively.

(3) Jiayuan Chuangsheng is a company beneficially wholly-owned by Mr. Shum, and is principally engaged in property development, equity investment, enterprise investment and enterprise management consulting services.

On 19 September 2018, Jiayuan Chuangsheng, Zhejiang Jia Yuan Property Management Co., Ltd.* (浙江佳源物業管理有限公司) and the Company entered into the property management services framework agreement (the "Property Management Services Framework Agreement"), pursuant to which the parties agreed and confirmed that provision of the property management services (including but not limited to (i) the provision of on-site security, cleaning, greening and gardening as well as customer service to the property sales centre of Jiayuan Chuangsheng and its subsidiaries at the pre-delivery stage; and (ii) the provision of property management services for the unsold portion of the property units, in respect of certain properties developed or owned by Jiayuan Chuangsheng and its subsidiaries) by the Group to Jiayuan Chuangsheng and its subsidiaries have been and will continue to be conducted on terms set out therein, from the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied (i.e. 21 January 2019) to 31 December 2020 (both days inclusive) subject to the annual caps.

The annual cap for the year ended 31 December 2019 was RMB66 million (equivalent to approximately HK$75,160,800). The annual cap for the year ending 31 December 2020 will be RMB91 million (equivalent to approximately HK$103,630,800).

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

* *For identification purpose only*

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

None of the Directors waived any emoluments during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the date of this annual report.

LITIGATION AND COMPLIANCE

To the best knowledge of the Board, the Group has complied with all relevant laws and regulations that have a significant effect on the Group in all material respects. No litigation or claim of material importance is pending or threatened against any member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB626,000.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 46 to 57 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2019.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

AUDITOR

Deloitte Touche Tohmatsu resigned as auditor of the Company on 13 December 2019. On 16 December 2019, the Company appointed PricewaterhouseCoopers as its auditor. The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

On behalf of the Board

Shum Tin Ching
Chairman

Hong Kong, 9 March 2020

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2019.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2019.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2019. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

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

THE GROUP'S PERFORMANCE

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 8 to 25 of this annual report.

Board Composition

The Board currently comprises the following Directors:

Chairman and non-executive Director:

Mr. Shum Tin Ching *(chairman of Nomination Committee)*

Vice Chairmen and executive Directors:

Mr. Zhang Yi *(president) (appointed w.e.f. 17 February 2019)*
Mr. Huang Fuqing

Executive Directors:

Ms. Cheuk Hiu Nam *(joint company secretary and member of Remuneration Committee)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
(chairman of Audit Committee and member of Remuneration Committee)
Dr. Cheung Wai Bun, Charles, JP
(chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)
Mr. Gu Yunchang
(member of Audit Committee and Nomination Committee)

Non-executive Director:

Mr. Shen Xiaodong *(appointed w.e.f. 17 February 2019)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

Mr. Shen Xiaodong, a non-executive Director of the Company, is the son of Mr. Shum Tin Ching, the Chairman and a non-executive Director of the Company. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

Chairman and President/Chief Executive Officer

The position of Chairman is held by Mr. Shum Tin Ching. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

Mr. Zhang Yi was appointed as the Vice Chairman and President of the Company and Ms. Cheuk Hiu Nam ceased to be the Chief Executive Officer of the Company with effect from 17 February 2019. Mr. Zhang also carries out the responsibilities of the Chief Executive. The President/Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at 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 and shall then be eligible for re-election.

Under the Articles of Association of the Company, 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 least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

During the year ended 31 December 2019, the Company organized at least 15 hours training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities etc.

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

Directors	Type of Training Note
Non-executive Directors	
Mr. Shum Tin Ching	A,B
Mr. Shen Xiaodong	A,B
Executive Directors	
Mr. Zhang Yi	A,B
Mr. Huang Fuqing	A,B
Ms. Cheuk Hiu Nam	A,B
Mr. Wang Jianfeng	A,B
Independent non-executive Directors	
Mr. Tai Kwok Leung, Alexander	A
Dr. Cheung Wai Bun, Charles, JP	A,B
Mr. Gu Yunchang	A,B

Note:
Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Board Meetings and Directors' Attendance Records

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

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2019.

The attendance record of each Director at the Board and Board Committee meetings and general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Shum Tin Ching (Note 1)	4/4	N/A	N/A	1/1	1/1	0/2
Zhang Yi (Note 4)	4/4	N/A	N/A	N/A	1/1	0/1
Huang Fuqing	4/4	N/A	N/A	N/A	1/1	0/2
Cheuk Hiu Nam	4/4	N/A	1/1	N/A	1/1	2/2
Wang Jianfeng	4/4	N/A	N/A	N/A	1/1	0/2
Tai Kwok Leung, Alexander (Note 2)	4/4	2/2	1/1	N/A	1/1	2/2
Cheung Wai Bun, Charles, JP (Note 3)	4/4	2/2	1/1	1/1	1/1	2/2
Gu Yunchang	4/4	2/2	N/A	1/1	1/1	0/2
Shen Xiaodong (Note 5)	4/4	N/A	N/A	N/A	1/1	0/1

Notes:

1. Chairman of the Board and chairman of Nomination Committee
2. Chairman of Audit Committee
3. Chairman of Remuneration Committee
4. Appointed as an executive Director with effect from 17 February 2019
5. Appointed as a non-executive Director with effect from 17 February 2019

None of the meetings set out above was attended by any alternate Director.

During the year ended 31 December 2019, besides the annual general meeting held on 13 June 2019, two extraordinary general meetings were held on 15 January 2019 and 18 July 2019 respectively.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

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

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2019, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, namely Ms. Cheuk Hiu Nam, Mr. Tai Kwok Leung, Alexander and Dr. Cheung Wai Bun, Charles, JP, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, JP is the chairman of the Remuneration Committee.

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

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration Band (RMB)	Number of Person
1,400,000 – 1,800,000	2
1,800,001 – 2,200,000	1
2,200,001 – 3,000,000	2

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors. Mr. Shum Tin Ching is the chairman of the Nomination Committee.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

Board Diversity Policy

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

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

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

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

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

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

Corporate Governance Functions

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

The Board is responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report. The Board has performed the above duties during the period from 1 January 2019 to 31 December 2019.

Director Nomination Policy

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

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2019, Mr. Zhang Yi has been appointed as an executive Director, Vice Chairman and President of the Company and Mr. Shen Xiaodong has been appointed as a non-executive Director of the Company with effect from 17 February 2019.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures, systems and guidelines with defined authority for implementation by key business processes, management systems and office functions, including clear management rules and work guidelines covering investment and development, operation management, sales management, human resources and administration, financial management, capital and finance operation, and internal audit.

The Company has established a comprehensive risk management system, which specifies the roles and responsibilities of the management and the Board in risk management work. On the basis of the system, continuous monitoring has taken place in relation to the risk management and internal control systems. The management of the Company continues to identify and evaluate the risks of the Group. The management has analysed the changes to core and key risks by paying attention to market and industry changes and communicating with the executive directors and chief financial officer. In addition, the control of various core and key risks is also under continuous monitoring by respective departments from the headquarter through monthly meeting, in which the Group combined feedback from self-inspection and evaluation of each property company, reported to the headquarter regarding respective core risks, discussed various core and key risks with them and concluded discussion on combined feedback.

The Company has the procedures and internal controls for the handling and dissemination of inside information. When employees of the Company who become aware of any events and/or matters which may consider potentially inside information, they will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and notify external lawyers and company secretaries and disclosure of which shall be made immediately.

The Group's internal audit team plays a role in monitoring the internal governance of the Company, mainly monitors and reviews the matters relating to the internal control and compliance of the Company, and provides regular risk-oriented internal audits for its companies in the real estates and properties segment yearly. The internal audits cover company's responsibilities from project obtainment, procurement tendering, project management, costing, sales, financial reporting, human resources management and information security etc.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

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

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 80 to 85 of this annual report.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 13 December 2019 and PricewaterhouseCoopers has been appointed as the auditor of the Company with effect from 16 December 2019.

The remuneration in respect of services provided by the external auditors of the Company for the year ended 31 December 2019 is summarized as follows:

Service Category	Fees Paid/Payable (RMB'000)
PricewaterhouseCoopers	
Audit services	**5,500**
Deloitte Touche Tohmatsu	
Non-audit services	
– Major acquisition	**3,138**
– Senior notes issuance related fee	**1,500**
– Other services	**600**

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Lau Yee Wa of Tricor Services Limited, an external service provider, and Ms. Cheuk Hiu Nam, an executive Director of the Company, who is also the primary contact person of the Company.

Ms. Cheuk Hiu Nam has been appointed as a joint company secretary of the Company with effect from 11 March 2019. Ms. Wong Tak Yee has resigned as a joint company secretary of the Company and Ms. Lau Yee Wa has been appointed as a joint company secretary of the Company with effect from 10 June 2019.

The Company is of the view that this joint company secretary arrangement (one external with requisite qualification and one internal with in-house knowledge) is suitable and beneficial to the Company's management of its company secretarial and corporate governance matters, in particular, compliance with the Listing Rules and other relevant laws, regulations or codes applicable to the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Each of the joint company secretaries has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019 pursuant to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one 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.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Room 1403, 9 Queen's Road Central, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3951 8899
Email:	info@hkjiayuan.com.hk

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

Policies relating to Shareholders

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

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

As the society is attaching greater importance to sustainable development, the Group issues the Environmental, Social and Governance ("ESG") Report (the "Report") regularly, to allow stakeholders' better understanding of the development directions, progress and work of the Group in terms of sustainability, with a view to enhancing the disclosure level and transparency.

SCOPE OF REPORT

This report focuses on the operations of property development business segment of the Group, including the sale of residential and commercial properties, from 1 January to 31 December 2019 ("the year"). The revenue from this business segment accounted for 96% of the Group's total revenue. Addressing on the environmental and social key performance indicators (KPIs), the reporting scope of the report covers the marketing centers of the following two projects and other projects directly operated by the Group including units for sales (collectively, the "Points of Business").

Project	Total GFA ('000 sq.m.)	Ownership Interest (%)	Total area of marketing centers ('000 sq.m.)
Yangzhou Jiayuan Centurial City[1]	720	100	1.8
Nanjing Zijin Mansion[2]	510	100	3

The reporting scope of this report is the same as the ESG report of last year. The Group understands that this report has not yet covered all of our property development projects[3] and the operations of other business segments (including property investment and property management segments). We are communicating with the related units to gradually expand the scope of report in the future so as to provide more comprehensive information to our stakeholders.

REPORTING STANDARDS

This Report is prepared under the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. To provide our stakeholders with a comprehensive understanding of the ESG performance of the Group, this Report not only discloses the environmental KPIs pursuant to the "comply or explain" provisions, but also reports some of the social KPIs specified in the "Recommended Disclosures" under the Guide. The Group has complied with the "comply or explain" provisions set out in the ESG reporting guide for FY2019.

DATA PREPARATION

The Group has developed a set of internal controls and formal review procedures, striving to ensure the accuracy and reliability of all information presented in this Report. This Report was reviewed and approved by the Board.

1 Yangzhou Jiayuan Centurial City is operated by Yangzhou Xiangjiang New City Center Property Co., Ltd. ("Yangzhou Xiangjiang").

2 Nanjing Zijin Mansion is operated by Nanjing Xinhaoning Property Development Co., Limited ("Nanjing Xinhaoning").

3 As of 31 December 2019, the Group had 63 property projects, with a total GFA of 14 million sq.m..

FEEDBACK

Opinions and recommendations from stakeholders are beneficial for the Group to establish more detailed and sound sustainability strategies in the future. If you have any questions or suggestions on our work in relation to ESG or the content of this Report, you are welcome to contact our sustainability taskforce via info@hkjiayuan.com.hk.

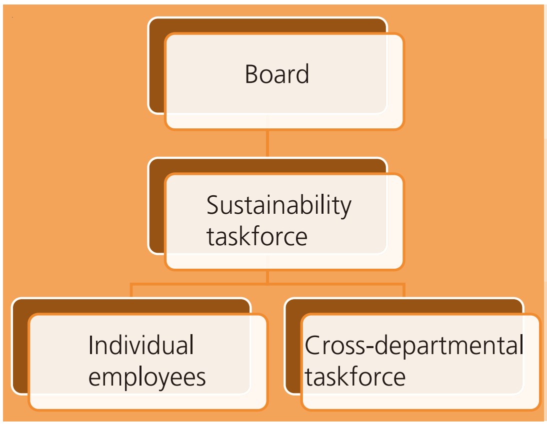
SUSTAINABILITY PERFORMANCE

With the establishment of the sustainability taskforce, the Group works proactively with its employees and all stakeholders to provide the public with comfortable environment suitable for living by adhering to the development notion of "To create quality life".

Governance	A sustainability taskforce has been formed and its structure, composition and terms of reference have been formulated to lay a key foundation for the establishment of long-term sustainability strategies and goals in the future
Employment	71 employees had been hired at the Points of Business, with a new recruit rate of 23% and employee turnover rate of 17%
Health and safety of employees	No fatality or injury cases at any of the Points of Business
Training	Training was provided to 51 employees at the Points of Business, at 5 hours of training per employee on average
Greenhouse gas emissions	2,326 tCO2e in total at the Points of Business
Energy consumption	3,900 MWh equivalent in total at the Points of Business
Water consumption	81,875 m^3 in total at the Points of Business

SUSTAINABILITY GOVERNANCE

The Group is dedicated to maintaining an effective and highly transparent governance structure, in order to lay a solid foundation for establishing and achieving long-term strategies and goals. The Board represents the decision maker of the Group in executing corporate social responsibilities, and the sustainability taskforce will be responsible for planning and supervising the efforts of each business segment in respect of environmental protection and social care, as well as summarizing and reviewing these works periodically. The taskforce will report to the Board through the Chief Executive regularly about the performance and work progress.



- To review the strategic direction, policies, action plans and goals of sustainability
- To review the risks associated with sustainability

- To formulate the strategic direction, policies, action plans and goals of sustainability
- To coordinate risk management among different business segments
- To report to the Chief Executive in a timely manner

- To enforce plans

RISK MANAGEMENT

Members of the Board have a wide spectrum of valuable business experience, knowledge and professionalism and lead the management in formulating strategies to address risks, capture opportunities and, with the assistance of the Audit Committee, ensure that internal control and risk management system are sound and effective. Risk management procedures and guidelines have been adopted to delineate the duties and power of the relevant units. All departments are required to undergo regular internal control assessment to identify risks which can potentially affect the Group's business, including environmental and social risks.

The management reports to the Board and the Audit Committee on the effectiveness of Group's risk management and internal control system for the year. The internal audit department of the Company is responsible for performing independent review of the adequacy and effectiveness of the respective systems. Based on the abovementioned report and audit outcome, the Board conducts further review and ascertains the effectiveness and adequacy of the respective systems.

COMMUNICATION WITH THE STAKEHOLDERS

The Group recognized the need to understand how stakeholders are affected by our business regarding each of the sustainability issues, before it can reach its business decision that fully reflects their opinions and balances the interest of different parties. Therefore, the Group proactively maintains periodic and bilateral communication with stakeholders including employees, investors, suppliers, customers, regulatory authorities and community groups.

Stakeholders may reflect their views via the following diverse communication channels, to facilitate the Group's review of potential risks and opportunities in respect of sustainable development, identification of the priorities of different issues, and formulation of corresponding polices and measures.

Employees	Suppliers	Regulatory authorities
The employees may express their difficulties at work or views towards the Group through platforms such as performance appraisals, corporate communications, training, seminars and whistle-blowing mechanism.	The Group conducts supplier inspection to ensure the suppliers satisfy the requirements of the Group.	The Group makes disclosures of the matters including operating statistics, material transactions and inside information of the Company to the Hong Kong Stock Exchange in a timely manner to ensure information transparency.
Investors	**Customers**	**Community groups**
The Group encourages shareholders to participate in annual general meetings to collect and respond to their feedback.	The Group holds appreciation receptions for customers and makes periodic customer visits. Trained staff members provide customers with sales services according to marketing management procedures and guidelines to ensure that they are satisfied with our services and products.	The Group launches voluntary activities and organizes donations to serve and contribute to the community.

MATERIALITY ASSESSMENT

The materiality assessment is beneficial to the systematic review of the operating environment and collation of the opinions of stakeholders, as well as identifying environmental and social issues that are of utmost importance to the business and the stakeholders, ensuring that the overall sustainability strategies and the principles of management are in line. During the year, the Group engaged professional sustainability advisers to conduct a questionnaire about the Board to understand the stakeholders' opinion towards the following environmental and social issues and thus determined the related issues as the focus of this report.

Environmental protection	Employment and Labour Practices	Operation practices	Community
• Emissions • Use of Resources • The Environmental and Natural Resources • Climate Change	• Employment • Health and Safety • Development and Training • Labour Standards	• Supply Chain Management • Product Responsibility • Anti-corruption	• Community Investment

JIAYUAN INTERNATIONAL AND ITS EMPLOYEES

Staff development is not only pivotal to the success of corporate development but is also a duty owed to the employees. As stated in its Employment and Labour Practices Declaration (僱傭及勞工常規政策聲明), the Group undertakes to provide a workplace free from any form of discrimination or harassment and to give priority to safeguard health and safety of its employees in its business operation, to ensure peace of mind among employees in utilizing their strengths and developing their potentials.

Employment Management and Labour Standards

The Group has been growing hand in hand with its employees and strived to establish an equal and trusted relationship with its employees, which in turn helps to build an inclusive and diversified corporate culture. To maintain the transparency of employment management, the Group has formulated policies such as Staff Handbook (員工手冊) and Human Resources Administration Guidelines (人事行政工作指引) setting out the terms of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for convenient access by its staff.

Employment and Labour Rules

Remuneration and dismissal

The Group conducts regular performance assessment to assess performance of each employee objectively, and award them bonus and adjust their remuneration based on their assessment result.

The Group has set out the procedures and rules for termination of contract in its Staff Handbook.

Recruitment and promotion

The Group has developed a set of guidelines for recruitment which requires interview with applicants and objective analysis on applicants' overall strengths.

The Group appraises all employees' performance in an objective manner and promotion criteria are based on employees' capabilities.

Working hours and holidays

The Group set out the working hours and holidays, as well as procedures for leave application in its Staff Handbook.

Anti-discrimination, equal opportunity and diversity

The Group is committed to providing a diverse workplace free from discrimination or harassment and enhancing the awareness of the issue of equality. The Group will never treat employees differently by virtue of their gender, age, ethnic origin, race, color, religion, physical shape, illness, mental or physical disability, family status and composition, sexual orientation, political belief or social status.

Benefits and welfare

Employees of the Group are entitled to various benefits and welfare, including medical benefits programs, festival allowance, communication fee allowance, and meal allowance.

Prevention of forced labour

The Group ensures that employees are employed on a voluntary basis and prohibits employment of forced labour in any form. To ensure that employees' overtime working hours comply with legal standards and regulations, the Group formulated guidelines to regulate overtime hours and provides employees who work overtime with compensatory leave and reasonable rest time.

Prevention of child labour

The human resources department will check the identity document of new employees to verify their actual age and to ensure compliance with minimum legal working age requirement.

In addition to the aforesaid employment and labour rules, the Group conducts employee satisfaction survey regularly and arranges an exit interview with the leaving employee to obtain his/her feedback.

DEVELOPMENT AND TRAINING

The Group highly regards employees' knowledge and skills in performing their duties, and encourages them to keep abreast with the latest industrial trend, learn from each other through knowledge sharing and discussions, to uplift personal performance and in turn performance of the team. In this regard, the Group established a training system and implemented various measures during the year, to ensure that employees have sufficient and timely training and development opportunities. The Group's human resources administration centre is responsible for formulating annual training plans and organizing regular activities to address the needs of staff from different departments. The human resources administration centre is also responsible for supervising the implementation of the annual training plans. To encourage its employees to pursue continuing education, the Group offers them full-pay or no-pay study leave based on established criteria, during which the employees are entitled to fringe benefits.

Types of major training

Induction training
Within 10 days upon joining the Group, new recruits are required to attend the training at Jiayuan College. The training topics include principal businesses, management system and operational standards of the Group.

System training
All staff will be arranged for the ERP (enterprise resource planning) system training organised by the human resources administration centre when they receive training at the college.

Training for senior management
In accordance with the annual training program and practical operational needs, the human resources administration centre provides management training to employees at assistant manager level or above from all business divisions, branches and subsidiaries of the Group in July each year.

Training for financial personnel
The financial center of the Group and Jiayuan College provides training sessions to financial personnel twice a year and reviews their training results on a regular basis.

Sales management training
Marketing planning department is responsible for conducting training and assessment of customer managers and onsite customer managers. Employees who have not attended the training or failed the assessment shall not be on duty.

Study tour
Employees from different departments participate in tours to visit domestic and international benchmark companies to learn from their experience in project development and operation and management, to further assist the Group in identifying the areas of improvement.

Sales training and benchmark projects sharing session

Nanjing Xinhaoning organizes regular training programs on sales techniques to enable all-round sales skills among its employees. In August, the marketing planning department held a training and benchmark projects sharing session to give guidance on improving sales and responding skills and conduct an in-depth analysis on product highlights by taking Zijin Mansion as an example. Employees shared and exchanged their opinions on marketing strategy and mindset, product-building capacity and service philosophy.

Case story: Jiayuan College

"A Huangpu Military Academy for Quasi-entrepreneur of Jiayuan International"

Established in 2009, Jiayuan College has engaged experienced management members from Jiayuan International as its lecturers and cooperated with external training institutes to commence a series of personnel training. At present, Jiayuan College works with a number of domestically renowned training institutes, including National School of Development at Peking University, Yangtze Delta Region Institute of Tsinghua University, Jinggangshan Cadre Training Academy, Foretell Business School of Fudan University and Golden Finance and Tax College, as well as institutions of higher education, including Peking University, Zhejiang University, Jiao Tong University and Tongji University, in the provision of more enhanced training courses to employees.

Curriculum system of Jiayuan College

Yuan Power Curriculum System
Target: New recruits
Purpose: To familiarize with the culture, systems and processes of the Group

New Joiner Curriculum System
Target: Young employees in different departments, including mid-level management
Purpose: To enhance general capability, such as management skills and business skills

Quasi-entrepreneur Curriculum System
Target: General managers, and senior management of functional units
Purpose: To enhance management skills such as leadership and operational capability

Pilot EMBA Curriculum System
Target: General managers, assistant executive officers, and employees of higher ranks
Purpose: To enhance management skills such as strategic thinking, resources integration capability and leadership

HEALTH AND SAFETY

The Group is responsible for ensuring the physical and mental health and work-life balance among its team members. To effectively manage occupational health and safety, the Group sets out its commitments in an Employment and Labour Practices Declaration (僱傭及勞工常規政策聲明) and adopts a series of measures to ensure health and safety in different work positions.

The Points of Business provide appropriate and adequate protective gears to its employees to minimize the risks of employees sustaining injuries or contracting diseases or encountering occupational hazards at the workplace. Nanjing Xinhaoning provides regular body check-up and arranges events on safety education including firefighting and health seminars for its employees every year, so as to enhance their awareness of health and safety.

As a property developer, the Group's construction projects are undertaken by contractors. Therefore, construction safety is a prominent part of its risk management and supply chain management. For the sake of occupational health and safety at construction sites, the Group has devised its Guidelines for Safe and Civilized Construction Management (安全文明施工管理工作指引), to set out all work safety rules for all construction units in order to strengthen the on-site safety management at each and every construction project.

Safe and Civilized Construction Management			
Preparing safe construction plan	Implementing safe and civilized construction plan		Formulating regulations on the handling of safety incidents
In compliance with regulatory and contractual requirements, the construction unit shall prepare safe and civilized construction plan for projects, which shall be reviewed and approved by an external supervision unit and the engineering design department of the Group. The construction unit must obtain approval before construction commences.	External supervision unit is responsible for regulating the rules for safe construction and inspecting the implementation of safe and civilized construction plan by the construction unit. The supervision unit is also responsible for supervising construction sites and worker quarters in respect of sanitary condition, fire safety and security.	The engineering design department of the Group, together with the supervision unit, head of the construction unit and safety officers carry out a monthly safety inspection of the construction site. If any construction that violates the safety standards is identified, the construction unit must carry out rectification within a specified period.	If a safety incident occurs in the construction site, the Group will immediately take measures to assist the construction unit in handling the incident. The construction unit shall submit a safety incident report to the supervision unit and the engineering design department of the Group after handling the incident.

JIAYUAN INTERNATIONAL AND ITS OPERATIONS

The Group takes every customer very seriously and has formulated the Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration (供應鏈管理、產品責任及反貪污政策聲明), seeking for ongoing uplift of the quality of the Group's projects and services, proper management of its supply chain, and prevention of corruptive behaviours.

PROJECT QUALITY MANAGEMENT

The Project Operation Work Guidance (項目運營工作指引) sets out details of the various quality safety management regime, providing specific work guidelines for employees and performing the Group's commitments to its customers.

Key areas

Design elaboration
Meetings on design elaboration are held by the engineering design department. On such meetings, persons in charge of projects are briefed on the plan concepts, key points on landscape design, preliminary design standards adopted and cost control targets etc.

Project renovation and refurbishment
The Group enhanced management of the renovation and refurbishment works at the display area of projects, the renovation and refurbishment works at the public area, and other renovation and refurbishment works.

Project acceptance management
The Group regulated the process of acceptance management to ensure that acceptance upon project completion proceeds as scheduled.

Design inspection and conclusion
The engineering design department supervises the construction process and ensures that materials and equipment are in compliance with design standards. Upon completion and acceptance, the engineering design department compares the planned effect based on the design layout and the actual outcome upon completion, to identify room for product improvement.

Materials and equipment acceptance management
The quality of materials and equipment used by the projects shall satisfy pre-determined parameters, requirements under the project undertaking contract and requirements under prevailing industry standards.

Landscaping works management
The Group supervised construction progress of landscaping works, and regulated management of landscaping works, to ensure product quality and timely delivery.

Conducting regular monitoring and acceptance through its internal team and an independent monitoring company, the Group seeks to ensure that all standards are met at each stage of construction. Project completion and acceptance certificates are issued to those compliant construction units, while non-compliant construction units are required to adopt rectification measures according to the acceptance recommendation.

SUPPLY CHAIN MANAGEMENT

As a property developer, the Group's major suppliers include contractors for construction, contractors for electricity projects and supply, and contractors for landscaping and greenery works. Due to its business nature, the Group's construction activities are undertaken by contractors, therefore a long-lasting collaborative relationship endorsing mutual benefits with the supply chain can facilitate uplifting of performance in sustainable development. The Group's Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration (供應鏈管理、產品責任及反貪污政策聲明) sets out the Group's commitments to identifying environmental and social risks in the supply chain.

The Group has formulated its tendering processes and suppliers assessment criteria that cover environmental protection and care for society. Apart from establishing the Guidelines for Safe and Civilized Construction Management (安全文明施工管理工作指引) to regulate safety management in respect of all construction units, the Group selects suppliers and contractors on the principles of fair and open competition. For the risks of corruption and bribery in the course of procurement and tendering, the Group has established a monitoring system to prevent corruption, fraud or other malpractice.

CORPORATE INTEGRITY

Corruption is not only detrimental to an enterprise's competitiveness and reputation, but also conducive to serious livelihood-related and social issues. The Regulation Management Work Guideline (規範管理工作指引) of the Group defines misbehaviours and prohibits corruption and bribery in any form.

The employees shall avoid behaviours or relationships that may be in conflict with the company's interest or their respective work duties. For example, employees are not allowed to request any form of benefits or gifts from business partners. Employees are required to declare in writing to the Group before engaging in activities that would constitute a conflict of interest. Terms relating to anti-corruption are also included in the staff handbook, employment contracts and tendering documents to ensure that the employees and business partners are aware of the Group's principles and policies in the prevention of corruption and bribery.

The Group has established a whistle-blowing mechanism to encourage the employees to report, on an identified basis, acts which are in violation of the Regulation Management Work Guideline. The identity of the whistle-blowers will be kept confidential. Once reported, an issue will be investigated thoroughly and appropriate actions will be taken, including disciplinary actions, termination of employment or precautionary measures. Where cases of suspected corruption or other criminal offences are identified, the Group will report such cases to regulatory bodies or other competent authorities.

In addition, the Group respects intellectual property rights. Employees are prohibited from using any unlicensed software.

SAFEGUARDING CUSTOMER INTEREST

The Group attaches great importance to forging and maintaining sound relationship with its customers. The Marketing Management Guidelines (營銷管理工作指引) has been formulated to specify relevant management system to ensure that appropriate guidelines and trainings are provided to the sales staff. In its Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration, the Group commits to the provision to customers of product information in an accurate and open manner, covering advertisements and descriptions on product labels.

Case story: customer relationship management

To duly manage customer relationship and ensure customers' satisfaction with its products and services, Nanjing Zijin Mansion devised a series of new plans during the year, including:

- Regularly organizing activities such as appreciation receptions for existing customers and birthday parties for property owners
- Returning customer phone calls and paying on-site visits to customers, to know and understand the needs of property owners and uplift service quality
- Replacing carpark signage and installing parking barriers to regulate car-parking and prevent misuse of car parks and effectively manage car parks

The Group seeks to protect customer privacy. Employees are prohibited from disclosing customer information to any third party in the absence of express consent. Employees should also keep themselves informed of the hierarchy and duration of confidentiality of information and the proper methods of shredding information for information security. The Group encrypts digital confidential documents.

JIAYUAN INTERNATIONAL AND ITS ENVIRONMENT

Environmental sustainability is one of the Group's key issues in its fulfilment of social responsibility. The Group complies with the relevant environmental laws and regulations for each Point of Business. By implementing the Environmental Protection Policies Declaration, it also injects the concept of environmental sustainability into its business operations, manages the emissions and the use of resources properly as well as protects the environmental and natural resources.

EXHAUST GAS EMISSIONS

Exhaust gas emissions from our Points of Business are mainly the emissions from gasoline vehicles as well as the nitrogen oxides, sulfur oxides and respirable suspended particles produced from liquefied petroleum gas kitchen stoves in Yangzhou Jiayuan Centurial City. In particular, the exhaust gas produced from the gasoline consumed by vehicles is the main source of emissions. The energy consumed in Yangzhou Jiayuan Centurial City is more than that in Nanjing Zijin Mansion. Meanwhile, the nitrogen oxides, sulfur oxides and respirable suspended particles produced during its operation account for 75%, 68% and 68%, respectively, of the total emissions at the Points of Business.

Air pollutants emissions

Category	Emissions Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Emissions
Nitrogen Oxides	1.87	5.51	7.38
Sulfur Oxides (kg)	0.47	1.00	1.47
Respirable Suspended Particles (kg)	0.18	0.38	0.56

To reduce the exhaust gas emissions from vehicles, the Points of Business select and purchase vehicles in compliance with the emissions standard of exhaust gas as well as carry out regular checks and maintenance of vehicles based on the schedule suggested by manufacturers.

GREENHOUSE GAS EMISSIONS

During the year, the Group continued to entrust the carbon assessment to a consulting firm to quantify the greenhouse gas emissions (or "carbon emissions") produced during its operations. In the process of quantification, references are made to the guidelines[4] issued by the National Development and Reform Commission and the international standards such as ISO14064-1 and the Greenhouse Gas Protocol. During the year, the total carbon emissions produced from the Points of Business amounted to approximately 2,326 tCO2e, mainly attributable to the use of electricity which accounted for 90% of the total carbon emissions.

Greenhouse gas emissions			
		Emissions	
Scope	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Emissions
Scope 1: Direct Greenhouse Gas Emissions (tCO2e)	14	23	37
Scope 2: Indirect Greenhouse Gas Emissions by Consumption of Energy (tCO2e)	93	2,196[5]	2,289
Scope 3: Other Indirect Greenhouse Gas Emissions (tCO2e)	0.1	0	0.1
Total Greenhouse Gas Emissions (tCO2e)	107	2,219	2,326

Source of Scope 1 is the liquefied petroleum gas cooking stoves (only applicable to Yangzhou Jiayuan Centurial City) and the gasoline consumed by vehicles
Source of Scope 2 is the purchased electricity
Source of Scope 3 is the business trips taken by air (only applicable to Nanjing Zijin Mansion)

Since the use of electricity is the main source of greenhouse gas emissions, for the measures to reduce greenhouse gas emissions, please see the section headed "Use of resources" below for details. The Group will continue to assess, record and annually disclose its greenhouse gas emissions and other environmental data, to review the effectiveness of its current measures and further formulate its carbon reduction targets and work plans.

WASTE AND SEWAGE DISCHARGE

As a result of completion of the Points of Business, the domestic wastes produced from the Points of Business are non-hazardous wastes. In particular, Yangzhou Jiayuan Centurial City produced 20 tonnes of waste in total, which were handed over to the relevant municipal departments for disposal. A non-hazardous waste record system will be set up for Nanjing Zijin Mansion in the forthcoming year to facilitate the Group's review of the effectiveness of the measures in place and formulation of future waste reduction targets. No hazardous wastes are produced at the Points of Business.

To effectively manage the waste discharge, the Group adopts the principles of "reduce", "reuse" and "recycle". Waste classification and recycling areas are set up at the Points of Business and employees are discouraged from using disposable products to promote source reduction. The domestic sewage generated from the Points of Business will be discharged at sewage treatment plants through sewage pipelines, to ensure that the surrounding ecological environment is not affected.

4 Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Public Building Operating Enterprises

5 The greenhouse gas emission from Yangzhou Jiayuan Centurial City in 2019 covered the emissions from all direct and indirect operating activities of the project (whilst the data reported in 2018 annual report only covered the emissions from the sales centres directly operated and the held-for-sale units of the project).

USE OF ENERGY

The Group's Environmental Protection Policies Declaration confirms that energy saving is the basic direction of our operation. All staff must take the established measures, which include the procurement of energy efficient products and services, and be responsible for the overall energy saving efficiency of the Group. During the year, a total of 3,752 MWh of electricity and 148 MWh equivalent of fossil fuels were consumed at the Points of Business.

Use of energy			
	Consumption		
Category	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Consumption
Liquefied petroleum gas (MWh equivalent)	0	15	15
Gasoline (MWh equivalent)	57	76	133
Electricity (MWh)	152	3,600[6]	3,752
Total energy consumption (MWh equivalent)	208	3,691[6]	3,900

To reduce energy consumption, the following measures have been implemented on sales activities and other office activities at the Points of Business:

Key measures for energy management		
Lighting	**Air conditioning**	**Computers**
• Switching off the unnecessary lighting facilities in shared areas (such as reception, pantry, washrooms and corridors) when there are few people around (such as during lunch hours and outside office hours) • Separating the areas, flexible control over the individual lighting system	• Setting the temperature of air conditioners to 24-26 degrees celsius • Switching off part of the air conditioning appliances when there are few people around (such as during lunch hours and non-office hours)	• Changing computer settings and activating standby or sleeping modes in computers • Requesting our staff to switch off their personal computers after office hours

WATER CONSUMPTION

Total water consumption of the Group for this year was 81,875 m^3.

Water usage			
	Consumption		
Category	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Consumption
Total water consumption (m^3)	875	81,000[7]	81,875

As a precaution to lower the risk of water wastage, regular checks on water pipes and taps at the Points of Business were carried out to identify any leakage in a timely manner. During the year, there arose no significant issue in connection with the Group's water usage.

6 The electricity consumption from Yangzhou Jiayuan Centurial City in 2019 covered the total electricity consumption from all direct and indirect operating activities of the project (whilst the total electricity consumption in 2018 was 3,680 MWh, and the data reported in 2018 annual report only covered the electricity consumption from the sales centres directly operated and the held-for-sale units of the project).

7 The water consumption from Yangzhou Jiayuan Centurial City in 2019 covered the total water consumption from all direct and indirect operating activities of the project (whilst the total water consumption in 2018 was 81,666 m^3, and the data reported in 2018 annual report only covered the water consumption from the sales centres directly operated and the held-for-sale units of the project).

RAW MATERIAL CONSUMPTION

Paper is consumed for the Group's sales activities and other office activities. To reduce usage, electronic communication and electronic filing are adopted at the marketing centres of the Points of Business, and a paperless system is also in place for tendering process.

Case story: Green project management
"Environmental management in respect of the life cycle of projects"

To mitigate environmental impact, at each stage of the development of Nanjing Zijin Mansion and Yangzhou Jiayuan Centurial City, the Group has formulated and executed its environmental policies and measures to foster environmental management in respect of the life cycle of projects.

Key measures for environmental management in respect of the life cycle of projects

Stage	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City
Planning and design	Project design • Planning and design shall be commenced based on Jiangsu Star 1 Energy-saving Standard Product procurement • Environment-friendly construction products such as XPS plastic injection plates, foamed cement plates and insulation mortar	Project design • Green and ventilated roof are used to reduce electricity consumption for air-conditioning • Reasonable design of the window-wall ratio of projects to maximize the use of natural light through windows and ensure natural ventilation to reduce electricity consumption for light and air-conditioning • Heat supply using solar energy and geothermal heat pumps technology • Collection and purification of rainwater as well as production and domestic sewage, and water recycling Procurement of products • Procurement of environment-friendly products such as water-saving tools, and highly durable and recyclable products or products containing recyclable materials • Procurement of locally available materials
Construction management	Based on the Project Operation Work Guidance (項目運營工作指引): • Remote monitoring and region-segmented control are conducted on public areas to reduce energy consumption • Water and electricity meters shall be in place for all junctions of segments at landscaping works in progress, to calculate the consumption level of water and electricity at each project • Unified entrances and exits shall be in place to strictly manage the logistics of materials • Measures for dust and noise reduction shall be implemented • Centralized piling up of construction wastes and disposals, and delivery of wastes and disposals to designated piling venues according to relevant governmental requirements • Re-use of scrap materials to make fences and protective facilities • Recycling and processing of old plate materials by dedicated labour force	

THE ENVIRONMENT AND NATURAL RESOURCES

As 3D printing technology becomes more sophisticated and prevalent, it has been applied to many construction projects in recent years to shorten construction time and reduce energy consumption and waste production during construction. Besides, as 3D printers puts together various materials such as sand, concrete, fibre and recyclable materials, it can extend the use of environment-friendly materials in construction. The Group will continue to explore and utilize 3D construction printing technology and will seek to extend the use of the technology from gardening and outdoor products to other projects of the Group. The Group will also continue to uplift the environmental awareness among its employees and boost the environmental performance of the Group.

JIAYUAN INTERNATIONAL AND THE COMMUNITY

In order to show our dedication to perform our corporate social responsibilities and determination to make contribution to the community where the Group operates, the Group has formulated the Community Investment Policy Declaration for proper planning of community investment efforts. Our community investment focused on the following three areas: sports, education and care for the elderly. Under the guidance of the Community Investment Policy Declaration (社區投資政策聲明), the Group took part in various donation campaigns. During the year, Yangzhou Xiangjiang and Nanjing Xinhaoning made a total donation of more than RMB25,000 for poverty alleviation.

Case story: Charity work in Xuanwu District
"A Day for Charity Donation, Giving for the Needy and Pitiful"

To promote the development of charity and social assistance in Xuanwu District, Nanjing Xinhaoning participated in a campaign, "A Day for Charity Donation, Giving for the Needy and Pitiful", organized by District Committee and District Government of Xuanwu District, Nanjing in December. The fund raised from the campaign will be used for providing "six kinds of assistance" intended for students, the elderly, orphans, patients, the handicapped and the needy, as well as providing necessities and economic assistance to those in need in Nanjing City.

Looking forward, the Group will continue to advocate a corporate culture of taking up our responsibilities and ensure ongoing communication with parties in the community where it operates.

APPENDIX: COMPLIANCE STATUS

AREAS	RELEVANT LAWS	COMPLIANCE DISCLOSURE
EMISSIONS	The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) The Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) The Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
EMPLOYMENT	The Labour Law of the PRC (《中華人民共和國勞動法》) The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) The Law on Protection of Women's Interests of the PRC (《中華人民共和國婦女權益保護法》) The Social Insurance Law of the PRC (《中華人民共和國社會保險法》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
HEALTH AND SAFETY	The Production Safety Law of the PRC (《中華人民共和國安全生產法》) The Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) The Fire Prevention Law of the PRC (《中華人民共和國消防法》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
LABOUR STANDARDS	The Labour Law of the PRC (《中華人民共和國勞動法》) The Law on Protection of Minors of the PRC (《中華人民共和國未成年人保護法》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
PRODUCT RESPONSIBILITY	The Product Quality Law of the PRC (《中華人民共和國產品質量法》) The Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) The Advertising Law of the PRC (《中華人民共和國廣告法》) The Copyright Ordinance (《版權條例》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.
ANTI-CORRUPTION	The Criminal Law of the PRC (《中華人民共和國刑法》) The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》)	During the year, the Group identified no non-compliance with relevant laws and regulations that have a significant impact on us at the Points of Business.

ESG PERFORMANCE AT A GLANCE

Environmental Performance

Environmental Key Performance Indicators (KPIs)	Amount		Unit
	2019	2018	
Category of emission and relevant emission data			
Nitrogen Oxides	7	8	kg
Sulfur Oxides	1	2	kg
Respirable Suspended Particles	0.6	0.7	kg
Total greenhouse gas emission			
Scope 1	37	44	tCO2e
Scope 2[8]	2,289	306	tCO2e
Scope 3	0.1	0	tCO2e
Total greenhouse gas emission	2,326	350	tCO2e
Total hazardous wastes			
Total hazardous wastes	0	0	
Density of hazardous wastes (per sq.m.)	0	0	
Total non-hazardous wastes[9]			
Total non-hazardous wastes	20	18	Tonnes
Density of non-hazardous wastes (per '000 sq.m.)	7	5	tonnes/'000 sq.m.
Total energy consumption			
Liquefied petroleum gas	15	16	MWh equivalent
Gasoline	133	163	MWh equivalent
Electricity[10]	3,752	435	MWh
Total energy consumption	3,900	614	MWh equivalent
Total water consumption			
Total water consumption[11]	81,875	5,311	m^3
Total packaging materials for finished products			
Total packaging materials	N/A	N/A	
Density of packaging materials	N/A	N/A	

8 The greenhouse gas emission from Yangzhou Jiayuan Centurial City in 2019 covered the emissions from all direct and indirect operating activities of the project (whilst the data reported in 2018 annual report only covered the emissions from the sales centres directly operated and the held-for-sale units of the project).

9 Non-hazardous wastes included data from the marketing centres of Yangzhou Jiayuan Centurial City only.

10 The electricity consumption from Yangzhou Jiayuan Centurial City in 2019 covered the total electricity consumption from all direct and indirect operating activities of the project (whilst the total electricity consumption in 2018 was 3,680 MWh, and the data reported in 2018 annual report only covered the electricity consumption from the sales centres directly operated and the held-for-sale units of the project).

11 The water consumption from Yangzhou Jiayuan Centurial City in 2019 covered the total water consumption from all direct and indirect operating activities of the project (whilst the total water consumption in 2018 was 81,666 m^3), and the data reported in 2018 annual report only covered the water consumption from the sales centres directly operated and the held-for-sale units of the project, which was 1,825 m^3.

Social Performance – employment and labor practices

Total workforce (by region, gender and age)

		By Age					
Place of operation	Gender	Below 30	31-40	41-50	Above 50	Total workforce	Male to female ratio
Yangzhou Jiayuan Centurial City	Male	11	6	8	1	47	1.1:1
	Female	5	15	1	0		
Nanjing Zijin Mansion	Male	3	8	3	0	29	
	Female	5	5	5	0		

Total workforce (by region, gender and rank)

		By Position				
Place of operation	Gender	C-level senior management	Senior management	Mid-level management	General staff	Total workforce
Yangzhou Jiayuan Centurial City	Male	0	2	6	18	47
	Female	1	1	3	16	
Nanjing Zijin Mansion	Male	0	1	3	10	24
	Female	0	2	3	5	

Number of new employees

		By Age					
Place of operation	Gender	Below 30	31-40	41-50	Above 50	Total number of new employees	New employee rate
Yangzhou Jiayuan Centurial City	Male	5	2	0	0	12	23%
	Female	4	1	0	0		
Nanjing Zijin Mansion	Male	1	1	0	0	4	
	Female	1	1	0	0		

Employee turnover

		By Age					
Place of operation	Gender	Below 30	31-40	41-50	Above 50	Total employee turnover	Employee turnover rate
Yangzhou Jiayuan Centurial City	Male	4	0	0	0	8	17%
	Female	4	0	0	0		
Nanjing Zijin Mansion	Male	3	0	0	0	4	
	Female	0	1	0	0		

Number of employee suffering from work-related fatality/injury

Gender	Total
Male	0
Female	

		By Position					
Training	Gender	C-level senior management	Senior management	Mid-level management	General staff	Total	Percentage of employee receiving training
Number of employees trained	Male	0	2	3	23	51	72%
	Female	0	2	4	17		
Total training hours	Male	0	26	36	136	358	
	Female	0	36	48	76		
Average training hours per person	Male	0	9	4	5	5	
	Female	0	12	8	4		

		By Position				
Review of performance and career development	Gender	C-level senior management	Senior management	Mid-level management	General staff	Total
Number of employees for whom performance and career development is reviewed regularly	Male	0	3	9	28	71
	Female	1	3	6	21	
Proportion of employees for whom performance and career development is reviewed regularly	Male	100%	100%	100%	100%	100%
	Female	100%	100%	100%	100%	

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A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	71
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	72

12 The water is provided by municipal authorities. The Points of Business have no difficulty in acquiring water source.

13 No packaging material was used at the Points of Business.

Subject Areas	Content	Page index
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	62
B1.1	Total work force by gender, employment type, age group and geographical region	75-76
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B2 Health and Safety		
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B3 Development and Training		
General Disclosure	Policies related to description of training activities and on improving employees' knowledge and skills for discharging duties at work	63
B3.1	The percentage of employees trained by gender and employee category	76
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B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	62
B4.1	Description of measures to review employment practices to avoid child and forced labour	62

Subject Areas	Content	Page index
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	67
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and remedies.	66-67
B6.3	Description of practices relating to observing and protecting intellectual property rights.	67
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B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, blackmail, fraud and money laundering.	67
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	67
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	72
B8.2	Resources contributed to the focus area.	72

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Jiayuan International Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 199, which comprise:

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

Our opinion

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

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.

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KEY AUDIT MATTERS

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

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

- Assessment of net realisable value of inventories of properties
- Valuation of completed investment properties

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Assessment of net realisable value of inventories of properties</td></tr>
<tr><td>Refer to Note 6 'Critical accounting estimates and judgements' and Note 23 'Inventories of properties' to the consolidated financial statements.

Inventories of properties of the Group comprised mainly properties under development ("PUD") and properties held for sale ("PHS") amounting to RMB23,648 million and RMB10,463 million respectively as at 31 December 2019. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling prices, variable selling expenses and, for PUD, the estimated costs to completion. Given the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.</td><td>We performed the following audit procedures:

(i) Assessed the accuracy and reliability of management's historical NRV assessment by comparing the parameters adopted in previous year to actual sales data in the current year, on a sample basis.

(ii) Tested management's key accounting estimates, on a sample basis, for:

• Selling prices – we compared the estimated selling prices to the prevailing market prices of comparable properties with similar type, size and location, and market conditions.

• Variable selling expenses – we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in the current year.

• Estimated costs to completion for PUD – we compared the amounts to budget approved by management and inspected the related construction contracts; and compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key accounting estimates used in the assessment of NRV of inventories of properties were supportable by available evidence.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of completed investment properties	
Refer to Notes 6 'Critical accounting estimates and judgements' and Note 17 'Investment properties' to the consolidated financial statements. The carrying amount of total investment properties of the Group was RMB7,842 million at 31 December 2019, of which RMB7,648 million were completed investment properties. Change in fair value of completed investment properties of RMB305 million was recognised in the consolidated income statement for the year. The Group's investment properties are measured at fair value model. Management engaged an independent external valuer to assist them to measure the fair values of investment properties. Valuation of completed investment properties is considered as a key audit matter because the determination of fair values for completed investment properties involved critical accounting judgements and estimates including monthly rentals, term yields and reversionary yields.	We performed the following audit procedures: (i) Evaluated the competence, capabilities, and objectivity of the independent external valuer engaged by the Group; (ii) Assessed the appropriateness of the valuation methodologies applied with the assistance of our internal valuation experts; (iii) Assessed the reasonableness of relevant key assumptions used in the valuations of completed investment properties including the monthly rental, term yields and reversionary yields, by benchmarking them to relevant comparable data; and (iv) Tested the key inputs used in the valuations, on a sample basis, to supporting evidence including rental contracts, market data and market information of comparable properties obtained from various sources. We found the key judgements and accounting estimates used in the valuation of the completed investment properties were supportable by available evidence.

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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 March 2020

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Revenue	7	**16,070,171**	13,616,003
Cost of sales		**(10,828,170)**	(9,112,135)
Gross profit		**5,242,001**	4,503,868
Other income	9	**308,478**	351,707
Other gains and losses	10	**(141,399)**	(179,135)
Net impairment reversal/(losses) on financial assets	4	**19,942**	(94,764)
Fair value change on investment properties	17	**437,238**	365,890
Fair value gain upon transfer of inventories of properties to investment properties	17	**–**	520,917
Fair value change on financial assets at fair value through profit or loss		**(80,378)**	12,930
Selling and marketing costs		**(303,407)**	(358,984)
Administrative expenses		**(492,296)**	(420,010)
Other expenses		**–**	(2,266)
Finance costs	11	**(282,698)**	(293,400)
Share of results of investments accounted for using the equity method	19	**82,056**	86,449
Profit before taxation		**4,789,537**	4,493,202
Income tax expense	12	**(2,329,054)**	(2,141,018)
Profit for the year		**2,460,483**	2,352,184
Profit for the year attributable to:			
– Owners of the Company		**2,050,664**	2,234,821
– Non-controlling interests		**409,819**	117,363
		2,460,483	2,352,184
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic and diluted	16	**52.03**	57.11

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000 (Restated)
Profit for the year		**2,460,483**	2,352,184
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations		**2,511**	(6,087)
Items that will not be reclassified to profit or loss:			
– Fair value change on investment in equity instruments at fair value through other comprehensive income		**–**	2,681
Other comprehensive income for the year, net of tax		**2,511**	(3,406)
Total comprehensive income for the year		**2,462,994**	2,348,778
Total comprehensive income attributable to:			
– Owners of the Company		**2,053,175**	2,233,197
– Non-controlling interests		**409,819**	115,581
		2,462,994	2,348,778

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2019** **RMB'000**	2018 RMB'000 (Restated)
Non-current assets			
Investment properties	*17*	**7,841,906**	7,571,718
Property and equipment	*18*	**132,880**	133,765
Intangible assets		**31,328**	1,487
Right-of-use assets	*3*	**10,694**	–
Investments accounted for using the equity method	*19*	**985,051**	245,465
Financial assets at fair value through profit or loss	*20*	**668,204**	80,871
Deposits paid for acquisitions	*21*	**1,167,684**	1,935,423
Deferred tax assets	*22*	**597,494**	559,179
Trade and other receivables	*24*	**124,934**	3,909
		11,560,175	10,531,817
Current assets			
Inventories of properties	*23*	**34,112,077**	32,080,889
Trade and other receivables	*24*	**7,177,335**	10,131,059
Financial assets at fair value through profit or loss	*20*	**168,775**	707,499
Prepaid income tax		**563,705**	513,848
Restricted/pledged bank deposits	*25*	**2,123,101**	2,103,123
Cash and cash equivalents	*25*	**6,030,412**	4,599,433
		50,175,405	50,135,851
Total assets		**61,735,580**	60,667,668
Current liabilities			
Trade and other payables	*26*	**6,395,483**	6,162,953
Pre-sale deposits received	*27*	**19,940,467**	17,264,139
Lease liabilities	*3*	**3,597**	–
Current income tax liabilities		**4,628,119**	3,156,105
Bank and other borrowings	*28*	**4,667,930**	7,012,996
Senior notes	*29*	**314,084**	4,477,446
		35,949,680	38,073,639
Net current assets		**14,225,725**	12,062,212
Total assets less current liabilities		**25,785,900**	22,594,029

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Non-current liabilities			
Bank and other borrowings	*28*	**7,462,249**	7,787,925
Derivative financial instruments	*29*	**238,387**	–
Lease liabilities	*3*	**7,317**	–
Pre-sale deposits received	*27*	**500,510**	647,722
Deferred tax liabilities	*22*	**779,587**	660,139
Senior notes	*29*	**4,960,692**	2,735,063
Other payables	*26*	**–**	226,500
		13,948,742	12,057,349
Equity attributable to owners of the Company			
Share capital	*30*	**33,870**	21,083
Reserves		**9,825,610**	9,045,432
		9,859,480	9,066,515
Non-controlling interests		**1,977,678**	1,470,165
Total equity		**11,837,158**	10,536,680
Total equity and non-current liabilities		**25,785,900**	22,594,029

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 86 to 199 were approved by the Board of Directors on 9 March 2020 and were signed on its behalf.

Zhang Yi
Director

Cheuk Hiu Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (restated)	20,564	3,216,102	359,262	278,665	–	276,792	3,742,312	7,893,697	264,520	8,158,217
Profit for the year	–	–	–	–	–	–	2,234,821	2,234,821	117,363	2,352,184
Other comprehensive income for the year	–	–	2,011	–	(3,635)	–	–	(1,624)	(1,782)	(3,406)
Total comprehensive income for the year	–	–	2,011	–	(3,635)	–	2,234,821	2,233,197	115,581	2,348,778
Dividends *(Note 15)*	–	(625,286)	–	–	–	–	–	(625,286)	–	(625,286)
Issue of shares upon scrip dividend scheme	345	495,310	–	–	–	–	–	495,655	–	495,655
Capital injection received by entities under common control before acquisition	–	–	418,000	–	–	–	–	418,000	–	418,000
Capital contribution from non-controlling interests	–	–	(17,046)	–	–	–	–	(17,046)	177,591	160,545
Dividend paid by entities under common control before acquisition	–	–	–	–	–	–	(578,624)	(578,624)	(70,578)	(649,202)
Acquisitions of non-controlling interests	–	–	–	(46,667)	–	–	–	(46,667)	(11,333)	(58,000)
Issue of shares for acquisition of entities under common control	174	245,760	(615,790)	–	–	–	–	(369,856)	–	(369,856)
Acquisition of entities under common control	–	–	(300,000)	–	–	–	–	(300,000)	–	(300,000)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,134,164	1,134,164
Disposal of subsidiaries	–	–	(36,555)	–	–	–	–	(36,555)	(139,780)	(176,335)
Transfer to reserve	–	–	–	–	–	231,731	(231,731)	–	–	–
Balance at 31 December 2018 (restated)	21,083	3,331,886	(190,118)	231,998	(3,635)	508,523	5,166,778	9,066,515	1,470,165	10,536,680

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (restated)	21,083	3,331,886	(190,118)	231,998	(3,635)	508,523	5,166,778	9,066,515	1,470,165	10,536,680
Profit for the year	–	–	–	–	–	–	2,050,664	2,050,664	409,819	2,460,483
Other comprehensive income for the year	–	–	–	–	2,511	–	–	2,511	–	2,511
Total comprehensive income for the year	–	–	–	–	2,511	–	2,050,664	2,053,175	409,819	2,462,994
Dividends *(Note 15)*	–	(248,054)	–	–	–	–	–	(248,054)	–	(248,054)
Issue of shares upon scrip dividend scheme *(Note 30)*	45	15,571	–	–	–	–	–	15,616	–	15,616
Capital contribution from non-controlling interests *(Note 36)*	–	–	–	28,644	–	–	–	28,644	31,356	60,000
Dividend paid by entities under common control before acquisition	–	–	–	–	–	–	(751,766)	(751,766)	(42,259)	(794,025)
Issue of shares for acquisitions of entities under common control *(Note 1)*	12,742	4,090,177	(4,102,919)	–	–	–	–	–	–	–
Acquisition of entities under common control *(Note 1)*	–	–	(304,650)	–	–	–	–	(304,650)	–	(304,650)
Transfer to reserve	–	–	–	–	–	72,325	(72,325)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	116,492	116,492
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	(7,895)	(7,895)
At 31 December 2019	33,870	7,189,580	(4,597,687)	260,642	(1,124)	580,848	6,393,351	9,859,480	1,977,678	11,837,158

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	*31(a)*	**8,829,870**	7,442,771
Income tax paid		**(828,531)**	(836,671)
Net cash generated from operating activities		**8,001,339**	6,606,100
Cash flows from investing activities			
Deposits paid for trust financing arrangements		**(157,620)**	(273,424)
Refund from deposits paid for trust financing arrangements		**377,612**	28,361
Additions of property and equipment	*18*	**(25,675)**	(19,078)
Proceeds from disposal of property and equipment	*31(b)*	**1,265**	217
Net cash flow on disposal of subsidiaries	*19(a)*	**(11,971)**	(71,632)
Additions of investment properties	*17*	**(180,590)**	(1,375,457)
Advances to related companies		**(1,825,715)**	(5,281,962)
Advances to non-controlling interests		**(562,614)**	(1,310,042)
Repayment from related companies		**3,479,249**	6,456,903
Repayment from non-controlling interests		**34,978**	1,851,132
Interest received		**318,923**	82,936
Refund from deposits paid for acquisitions		**470,015**	35,700
Payment for deposits paid for acquisitions		**(390,329)**	(558,374)
Net cash flow on acquisition of subsidiaries		**223,100**	(4,097,944)
Capital injection to investments accounted for using the equity method		**(447,116)**	(15,000)
Proceeds from disposal of investments accounted for using the equity method		**11,300**	–
Placement of restricted/pledged bank deposits		**(930,123)**	(2,905,992)
Withdrawal of restricted/pledged bank deposits		**965,974**	2,812,543
Purchase of financial assets at fair value through profit or loss		**(609,014)**	(410,508)
Disposal of financial assets at fair value through profit or loss		**475,393**	–
Net cash generated from/(used in) investing activities		**1,217,042**	(5,051,621)

	Notes	Year ended 31 December 2019 RMB'000	 2018 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		**7,819,614**	7,244,118
Repayment of borrowings		**(10,490,267)**	(8,947,269)
Principal elements of lease payments		**(2,641)**	–
Interest paid		**(1,776,490)**	(1,663,843)
Proceeds from issuance of senior notes		**2,730,999**	6,136,221
Repayment of senior notes	*29*	**(4,644,144)**	(3,918,140)
Contribution from ultimate shareholder		**300,000**	–
Payment for acquisitions of entities under common control		**(300,000)**	–
Advances from related parties		**234,960**	352,333
Repayment to related parties		**(682,959)**	(3,109,361)
Advances from non-controlling interests		**148,362**	523,252
Repayment to non-controlling interests		**(262,307)**	(200,314)
Dividend paid by entities under common control before acquisition		**(794,025)**	(24,486)
Dividends paid to non-controlling interests in subsidiaries		**(7,895)**	–
Dividends paid		**(232,438)**	(129,631)
Acquisition of additional interests in a subsidiary		**–**	(58,000)
Capital injection received by entities under common control before acquisition		**–**	100,000
Capital contribution from non-controlling interests		**60,000**	160,545
Net cash used in financing activities		**(7,899,231)**	(3,534,575)
Net increase/(decrease) in cash and cash equivalents		**1,319,150**	(1,980,096)
Cash and cash equivalents at beginning of year		**4,599,433**	6,392,341
Exchange gains on cash and cash equivalents		**111,829**	187,188
Cash and cash equivalents at end of year	*25*	**6,030,412**	4,599,433

The notes on pages 94 to 199 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

Jiayuan International Group Limited (the "Company") was incorporated on 5 May 2015 and registered in the Cayman Islands 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. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder").

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, property investment and provision of property management services.

These consolidated financial statements for the year ended 31 December 2019 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2020.

1.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

Certain comparative amounts have been reclassified to conform to the current period's presentation. These reclassifications had no effect on reported total assets, liabilities, equity or profit.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVPL") and investment properties, which are carried at fair value.

1.2 Merger accounting for business combination involving entities under common control

On 21 January 2019, the Company completed the acquisition of the entire issued share capital of Chuangyuan Holdings Limited ("Chuangyuan"), a company incorporated in the BVI, from the Ultimate Shareholder (the "Chuangyuan Acquisition") in consideration of 50,180,189 new issued ordinary shares of the Company to the Ultimate Shareholder. The principal activities of Chuangyuan and its subsidiaries ("Chuangyuan Group") are provision of property management services in the PRC. Based on the market value of HKD4.4 per ordinary share of the Company on the completion date, the fair value of the consideration for Chuangyuan Acquisition is HKD220,793,000 (equivalent to RMB188,866,000).

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

On 26 April 2019, the Company entered into a sale and purchase agreement (as subsequently amended and supplemented) with the Ultimate Shareholder whereby the Company conditionally agreed to acquire 100% equity interest of Huiyuan Investment Holdings Limited ("Huiyuan"), a company incorporated in the BVI, in consideration of 1,377,959,475 new issued ordinary shares of the Company to the Ultimate Shareholder ("Huiyuan Acquisition"). The principal activities of Huiyuan and its subsidiaries ("Huiyuan Group") are property development and property investment in the PRC. As a condition of Huiyuan Acquistion, Huiyuan Group acquired 82.48% equity interest of Bengbu Mingyuan Real Estate Development Co., Ltd. and 42% equity interest of Lujiang Jiayuan Real Estate Development Co., Ltd. from Zhejiang Jiyuan Real Estate Group Co., Ltd. which is controlled by the Ultimate Shareholder, in aggregately consideration of RMB304,650,000 in April and May 2019, respectively. The consideration of RMB304,650,000 was settled by the balance of other receivables due from the entities controlled by the Ultimate Shareholder in August 2019. On 8 August 2019, Huiyuan Acquisition was completed. Based on the market value of HKD3.18 per ordinary share of the Company on the completion date, the fair value of the consideration for Huiyuan Acquisition is HKD4,381,911,000 (equivalent to RMB3,914,053,000).

The Company has applied merger accounting (Note 2.4.2) to the Chuangyuan Acquisition and Huiyuan Acquisition, being business combinations involving entities under common control, under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. The Group, Chuangyuan Group and Huiyuan Group are regarded as continuing entities. As a result, the 2018 comparative amounts in the consolidated financial statements are adjusted to present as if the acquired businesses had been combined at the beginning of 2018.

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements described above on the consolidated income statement for the year ended 31 December 2018 by line items is as follows:

	Year ended 31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Revenue	10,458,841	435,427	2,749,595	(27,860)	13,616,003
Cost of sales	(7,152,499)	(299,848)	(1,659,788)	–	(9,112,135)
Gross profit	3,306,342	135,579	1,089,807	(27,860)	4,503,868
Other income	336,393	4,902	10,412	–	351,707
Other gains and losses	(181,652)	2,055	462	–	(179,135)
Net impairment losses on financial assets	(75,746)	(7,027)	(11,991)	–	(94,764)
Fair value change on investment properties	354,996	–	10,894	–	365,890
Fair value gain upon transfer of inventories of properties to investment properties	520,917	–	–	–	520,917
Fair value change on financial assets at fair value through profit or loss	12,930	–	–	–	12,930
Selling and marketing costs	(297,569)	(4,725)	(56,690)	–	(358,984)
Administrative expenses	(310,252)	(33,948)	(103,670)	27,860	(420,010)
Other expenses	(2,266)	–	–	–	(2,266)
Finance costs	(208,208)	84	(85,276)	–	(293,400)
Share of results of investments accounted for using the equity method	1,093	–	85,356	–	86,449
Profit before taxation	3,456,978	96,920	939,304	–	4,493,202
Income tax expense	(1,594,092)	(21,708)	(525,218)	–	(2,141,018)
Profit for the year	1,862,886	75,212	414,086	–	2,352,184
Profit for the year attributable to:					
– Owners of the Company	1,794,430	66,654	373,737	–	2,234,821
– Non-controlling interests	68,456	8,558	40,349	–	117,363
	1,862,886	75,212	414,086	–	2,352,184

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements described above on the consolidated statement of comprehensive income for the year ended 31 December 2018 by line items is as follows:

	Year ended 31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany transactions RMB'000	Year ended 31 December 2018 RMB'000 (Restated)
Profit for the year	1,862,886	75,212	414,086	–	2,352,184
Other comprehensive income					
Item that may be reclassified to profit or loss:					
– Exchange differences arising on translation of foreign operations	(6,087)	–	–	–	(6,087)
Items that will not be reclassified to profit or loss:					
– Fair value gain on investment in equity instruments at fair value through other comprehensive income	–	2,681	–	–	2,681
Other comprehensive income for the year, net of tax	(6,087)	2,681	–	–	(3,406)
Total comprehensive income for the year	1,856,799	77,893	414,086	–	2,348,778
Total comprehensive income attributable to:					
– Owners of the Company	1,790,795	68,665	373,737	–	2,233,197
– Non-controlling interests	66,004	9,228	40,349	–	115,581
	1,856,799	77,893	414,086	–	2,348,778

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2018 by line items is as follows:

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Non-current assets					
Investment properties	5,998,818	–	1,572,900	–	7,571,718
Property and equipment	113,539	7,778	12,448	–	133,765
Intangible assets	–	1,487	–	–	1,487
Investments accounted for using the equity method	31,691	–	213,774	–	245,465
Financial assets at fair value through profit or loss	80,871	–	–	–	80,871
Deposits paid for acquisitions	1,935,423	–	–	–	1,935,423
Deferred tax assets	446,337	1,730	111,112	–	559,179
Trade and other receivables	–	–	3,909	–	3,909
	8,606,679	10,995	1,914,143	–	10,531,817
Current assets					
Inventories of properties	26,119,077	144	5,961,668	–	32,080,889
Trade and other receivables	5,604,811	341,484	4,784,047	(599,283)	10,131,059
Financial assets at fair value through profit or loss	707,499	–	–	–	707,499
Prepaid income tax	375,722	–	138,126	–	513,848
Restricted/pledged bank deposits	1,427,072	1,351	674,700	–	2,103,123
Cash and cash equivalents	3,906,504	33,367	659,562	–	4,599,433
	38,140,685	376,346	12,218,103	(599,283)	50,135,851
Total assets	46,747,364	387,341	14,132,246	(599,283)	60,667,668
Current liabilities					
Trade and other payables	3,986,436	144,419	2,649,382	(617,284)	6,162,953
Pre-sale deposits received	10,219,413	44,320	7,000,405	1	17,264,139
Current income tax liabilities	2,507,291	36,904	611,910	–	3,156,105
Bank and other borrowings	4,801,296	–	2,211,700	–	7,012,996
Senior notes	4,477,446	–	–	–	4,477,446
	25,991,882	225,643	12,473,397	(617,283)	38,073,639

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2018 by line items is as follows: (Continued)

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Net current assets	12,148,803	150,703	(255,294)	18,000	12,062,212
Total assets less current liabilities	20,755,482	161,698	1,658,849	18,000	22,594,029
Non-current liabilities					
Bank and other borrowings	7,773,825	–	14,100	–	7,787,925
Pre-sale deposits received	647,722	–	–	–	647,722
Deferred tax liabilities	655,833	186	4,120	–	660,139
Senior notes	2,735,063	–	–	–	2,735,063
Other payables	–	–	226,500	–	226,500
	11,812,443	186	244,720	–	12,057,349
Equity attributable to owners of the Company					
Share capital	21,083	–	283,250	(283,250)	21,083
Reserves	7,658,157	161,512	924,513	301,250	9,045,432
	7,679,240	161,512	1,207,763	18,000	9,066,515
Non-controlling interests	1,263,799	–	206,366	–	1,470,165
Total equity	8,943,039	161,512	1,414,129	18,000	10,536,680
Total equity and non-current liabilities	20,755,482	161,698	1,658,849	18,000	22,594,029

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 1 January 2018 is summarised below:

	1 January 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	1 January 2018 RMB'000 (Restated)
Share capital	20,564	–	183,250	(183,250)	20,564
Share premium	3,216,102	–	–	–	3,216,102
Special reserve	22,500	–	100,000	236,762	359,262
Other reserves	278,665	53,512	–	(53,512)	278,665
Statutory surplus reserve	219,705	8,617	48,470	–	276,792
Retained earnings	3,191,020	102,319	448,973	–	3,742,312
Total	6,948,556	164,448	780,693	–	7,893,697
Non-controlling interests	44,127	88,792	131,601	–	264,520
Total equity	6,992,683	253,240	912,294	–	8,158,217

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION (CONTINUED)

1.2 Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 31 December 2018 is summarised below:

	31 December 2018 RMB'000 (Audited and originally stated)	Chuangyuan Group RMB'000	Huiyuan Group RMB'000	Elimination of intercompany balances RMB'000	31 December 2018 RMB'000 (Restated)
Share capital	21,083	–	283,250	(283,250)	21,083
Share premium	3,331,886	–	–	–	3,331,886
Special reserve	(593,290)	35,375	100,000	267,797	(190,118)
Other reserves	278,665	(33,453)	(46,667)	33,453	231,998
Exchange reserve	(3,635)	–	–	–	(3,635)
Statutory surplus reserve	380,068	14,829	113,626	–	508,523
Retained earnings	4,264,463	144,761	757,554	–	5,166,778
Total	7,679,240	161,512	1,207,763	18,000	9,066,515
Non-controlling interests	1,263,799	–	206,366	–	1,470,165
Total equity	8,943,039	161,512	1,414,129	18,000	10,536,680

The effect of the restatement on the Group's earnings per share for the year ended 31 December 2018 is as follows:

Basic and diluted

	RMB cents
As audited and originally stated	72.21
Adjustments arising from business combination under common control	(15.10)
Restated	57.11

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 New and amended standards adopted by the Group

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

- HKFRS 16 "Leases";
- Prepayment features with negative compensation – amendments to HKFRS 9;
- Long-term interests in associates and joint ventures – amendments to HKAS 28;
- Annual improvements to HKFRS standards 2015-2017 cycle;
- Plan amendment, curtailment or settlement – amendments to HKAS 19; and
- Uncertainty over income tax treatment – HK (IFRIC) 23.

Except for HKFRS 16, the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (Note 3).

2.2 New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (Amendment)	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

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.

2.3.2 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.

2.3.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.4 Equity method

Under the equity method of accounting, interests in joint ventures and associates 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. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture and associates 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 associates and its carrying value and recognises the amount adjacent to 'share of results of investment accounted for the equity method' in profit or loss.

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

2.3.5 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 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.

2.3.6 Disposals of interest in 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

2.4.1 Non-common control business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

2.4.2 Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

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

2.4.3 Acquisition of a subsidiary not constituting a business

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

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Segment reporting

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

2.7 Foreign currency translation

(i) 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 are presented in RMB which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains and losses'.

(iii) Group companies

The results and financial positions of all the Group entities (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 each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. 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 on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and building	Shorter of the term of lease or 50 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture, fittings and equipment	5–10 years
Computer equipment	3–5 years
Motor vehicles	4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains and losses' in the consolidated income statement.

2.9 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (Continued)

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Property management contracts

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts (6 years).

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

(i) Classification

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

- those to be measured subsequently at fair value through profit or loss ('FVPL');
- those to be measured subsequently at fair value through other comprehensive income ('FVOCI'); 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 financial 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 FVOCI.

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

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains and losses'. 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 or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other gains and losses' in the period in which it arises. Interest income from these financial assets is included in the 'other income'.

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 OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statement as 'other income' when the Group's right to receive payments is established.

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

2.13 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 – Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables. For all other instruments, the Group measures the loss allowance equal to 12 months expected credit lossed ("ECL"), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period, the change of fair value is recognised immediately in profit or loss within 'other gains and losses'.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.16 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 comprises cost of land use rights, construction costs, depreciation of machinery and equipment, 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.

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.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.17 Properties held for sale

Properties remaining unsold at year 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.

2.18 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

2.20 Share capital

Ordinary shares are classified as equity.

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

2.21 Borrowings

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

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

2.22 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs (Continued)

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 adjustments to interest costs include the interest rate differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.23 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.24 Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.25 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries and performance related bonus, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Performance related bonus is determined by reference to the performance of individuals and market trend. The liabilities are presented within "Trade and other payables" in the consolidated statement of financial position.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Contingent liabilities

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.

2.27 Revenue recognition

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

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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 buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(i) Sales of properties

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at a point in time.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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. Revenue of sales of the properties for the Group is recognised at point in time.

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

(ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

Revenue from other sources

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

As explained in Note 3, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is set out in Note 3.

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

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

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

Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal 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.

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 incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Accounting policies applied until 31 December 2018

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

(a) The Group is the lessee

(i) The Group is the lessee under operating lease other than land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(b) The Group is the lessor

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

3 CHANGE IN ACCOUNTING POLICIES

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

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 2.30.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.42%.

(a) Practical expedients applied

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

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

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

3 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Measurement of lease liabilities

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,432
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,430
(Less): Recognition exemption – short-term leases	(1,342)
Recognition exemption – low-value assets	(88)
Lease liability recognised as at 1 January 2019	–

The recognised lease liabilities relate to the following types of liabilities:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Current lease liabilities	3,597	–
Non-current lease liabilities	7,317	–
Total lease liabilities	10,914	–

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Leased properties	10,694	–

3 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) Measurement of right-of-use assets (Continued)

The following table presents the changes of right-of-use assets for the year ended 31 December 2019:

	2019 RMB'000	2018 RMB'000
Balance at 31 December	–	–
Adjustment on adoption of HKFRS 16	–	–
Restated opening balance	–	–
Additions	13,005	–
Depreciation	(2,311)	–
Closing net book amount	10,694	–

(d) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 RMB'000
Depreciation charge of right-of-use assets – leased properties	2,311
Interest expense (included in finance cost)	550
Expense relating to short-term leases (included in administrative expenses)	1,342
Expense relating to low-value leases (included in administrative expenses)	88

The total cash outflow for leases in 2019 was RMB4,071,000.

There was no net impact on retained earnings on 1 January 2019.

(e) Lessor accounting

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

4 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, trade and other payables, bank and other borrowings and senior notes. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

(a) Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, loans receivables, bank and other borrowings and senior notes.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, cash and cash equivalent, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate and the lending rate quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2018:100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points (2018: 100 basis points) higher/lower and all other variables held constant, the Group's profit for the year would decrease/increase by approximately RMB20,625,000 for the year ended 31 December 2019 (2018: RMB12,510,000).

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's restricted/pledged bank deposits and cash and cash equivalents as the directors of the Company consider that the exposure is minimal.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Foreign currency risk

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2019 and 2018, the Group has financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, bank and other borrowings and senior notes denominated in foreign currencies, which expose the Group to foreign currency risk and mainly concentrated on the exposure to United States dollar ("USD"), HKD and Australian Dollar ("AUD").

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000 (Restated)
USD	1,888,234	1,784,945	6,085,279	7,212,509
HKD	479,830	795,539	2,503,467	3,951,582
AUD	545,511	957,349	–	–
	2,913,575	3,537,833	8,588,746	11,164,091

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets at FVPL, trade and other receivables, restricted/pledged bank deposits, cash and cash equivalent, bank and other borrowings and senior notes denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before taxation for the year.

	USD Impact		HKD Impact		AUD Impact	
	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000 (Restated)
Increase/(decrease) in profit before taxation for the year	209,852	271,378	101,182	157,802	(27,276)	(47,867)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, restricted/pledged bank deposits and cash and cash equivalents. The carrying amounts of trade and other receivables restricted/pledged bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents and restricted/pledged bank deposits
The credit risks on cash and cash equivalent, restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with acceptable credit ratings

Trade receivables
In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on financial assets at amortised cost collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

Other receivables
The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before credit is granted. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

Debt instruments
All of the entity's debt instruments at FVPL are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial guarantee contracts
For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The directors of the Company considered that the loss allowances on financial guarantee contracts at 1 January 2019 and 31 December 2019 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit 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 significantly reduced.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk(Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2019 RMB'000	Gross carrying amount 2018 RMB'000
Financial assets at amortised cost				
Restricted/pledged bank deposits	Performing	12-month ECL	**2,123,101**	2,103,123
Cash and cash equivalents	Performing	12-month ECL	**6,030,412**	4,599,433
Trade receivables	Performing	Lifetime ECL (provision matrix)	**321,910**	169,791
Other receivables	Performing	12-month ECL	**1,198,163**	3,488,758
Other receivables	Performing	Lifetime ECL	**–**	869,717
Financial guarantee contracts	Performing	12-month ECL	**13,289,638**	11,269,932

(i) For restricted/pledged bank deposits and cash and cash equivalent, the Group determines the expected credit losses by referring to external credit rating of the related banks.

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix.

(iii) For other receivables, for the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

(iv) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The following tables show reconciliation of loss allowances that has been recognised for trade receivables and other receivables.

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
As at 1 January 2018	–	–	–
– Impairment losses recognised	1,228	34,105	35,333
– Impairment losses reversed	–	(252)	(252)
Receivables written off as uncollectable	(143)	–	(143)
New financial assets originated or purchased	5,851	53,832	59,683
As at 31 December 2018	6,936	87,685	94,621

	Trade receivables Lifetime ECL RMB'000	Other receivables RMB'000	Total RMB'000
As at 1 January 2019	**6,936**	**87,685**	**94,621**
– Impairment losses recognised	**2,490**	**–**	**2,490**
– Impairment losses reversed	**–**	**(22,432)**	**(22,432)**
Written off as uncollectable	**(25)**	**–**	**(25)**
As at 31 December 2019	**9,401**	**65,253**	**74,654**

No impairment allowance was made on restricted/pledged bank deposits, cash and cash equivalent, debt instruments and financial guarantee contracts at the end of each reporting period as the directors of the Company consider the effect is minimal.

Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (RMB668,204,000; 2018: RMB500,758,000).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would renew the bank borrowings and issue new senior notes, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Trade and other payables (excluding advances, business and other tax payables, accured charges, deposits and other payables)	3,944,611	–	–	3,944,611	3,944,611
Lease liabilities	5,501	3,631	4,280	13,412	10,914
Bank and other borrowings					
– Fixed rate	5,454,375	5,068,098	457,908	10,980,381	9,380,127
– Variable rate	428,744	309,980	2,440,073	3,178,797	2,750,052
Senior notes	805,328	670,805	5,743,048	7,219,181	5,274,776
	10,638,559	6,052,514	8,645,309	25,336,382	21,360,480
Financial guarantee					
– Mortgage guarantees	13,289,638	–	–	13,289,638	–
Total	23,928,197	6,052,514	8,645,309	38,626,020	21,360,480

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	On demand or Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018 (restated)					
Trade and other payables (excluding advances, business and other tax payables, accured charges, deposits and other payables)	3,214,252	–	–	3,214,252	3,214,252
Bank and other borrowings					
– Fixed rate	7,080,058	4,300,358	2,787,782	14,168,198	13,132,920
– Variable rate	1,729,137	–	–	1,729,137	1,668,001
Senior notes	4,922,459	3,006,899	–	7,929,358	7,212,509
	16,945,906	7,307,257	2,787,782	27,040,945	25,227,682
Financial guarantee					
– Mortgage guarantees	11,269,932	–	–	11,269,932	–
Total	28,215,838	7,307,257	2,787,782	38,310,877	25,227,682

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The difference levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets at fair value through profit or loss	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2019 RMB'000	2018 RMB'000		
Debt instruments in the PRC	–	65,913	Level 3	Market approach considers prices recently for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative.
Debt instruments in Hong Kong	107,827	–	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Debt instruments in overseas	545,511	419,887	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Deposits paid for life insurance policies	14,866	14,958	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Listed equity investments in Hong Kong	168,775	287,612	Level 1	Quoted bid prices in an active market.
Total	836,979	788,370		
Financial liabilities – Put options of senior notes recognised as derivative financial instruments	202,910	–	Level 2	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price based observable inputs and the pure bond value.
Put options of senior notes recognised as derivative financial instruments	35,477	–	Level 3	The fair value of put options are determined by assessing the difference between the fair values of the bonds by quoted price in unobservable inputs and the pure bond value.
Total	238,387	–		

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2019 and 2018.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(i) Reconciliation of Level 1 fair value measurements of financial assets

	2019 RMB'000	2018 RMB'000
Balance at 1 January	287,612	–
Additions	14	275,642
Disposals	(40,292)	–
Fair value change	(82,146)	11,970
Exchange differences	3,587	–
Balance at 31 December	168,775	287,612

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	2019 RMB'000	2018 RMB'000
Balance at 1 January	500,758	69,122
Additions	609,013	370,206
Disposals	(517,247)	–
Fair value change	1,768	70
Interest income	80,572	63,791
Insurance expenses	(295)	(295)
Exchange differences	(6,365)	(2,136)
Balance at 31 December	668,204	500,758

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements of financial instruments (Continued)

(iii) Reconciliation of Level 2 fair value measurements of financial liabilities

	2019 RMB'000	2018 RMB'000
Balance at issue dates	72,902	–
Fair value change	129,327	–
Exchange differences	681	–
Balance at 31 December	202,910	–

(iv) Reconciliation of Level 3 fair value measurements of financial liabilities

	2019 RMB'000	2018 RMB'000
Balance at issue dates	106,995	–
Fair value change	(73,970)	–
Exchange differences	2,452	–
Balance at 31 December	35,477	–

The Group consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair value of financial assets and financial liabilities other than financial assets at FVPL of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category

	As at 31 December 2019		
	At FVPL RMB'000	At amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding deposits, advances and prepayments)	–	1,185,425	1,185,425
Restricted/pledged bank deposits	–	2,123,101	2,123,101
Cash and cash equivalent	–	6,030,412	6,030,412
Financial assets at fair value through profit or loss	836,979	–	836,979
Total	836,979	9,338,938	10,175,917
Liabilities as per consolidated statement of financial position			
Trade and other payables (excluding advances, business and other tax payables, accured charges and deposits)	–	3,944,611	3,944,611
Lease liabilities	–	10,914	10,914
Bank and other borrowings	–	12,130,179	12,130,179
Senior notes	–	5,274,776	5,274,776
Derivative financial instruments	238,387	–	238,387
Total	238,387	21,360,480	21,598,867

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category (Continued)

	As at 31 December 2018		
	At FVPL	At amortised cost	Total
	RMB'000	RMB'000	RMB'000
Assets as per consolidated statement of financial position			
Trade and other receivables (excluding deposits, advances and prepayments)	–	1,310,566	1,310,566
Restricted/pledged bank deposits	–	2,103,123	2,103,123
Cash and cash equivalent	–	4,599,433	4,599,433
Financial assets at fair value through profit or loss	788,370	–	788,370
Total	788,370	8,013,122	8,801,492
Liabilities as per consolidated statement of financial position			
Trade and other payables (excluding advances, business and other tax payables, accured charges and deposits)	–	3,214,252	3,214,252
Bank and other borrowings	–	14,800,921	14,800,921
Senior notes	–	7,212,509	7,212,509
Total	–	25,227,682	25,227,682

5 CAPITAL MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debts include bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalent and restricted/pledged bank deposits.

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

The calculation of gearing ratio as at 31 December 2019 and 2018 was as follows:

	2019 **RMB'000**	2018 RMB'000
Bank and other borrowings	**12,130,179**	14,800,921
Senior notes	**5,274,776**	7,212,509
Total	**17,404,955**	22,013,430
Less: Cash and cash equivalents	**(6,030,412)**	(4,599,433)
Restricted/pledged bank deposits	**(2,123,101)**	(2,103,123)
Net debts	**9,251,442**	15,310,874
Total equity	**11,837,158**	10,536,680
Gearing ratio	**78.2%**	145.3%

6 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) Valuation of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the net realisable value ("NRV"). The management of the Group make significant judgment on the estimation of selling prices, selling expenses and costs to completion in determining the NRV of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, the management of the Group determines the NRV of these inventories of properties by reference to the estimated costs to completion, costs to sale and selling prices of the inventories of properties, which takes into account a number of factors including the pre-sale units in the same project or comparable properties with similar type, size and location, and market conditions in the prevailing real estate markets. The directors of the Company estimate the costs to completion and costs to sale of the inventories of properties by reference to the actual development cost and selling expenses of other similar completed projects of the Group.

If there is an increase in costs to completion or a decrease in estimated selling prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of estimates of the management of the Group. Based on the management's estimation of the NRV of the inventories of properties, no impairment were considered to be necessary.

(b) Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuer engaged by the Group. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates as explained in Note 17. In relying on the valuation reports, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions.

(c) Estimate of income tax expenses

Significant judgements are required in determining the provision for income tax. 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 expense in the year which such determination is made.

The Group is subject to the land appreciation tax ("LAT") in the PRC. The details of the implementation have been announced by local tax bureaux in certain major cities, however, the Group is in the process of finalising the LAT calculation and payments with local tax bureaux in certain major cities in the PRC. Significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

7 REVENUE

Revenue is stated net of sales related tax and is analysed as follows:

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
Types of goods and services		
Sales of properties	**15,373,501**	13,127,092
Property management services	**485,778**	318,246
Property rental	**210,892**	76,977
Sales and installation service of software and system equipment	**–**	89,322
Consulting service	**–**	4,366
Total	**16,070,171**	13,616,003
Revenue is recognised:		
Contracts with customers:		
– At a point in time	**15,373,501**	13,211,726
– Over time	**485,778**	327,300
	15,859,279	13,539,026
Other source: rental income	**210,892**	76,977
	16,070,171	13,616,003

Sales of properties by geographical markets

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
Mainland China	**14,062,528**	13,127,092
Hong Kong	**1,310,973**	–
Total	**15,373,501**	13,127,092

There was no individual customer contributing over 10% of the total revenue for the years ended 31 December 2019 and 2018.

7 REVENUE (CONTINUED)

Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognized.

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end date and the expected timing of recognising revenue are as follows for sales of properties:

	2019 RMB'000	2018 RMB'000
Within one year	**17,050,839**	8,213,978
More than one year but not more than two years	**7,097,733**	8,796,683
More than two years	**–**	1,339,764
	24,148,572	18,350,425

8 SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. All operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group is principally engaged in property development revenue of which accounted for over 90% of total turnover.

No segment assets and liabilities are presented as they were not provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

In 2018, the Group identified two reportable segments – Property development and Property investment. During the year, the board of directors reassessed the performance and operation of the Group and concluded that the Group has only one reportable segment – Property development. The other segments are individually and collectively insignificant for segment reporting purpose. As such, no segment information is presented.

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the PRC and more than 90% of the carrying values of the Group's non-current assets excluding financial instruments and deferred tax assets are situated in the PRC.

9 OTHER INCOME

	2019 RMB'000	2018 RMB'000 (Restated)
Interest income on loans receivable	**132,597**	190,491
Interest income on financial assets at fair value through profit or loss *(Note 4(d)(ii))*	**80,572**	63,791
Interest income on bank deposits	**79,860**	72,196
Government grant	**592**	1,944
Others	**14,857**	23,285
	308,478	351,707

10 OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000 (Restated)
Gains on disposal of investment in associates	**21,712**	–
Fair value change on derivative financial instruments	**(55,357)**	–
(Losses)/gains on disposals of property and equipment	**(5)**	115
Losses on disposals of financial assets at fair value through profit or loss	**(15,232)**	–
Losses on deemed disposal of a subsidiary *(Note 19(a)(i))*	**(39,709)**	–
Foreign exchange losses, net	**(61,144)**	(167,016)
Others	**8,336**	(12,234)
	(141,399)	(179,135)

11 FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Interest expenses:		
– Bank and other borrowings	**1,243,160**	1,395,105
– Senior notes	**621,541**	777,336
– Lease liabilities *(Note 3)*	**550**	–
	1,865,251	2,172,441
Loss on exchange of senior notes	**22,146**	–
	1,887,397	2,172,441
Less: amounts capitalised on qualifying assets	**(1,604,699)**	(1,879,041)
	282,698	293,400

Finance costs have been capitalised for investment properties under construction and inventories of properties under development at an average rate of 6.79% (2018: 6.36%) per annum for the year ended 31 December 2019.

12 INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000 (Restated)
Current income tax		
– Corporate income tax	**1,131,003**	1,063,579
– Land appreciation tax	**1,130,859**	1,030,723
	2,261,862	2,094,302
Deferred income tax *(Note 22)*	**67,192**	46,716
	2,329,054	2,141,018

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

All gains arising from the sale or transfer of real estate in the PRC are subject to land appreciation tax at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

12 INCOME TAX EXPENSES (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Profit before income tax	**4,789,537**	4,493,202
Tax calculated at income tax rate of 25% (2018: 25%)	**1,197,384**	1,123,301
Effects of different tax rates applicable to different subsidiaries of the Group	**(16,301)**	(132)
Utilisation of tax losses not previously recognised as deferred income tax assets	**(22,431)**	(32,885)
Effects of share of post-tax results of investments accounted for using the equity method	**(20,514)**	(21,339)
Income not subject to tax	**(49,303)**	(46,151)
Tax effect of tax losses not recognised deferred income tax assets	**24,358**	15,411
Expenses not deductible for tax purpose	**367,717**	329,771
	1,480,910	1,367,976
Land appreciation tax	**1,130,859**	1,030,723
Tax effect of land appreciation tax	**(282,715)**	(257,681)
Income tax expenses	**2,329,054**	2,141,018

13 PROFIT FOR THE YEAR

Profit for the year was after charging:

	2019 RMB'000	2018 RMB'000 (Restated)
Cost of properties held for sale recognised as expenses	**10,480,894**	8,756,711
Depreciation charge of property and equipment	**12,785**	14,553
Depreciation charge of right-of-use assets *(Note 3)*	**2,311**	–
Auditors' remuneration		
– Audit services	**5,500**	2,530
– Non-audit services	**5,238**	5,164
	10,738	7,694
Employee benefit expense (including directors' emoluments)		
Salaries and other allowances	**443,688**	313,440
Retirement benefit costs	**24,812**	20,676
Capitalised in properties under development	**(46,270)**	(19,215)
	422,230	314,901

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

	Fees RMB'000	Salary and other allowance RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive directors					
Mr. Zhang Yi *(Note i)*	–	2,824	1,102	11	3,937
Ms. Cheuk Hiu Nam *(Note i)*	–	176	–	–	176
Mr. Huang Fuqing	–	979	1,321	27	2,327
Mr. Wang Jianfeng	–	1,286	602	16	1,904
Non-executive director					
Mr. Shum Tin Ching	–	829	–	16	845
Mr. Shen Xiaodong *(Note ii)*	–	879	402	16	1,297
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	250	–	–	–	250
Dr. Cheung Wai Bun, Charles, JP	250	–	–	–	250
Mr. Gu Yunchang	250	–	–	–	250
	750	6,973	3,427	86	11,236

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salary and other allowance RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors					
Ms. Cheuk Hiu Nam *(i)*	–	200	–	–	200
Mr. Huang Fuqing	–	844	1,392	42	2,278
Mr. Wang Jianfeng	–	843	678	16	1,537
Non-executive director					
Mr. Shum Tin Ching	–	843	–	16	859
Independent non-executive directors					
Mr. Tai Kwok Leung, Alexander	200	–	–	–	200
Dr. Cheung Wai Bun, Charles, JP	200	–	–	–	200
Mr. Gu Yunchang	200	–	–	–	200
	600	2,730	2,070	74	5,474

(i) Mr. Zhang Yi was appointed as an executive director and the president of the Company on 17 February 2019, who also performed the duties of chief executive. Ms. Cheuk Hiu Nam ceased to be the Chief Executive Officer of the Company on 17 February 2019 while her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Shen Xiaodong was appointed as a non-executive director of the Company on 17 February 2019. The non-executive director's emoluments shown above were for his services as a director of the Company.

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 31 December 2019, 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 (2018: nil).

(c) Directors' termination benefits

During the year ended 31 December 2019, no payments to the directors of the Company as compensation for the early termination of the appointment (2018: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2019, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2018: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the year ended 31 December 2019, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2018: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions disclosed in Note 1.2 and Note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: nil).

(g) Five highest paid employees' emoluments

The five highest paid individuals included 3 directors (2018: 2) for the year ended 31 December 2019. The remunerations of the remaining 2 (2018: 3) highest paid individuals for the year are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Employees		
– Salaries and other allowances	**2,195**	2,683
– Performance related bonus	**1,420**	1,895
– Retirement benefit scheme contributions	**47**	171
	3,662	4,749

14 DIRECTORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

(g) Five highest paid employees' emoluments (Continued)

The remuneration were within the following bands:

	Number of individuals	
	2019	2018
HKD1,500,001 to HKD2,000,000	**–**	2
HKD2,000,001 to HKD2,500,000	**2**	1

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years.

15 DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
Final dividend declared for the prior year		
– HKD11 cents (2018: HKD19 cents) per share	**248,054**	405,036
Interim dividend		
– HKD nil (2018: HKD10 cents) per share	**–**	220,250
	248,054	625,286
Final dividend proposed in respect of current year:		
– HKD11 cents (2018: HKD11 cents) per ordinary share	**388,962**	247,441

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD11 cents (2018: HKD11 cents) per ordinary share, in an aggregate amount of HKD433,868,000, approximately RMB388,962,000, (2018: HKD281,727,000, approximately RMB247,441,000) taking into account 3,944,252,000 (2018: 2,561,151,991) ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

15 DIVIDENDS (CONTINUED)

During the year, share scrip alternatives were offered in respect of the dividends declared. These share scrip alternatives were accepted by shareholders, as follows:

	2019		2018	
	HKD'000	Equivalent to RMB'000	HKD'000	Equivalent to RMB'000
Dividends				
– Cash	**263,981**	**232,438**	147,901	129,631
– Scrip dividend alternative	**17,746**	**15,616**	565,813	495,655
	281,727	**248,054**	713,714	625,286

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary share in issue during the year.

	2019	2018 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**2,050,664**	2,234,821
Weighted average number of ordinary shares for in issue (in thousands)	**3,941,295**	3,913,111
Basic earnings per share (RMB cents)	**52.03**	57.11

(b) Diluted earnings per share

For the years ended 31 December 2019 and 2018, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both years.

17 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
At 1 January 2018 (restated)	2,526,142	2,063,200	4,589,342
Additions	13,085	1,362,372	1,375,457
Exchange differences	–	17,183	17,183
Acquisition of a subsidiary	–	27,846	27,846
Transfer from inventories of properties	675,083	–	675,083
Transfer upon completion	838,000	(838,000)	–
Fair value gain upon transfer of inventories of properties to investment properties	520,917	–	520,917
Fair value change	89,606	276,284	365,890
At 31 December 2018 (restated)	4,662,833	2,908,885	7,571,718
Additions	–	180,590	180,590
Deemed disposal of a subsidiary	–	(344,704)	(344,704)
Transfer to properties under development	(2,936)	–	(2,936)
Transfer upon completion	2,683,222	(2,683,222)	–
Fair value change	304,561	132,677	437,238
At 31 December 2019	**7,647,680**	**194,226**	**7,841,906**

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2019 and 2018, the Group had only level 3 investment properties.

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2019 and 2018 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or

(ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

(iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits.

There were no changes to the valuation techniques during the year.

17 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,647,680	Income capitalisation	Monthly rentals (per square meter/month)	RMB45-RMB234
			Term yields	1.5%-6.5%
			Reversionary yields	2%-7%
Investment properties under construction	129,426	Residual method	Budgeted construction cost to be incurred	RMB 79.2 Million
			Anticipated developer's profit	3%-20%
Investment properties under construction	64,800	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB1,829-RMB1,919

	Fair value as at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	4,662,833	Income capitalisation	Monthly rentals (per square meter/month)	RMB39-RMB225
			Term yields	1.5%-6%
			Reversionary yields	3.5%-7%
Investment properties under construction	2,865,785	Residual method	Budgeted construction cost to be incurred	RMB128.1 Million
			Anticipated developer's profit	3%-20%
Investment properties under construction	43,100	Direct comparison approach	Weighted average of comparable land price (RMB/square meter)	RMB957-RMB1,815

17 INVESTMENT PROPERTIES (CONTINUED)

Relationships of unobservable inputs to fair value are as follows:

- The higher monthly rentals, the higher fair value;
- The higher term yields, the lower fair value;
- The higher reversionary yields, the lower fair value;
- The higher budgeted construction cost to be incurred, the lower fair value; and
- The higher the anticipated developer's profit, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2019 RMB'000	2018 RMB'000 (Restated)
Rental income	210,892	76,977
Fair value change on investment properties	437,238	365,890
Fair value gain upon transfer of inventories of properties to investment properties	–	520,917
	648,130	963,784

Operating expenses is not material for the year ended 31 December 2019 and 2018.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

18 PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fitting and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost							
At 1 January 2018 (restated)	111,945	3,239	29,469	2,139	4,956	30,151	181,899
Additions	56	406	6,600	507	1,433	10,076	19,078
Acquisition of subsidiaries	22,455	1,406	679	129	210	1,853	26,732
Disposal of subsidiaries	(29,099)	–	(9,133)	–	–	(168)	(38,400)
Disposals	–	(190)	(936)	–	(15)	(1,027)	(2,168)
At 31 December 2018 (restated)	105,357	4,861	26,679	2,775	6,584	40,885	187,141
Additions	80	577	9,376	720	2,036	12,886	25,675
Acquisition of subsidiaries	1,431	90	43	8	13	118	1,703
Disposal of subsidiaries	(6,630)	(306)	(1,679)	(175)	(414)	(2,573)	(11,777)
Disposals	–	(132)	(651)	–	(10)	(714)	(1,507)
At 31 December 2019	100,238	5,090	33,768	3,328	8,209	50,602	201,235
Accumulated depreciation							
At 1 January 2018 (restated)	(8,623)	(1,265)	(10,673)	(1,094)	(3,814)	(17,754)	(43,223)
Charge for the year	(2,677)	(1,092)	(3,158)	(485)	(663)	(6,724)	(14,799)
Disposal of subsidiaries	1,593	–	986	–	–	1	2,580
Disposals	–	181	893	–	15	977	2,066
At 31 December 2018 (restated)	(9,707)	(2,176)	(11,952)	(1,579)	(4,462)	(23,500)	(53,376)
Charge for the year	(3,241)	(1,162)	(3,604)	(516)	(706)	(7,157)	(16,386)
Disposal of subsidiaries	212	48	261	35	98	516	1,170
Disposals	–	21	102	–	2	112	237
At 31 December 2019	(12,736)	(3,269)	(15,193)	(2,060)	(5,068)	(30,029)	(68,355)
Carrying values							
At 31 December 2019	87,502	1,821	18,575	1,268	3,141	20,573	132,880
At 31 December 2018 (restated)	95,650	2,685	14,727	1,196	2,122	17,385	133,765

The leasehold land and buildings are located in Hong Kong and the PRC.

The land and buildings elements of a lease of land and buildings cannot be allocated reliably between the land and buildings elements, and the lease is treated as property and equipment.

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

18 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively.

	2019 RMB'000	2018 RMB'000
Properties under development	**3,601**	246
Cost of sales	**1,143**	70
Selling and marketing costs	**35**	43
Administrative expenses	**11,607**	14,440
	16,386	14,799

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Interests in joint ventures *(Note (a))*	**931,896**	39,900
Interests in associates *(Note (b))*	**53,155**	205,565
	985,051	245,465

(a) Interests in joint ventures

	2019 RMB'000	2018 RMB'000 (Restated)
At 1 January	**39,900**	936
Additions	**735,169**	–
Transfer from subsidiaries *(Note (i))*	**107,423**	–
Share of results	**49,404**	38,964
At 31 December	**931,896**	39,900

The entities listed below have share registered capital/share capital, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The joint ventures are unlisted companies and there are no quoted market prices available for its equity interests.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

Name of entity	Place of incorporation	Proportion of ownership interest held 2019	2018	Principal activity
Nanjing Kangxing Science and Technology Industrial Park Operation Management Co., Ltd. ("Nanjing Kangxing") 南京康星科技產業園營運有限公司	PRC	51%	–	Property development
Dongfangsuoqi Investment Development Group Co., Ltd. ("Dongfangsuoqi") 東方索契投資發展集團有限公司	PRC	36%	–	Property development
Chongqing Jiabao Property Management Co., Ltd ("Chongqing Jiabao") 重慶佳寶物業管理有限公司	PRC	51%	–	Property management
Lujiang Biyuan Real Estate Development Co., Ltd 廬江碧源房地產開發有限公司	PRC	50%	50%	Property development
Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd ("Yancheng Xingzhou") 鹽城星洲佳源房地產開發有限公司	PRC	65%	–	Property development
Gang Yuan (Cambodia) Development Co.,Ltd (i)	Cambodia	50%	–	Property development
Meijia (Pingtan) Cultural Tourism Development Co., Ltd 美佳(平潭)文化旅遊發展有限公司	PRC	30%	–	Cultural Tourism Development
Zhejiang Xingjia Property Service Co., Ltd ("Zhejiang Xingjia") 浙江星佳物業服務有限公司	PRC	51%	–	Property management

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

According to the Articles of these entities, all significant and relevant matters of these entities require unanimous consent among the shareholders. Therefore these entities are accounted as joint ventures of the Group.

(i) Gang Yuan (Cambodia) Development Co., Ltd ("Gang Yuan") was a wholly-owned subsidiary of the Group incorporated in Cambodia before 21 July 2019. On 25 June 2019, a joint venture agreement was entered into with Hongzhou Jin Jia Real Estate Co., Ltd, an independent third party, to inject additional capital of US$10,000,000 into Gang Yuan, which represented 50% of the share capital of Gang Yuan. Upon completion of the capital injection and the amendment of its Articles on 21 July 2019, Gang Yuan became a joint venture of the Group. As the result, the transaction was treated as a deemed disposal of a subsidiary.

Details of the deemed disposal are as follows:

	RMB'000
Consideration	
– Fair value of 50% equity interest in Gang Yuan	107,423
Net assets of Gang Yuan disposed of	(147,132)
Loss on disposal	(39,709)
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	–
– Less: cash and cash equivalents in Gang Yuan disposed of	11,971
Net cash outflow on disposals	(11,971)

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in joint ventures (Continued)

(ii) As at 31 December 2019, there are no significant contingent liabilities and commitments relating to the Group's interest in the joint ventures (2018: nil).

(iii) In the opinion of the directors, none of the above joint ventures are individually material to the Group. Set out below is the summarised financial information of the joint ventures and Group's share of results:

	2019 RMB'000	2018 RMB'000 (Restated)
Carrying amount in the consolidated financial statements	**931,896**	39,900
Aggregate amounts of the Group's share of:		
Profit for the year	**49,404**	38,964
Total comprehensive income	**49,404**	38,964

(b) Interests in associates

	2019 RMB'000	2018 RMB'000 (Restated)
At 1 January	**205,565**	158,080
Additions	**1,600**	–
Transfer to subsidiaries *(Note (i))*	**(104,933)**	–
Disposals	**(81,729)**	–
Share of results	**32,652**	47,485
At 31 December	**53,155**	205,565

The entities listed below have share registered capital/share capital, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion voting rights held. The associates are unlisted companies and there are no quoted market prices available for its equity interests.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in associates (Continued)

Name of entity	Country of incorporation	% of ownership interest		Principal activity
		2019	2018	
Mengcheng Biguiyuan Real Estate Development Co., Ltd 蒙城縣碧桂園房地產開發有限公司	PRC	**30%**	30%	Property development
Pinghu City Jiayuan Tourism Development Co., Ltd 平湖市佳源旅遊開發有限公司	PRC	–	22%	Property development
Guoyang Mingbang Development Co., Ltd 渦陽名邦置業有限公司 ("Guoyang Mingbang") (i)	PRC	–	51%	Property development
Changxing Jiayuan Real Estate Development Co., Ltd 長興佳源房地產開發有限公司	PRC	–	30%	Property development
Shenzhen Shengyuan Zhiben Commercial Factoring Co., Ltd. 深圳市盛元智本商業保理有限公司	PRC	–	30%	Financial services

In the opinion of the directors, none of the above associates are individually material to the Group. Set out below is the summarised financial information of the associates and Group's share of results:

	2019 RMB'000	2018 RMB'000 (Restated)
Carrying amount in the consolidated financial statements	**53,155**	205,565
Aggregate amounts of the Group's share of:		
Profit for the year	**32,652**	47,485
Total comprehensive income	**32,652**	47,485

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in associates (Continued)

(i) Guoyang Mingbang was an associate of the Group with 51% equity interest as the Group was not in a position to control the board of Guoyang Mingbang. On 30 April 2019, the Group entered an agreement with Anhui Mingbang Real Estate Co., Ltd ("Anhui Ming Bang"), an independent third party shareholder of Guoyang Mingbang to revise original shareholder's agreement of Guoyang Mingbang. Upon the execution of the agreement, the Group obtained control in Guoyang Mingbang, which became a subsidiary of the Group. The transaction was treated as business combination of a subsidiary.

Details of the consideration and the financial information of Guoyang Mingbang on the acquisition date is summarised as follows:

	RMB'000
Purchase consideration	
– Fair value of investments in the associate held before business combination	105,706
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Property and equipment	568
Inventories of properties	1,052,600
Prepaid income tax	38,926
Trade and other receivables	94,063
Restricted/pledged bank deposits	55,621
Cash and cash equivalent	216,669
Trade and other payables	(65,869)
Pre-sale deposits received	(1,151,485)
Deferred tax liabilities	(33,826)
Total identifiable net assets	207,267
Non-controlling interests	(101,561)
	105,706
Cash flows on business combination, net of cash acquired	
– cash considerations	–
– cash and cash equivalents in the subsidiaries acquired	216,669
Net cash inflow on acquisitions	216,669

The acquired business contributed total revenues of RMB1,271,156,000 and net profit of RMB174,631,000 to the Group for the period from their respective acquisition date to 31 December 2019. Had this business been consolidated from 1 January 2019, the consolidated income statement would show pro-forma revenue of RMB16,188,681,000 and profit for the year attributable to owners of the Company of RMB2,050,664,000.

Upon completion of the transactions on 30 April 2019, the difference between the fair value with the carrying amount of investment in Guoyang Ming Bang of RMB773,000 was recognised as "other gains and losses".

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in associates (Continued)

(ii) As at 31 December 2019, there are no significant contingent liabilities and commitments relating to the Group's interest in the associates (2018: nil).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Debt instruments in the PRC	–	65,913
Debt instruments in Hong Kong	107,827	–
Debt instruments in overseas	545,511	419,887
Deposits paid for a life insurance policy	14,866	14,958
Listed equity investments in Hong Kong	168,775	287,612
	836,979	788,370
Less: non-current portion	(668,204)	(80,871)
	168,775	707,499

(a) Debt instruments in overseas represents investment in private funds in Australia.

(b) During the year, the following gains/(losses) were recognised in profit or loss:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Fair value change on equity investments at FVPL	(82,146)	11,970
Fair value change on debt instruments at FVPL	1,768	70
Interest income on financial assets at FVPL	80,572	63,791
	194	75,831

(c) Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

21 DEPOSITS PAID FOR ACQUISITIONS

The Group from time to time enters into agreements with various parties in relation to the acquisition of interest in certain entities which are principally engaged in property development in the PRC. As at 31 December 2019, the Group had made total deposits of RMB1,167,684,000 (31 December 2018: RMB1,935,423,000) in relation to these acquisitions. According to these agreements, in case the acquisitions cannot be completed, the deposits paid will be fully refunded to the Group.

22 DEFERRED INCOME TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

Deferred tax assets

	Accrued LAT RMB'000	Revenue recognition RMB'000	Tax losses RMB'000	Loss allowance RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (restated)	176,382	175,882	34,522	17,017	782	404,585
Acquisition of subsidiaries	–	–	–	260	–	260
Recognised in profit or loss	160,174	2,564	7,220	4,460	564	174,982
At 31 December 2018 (restated)	336,556	178,446	41,742	21,737	1,346	579,827
At 1 January 2019	336,556	178,446	41,742	21,737	1,346	579,827
Disposal of a subsidiary	–	–	–	–	(59)	(59)
Recognised in profit or loss	67,404	(34,805)	7,372	1,576	520	42,067
At 31 December 2019	403,960	143,641	49,114	23,313	1,807	621,835

Deferred tax liabilities

	Fair value of investment properties RMB'000	Revaluation due to business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (restated)	(416,528)	(42,371)	–	(458,899)
Acquisition of subsidiaries	–	–	(190)	(190)
Recognised in profit or loss	(221,702)	–	4	(221,698)
At 31 December 2018 (restated)	(638,230)	(42,371)	(186)	(680,787)
At 1 January 2019	(638,230)	(42,371)	(186)	(680,787)
Acquisition of subsidiaries	–	(33,826)	(5,052)	(38,878)
Disposal of a subsidiary	24,996	–	–	24,996
Recognised in profit or loss	(109,309)	–	50	(109,259)
At 31 December 2019	(722,543)	(76,197)	(5,188)	(803,928)

22 DEFERRED INCOME TAX (CONTINUED)

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Analysed for reporting purpose after netting off:		
Deferred tax assets	**597,494**	559,179
Deferred tax liabilities	**(779,587)**	(660,139)
	(182,093)	(100,960)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB7,978,370,000 (2018:RMB5,665,263,000). Based on management's estimation of overseas funding requirements, such earnings are expected to be retained by the subsidiaries in the PRC for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future.

At 31 December 2019, the Group had unused tax losses of RMB359,097,000 (31 December 2018: RMB348,970,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB196,456,000 (31 December 2018: RMB166,968,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
2019	**–**	27,069
2020	**11,461**	11,461
2021	**5,306**	5,306
2022	**37,012**	76,522
2023	**11,430**	61,644
2024	**97,432**	–
	162,641	182,002

23 INVENTORIES OF PROPERTIES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
At cost:		
Properties under development	**23,648,474**	26,514,141
Properties held for sale	**10,462,723**	5,566,603
Others	**880**	145
	34,112,077	32,080,889

The operating cycle of the Group's property development projects generally ranges from one to two years.

The Group's inventories of properties are situated in the PRC, Hong Kong and Macao (2018: the PRC and Hong Kong).

Amounts of properties under development comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
– Construction costs including depreciation and staff cost capitalised	**7,839,524**	10,821,939
– Land use rights	**14,059,202**	13,910,502
– Borrowing costs capitalised	**1,749,748**	1,781,700
	23,648,474	26,514,141

As at 31 December 2019, properties under development amounting to RMB8,446,822,000 (2018: RMB14,030,601,000) were expected to be completed beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2019 was 6.79% (2018: 6.36%) per annum.

23 INVENTORIES OF PROPERTIES (CONTINUED)

The inventories of properties of the Group are located in:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Mainland China	**27,693,586**	26,401,469
Hong Kong	**2,908,609**	5,679,420
Macao	**3,509,882**	–
	34,112,077	32,080,889

Details of assets pledged as collateral for the Group's bank and other borrowings are disclosed in Note 33.

24 TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables (a)	**321,910**	169,791
Other receivables (b)	**5,957,013**	8,509,584
Prepayments (c)	**1,098,000**	1,550,214
	7,376,923	10,229,589
Less: loss allowance	**(74,654)**	(94,621)
	7,302,269	10,134,968
Less: Non-current portion of other receivables (b)	**(124,934)**	(3,909)
Current portion of trade and other receivables	**7,177,335**	10,131,059

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Details of trade receivables are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade receivables	321,910	169,791
Less: allowance for impairment	(9,401)	(6,936)
Trade receivables – net	312,509	162,855

Trade receivables mainly arise from sales of properties, properties rental and properties management services. Customers are generally granted credit terms of nil to 1 month. The ageing analysis of trade receivables based on property delivery date or invoice date is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
0-60 days	187,875	61,131
61-180 days	83,805	34,156
181-365 days	19,008	52,436
Over 1 year	31,222	22,068
	321,910	169,791

As at 31 December 2019 and 2018, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB9,401,000 (2018: RMB6,936,000) was made against the gross amounts of trade receivables (Note 4(b)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Details of other receivables are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Advances to related parties	**2,225,715**	3,479,249
Advances to non-controlling interest	**809,626**	281,990
Advances to investees for acquisitions of land use rights	**–**	1,543,472
Deposits paid for acquisitions of land use rights	**420,000**	456,199
Projects related deposits *(i)*	**911,030**	847,354
Deposits for trust financing arrangements *(ii)*	**146,719**	366,711
Other deposits *(iii)*	**453,642**	275,022
Advance to staff	**55,112**	49,393
Loans receivable	**587,929**	705,376
Interest receivable	**190,234**	164,341
Other receivables	**157,006**	340,477
	5,957,013	8,509,584
Less: allowance for impairment	**(65,253)**	(87,685)
	5,891,760	8,421,899
Less: non-current portion of deposits for trust financing arrangements *(ii)*	**(124,934)**	(3,909)
Current portion of other receivables – net	**5,766,826**	8,417,990

(i) The amount mainly represents the deposits placed at the request of local government. The deposits will be refunded to the Group upon the completion of projects.

(ii) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or on demand.

(iii) Other deposits mainly represent temporary payments for potential property development projects to local government. There is no fixed repayment term for these other deposits and the directors of the Company consider they are repayable upon demand.

The above other receivables are unsecured and non-interest bearing, except for the loans receivables which are interest bearing at rates ranging from 12% to 23% (2018: 12% to 23%) per annum.

(c) Prepayments mainly represent prepayments for construction cost, and business and other taxes.

25 RESTRICTED/PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Cash at banks and on hand	**8,153,513**	6,702,556
Less: Restricted/pledged bank deposits		
– Pledged bank deposits for mortgage guarantees *(Note (a))*	**(259,083)**	(143,373)
– Pledged bank deposits for bank borrowings	**–**	(1,822,108)
– Restricted bank deposits *(Note (b))*	**(1,864,018)**	(137,642)
	(2,123,101)	(2,103,123)
Cash and cash equivalents	**6,030,412**	4,599,433

(a) These deposits were pledged to banks, to secure the mortgage provided to customers, and will be released upon obtaining building ownership certificates by customers.

(b) Restricted bank deposits represent deposits placed in bank accounts in accordance with the applicable government regulations. These bank balances can only be applied in designated property development projects, and they carry prevailing interest at the rate of 0.38% (2018: 0.38%) per annum as at 31 December 2019.

(c) Cash at banks and deposits held at call carry prevailing market interest rates ranging from 0.01% to 3.65% (2018: 0.01% to 2.20%) per annum as at 31 December 2019.

As at 31 December 2019, the cash at banks are denominated in below currencies:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
RMB	**6,128,425**	4,545,414
HKD	**258,457**	458,622
USD	**1,765,541**	1,698,520
Others	**1,090**	–
	8,153,513	6,702,556

The conversion and the remittance of RMB out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC governments.

26 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Trade payables *(a)*	3,639,200	3,013,951
Advances from non-controlling interests	729,885	843,830
Business and other taxes payable	514,091	438,479
Other deposits received *(b)*	375,913	505,025
Deposits related to sales of properties	268,363	223,406
Advances from related parties	234,960	682,959
Receipts on behalf of property residents	210,411	103,285
Accrued charges	101,160	239,900
Consideration payable for acquisition of subsidiaries	95,000	97,016
Advance from lessee	–	15,102
Other consideration payables *(c)*	226,500	226,500
	6,395,483	6,389,453
Less: Non-current portion of other payables *(c)*	–	(226,500)
Current portion of trade and other payables	6,395,483	6,162,953

Notes:

(a) Trade payables comprise construction costs and other project-related expenses which are due for payment based on project progress measured by the Group. The average credit period of trade payables granted to the Group is 30 days.

The following is an ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
0-60 days	2,152,245	1,214,667
61-180 days	751,103	836,029
181-365 days	298,295	491,048
Over 1 year	437,557	472,207
	3,639,200	3,013,951

(b) Amounts mainly represented various deposits received from contractors in relation to tendering and execution of construction contracts.

(c) The Group in 2018 acquired Guoyang Xinggang Development Co., Ltd. (渦陽縣星港置業有限公司) from an independent third party vendor. Pursuant to the sales and purchase agreement, as a part of the considerations, the Group is required to transfer 50,000 sq.m. of the completed properties to the vendor. The amount represented the estimated value of the properties to be delivered to the vendor on completion.

27 PRE-SALE DEPOSITS RECEIVED

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Contract liabilities related to sales of properties	**18,780,511**	16,476,241
Contract liabilities related to property management services	**73,018**	44,320
Value-added tax payable	**1,587,448**	1,391,300
	20,440,977	17,911,861
Less: non-current portion	**(500,510)**	(647,722)
Current portion	**19,940,467**	17,264,139

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**13,864,156**	10,124,147

The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the sale of the completed property is recognised.

28 BANK AND OTHER BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Bank loans		
– secured	**3,612,555**	6,528,528
– secured and guaranteed	**447,500**	118,347
– unsecured	**500**	–
	4,060,555	6,646,875
Trust loans *(b)*		
– secured	**1,292,305**	3,700,400
– secured and guaranteed	**5,723,300**	2,130,800
– unsecured	**687,624**	–
	7,703,229	5,831,200
Other loans *(c)*		
– secured	**66,395**	2,272,846
– secured and guaranteed	**300,000**	50,000
	366,395	2,322,846
	12,130,179	14,800,921

28 BANK AND OTHER BORROWINGS (CONTINUED)

(a) The borrowings are repayable as follows:

	31 December 2019			
	Bank loans RMB'000	**Trust loans RMB'000**	**Other loans RMB'000**	**Total RMB'000**
Within one year or on demand	**489,500**	**4,112,035**	**66,395**	**4,667,930**
More than one year, but not exceeding two years	**1,120,483**	**3,250,154**	**300,000**	**4,670,637**
More than two years, but not exceeding five years	**2,450,572**	**341,040**	**–**	**2,791,612**
	4,060,555	**7,703,229**	**366,395**	**12,130,179**
Less: Amount due within one year or on demand shown under current liabilities	**(489,500)**	**(4,112,035)**	**(66,395)**	**(4,667,930)**
Amount shown under non-current liabilities	**3,571,055**	**3,591,194**	**300,000**	**7,462,249**

	31 December 2018			
	Bank loans RMB'000	Trust loans RMB'000	Other loans RMB'000	Total RMB'000
Within one year or on demand	1,209,350	5,285,600	518,046	7,012,996
More than one year, but not exceeding two years	2,802,730	545,600	1,442,305	4,790,635
More than two years, but not exceeding five years	2,634,795	–	362,495	2,997,290
	6,646,875	5,831,200	2,322,846	14,800,921
Less: Amount due within one year or on demand shown under current liabilities	(1,209,350)	(5,285,600)	(518,046)	(7,012,996)
Amount shown under non-current liabilities	5,437,525	545,600	1,804,800	7,787,925

28 BANK AND OTHER BORROWINGS (CONTINUED)

(b) These borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

(c) Other loans mainly represent secured loans obtained from asset management companies.

(d) Fixed-rate borrowings amounting to RMB9,380,127,000 (31 December 2018: RMB13,132,920,000) carry interest ranging from 1.55% to 14.00% (31 December 2018: 1.90% to 15.00%) per annum at 31 December 2019. The remaining borrowings amounting to RMB2,750,052,000 (31 December 2018: RMB1,668,001,000) are arranged at variable rates with the effective interest rates ranging from 4.00% to 6.51% (31 December 2018: 2.3% to 5%) per annum at 31 December 2019.

(e) The range of effective interest rates at the end of each reporting period is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
Bank loans	**1.6% to 9.5%**	1.9% to 10.5%
Trust loans	**7.1% to 14.0%**	6.4% to 15.0%
Other loans	**12.0% to 12.8%**	9.0% to 15.0%

(f) At 31 December 2019, the Group has unutilised banking facilities of RMB5,680,390,000 (2018: RMB2,779,560,000).

(g) Except for bank and other borrowings of RMB2,503,467,000 (31 December 2018: RMB3,951,582,000) which are denominated in HKD and RMB810,503,000 (31 December 2018: nil) which are denominated in USD as at 31 December 2019, all the bank and other borrowings are denominated in RMB.

29 SENIOR NOTES

	Notes	2019 RMB'000	2018 RMB'000
Issued in 2017 and due April 2019		–	343,473
Issued in 2017 and due May 2019		–	340,117
Issued in 2018 and due January 2019		–	2,657,704
Issued in 2018 and due October 2019		–	1,136,152
Issued in 2018 and due October 2020		**122,533**	2,735,063
Issued in 2019 and due May 2022	*(a)*	**1,639,014**	–
Issued in 2019 and due March 2022	*(b)*	**1,848,218**	–
Issued in 2019 and due February 2023	*(c)*	**1,665,011**	–
		5,274,776	7,212,509
Less: amount due within one year shown under current liabilities		**(314,084)**	(4,477,446)
Included in non-current liabilities		**4,960,692**	2,735,063

29 SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	7,212,509	4,330,952
Proceeds from issue of new senior notes	2,730,999	6,136,221
Derivatives financial instruments recognised *(e)*	(179,897)	–
Repayment of senior notes	(4,644,144)	(3,918,140)
Exchange difference	67,098	244,313
Interest expenses *(Note 11)*	621,541	777,336
Interest paid during the year	(533,330)	(358,173)
At the end of the year	5,274,776	7,212,509

Notes:

(a) In May 2019, the Company issued senior notes (the "May 2022 Senior Notes I") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,514,588,000), bearing interest at a fixed interest rate of 11.375% per annum and will mature in May 2022. A portion of the May 2022 Senior Notes I was used to exchange for all of the outstanding USD160,000,000 senior notes due October 2019, i.e. the 2018 senior notes due October 2019.

In August 2019, the Company issued senior notes with a principal amount of USD25,000,000 (equivalent to RMB176,425,000) due in May 2022 (the "May 2022 Senior Notes II") which were consolidated with and formed a single series with the May 2022 Senior Notes I.

(b) In July 2019, the Company issued senior notes (the "March 2022 Senior Notes I") with a principal amount of USD225,000,000 (equivalent to approximately RMB1,545,233,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in March 2022. A portion of the March 2022 Senior Notes I was used to exchange for a total of USD174,671,000 in principal amount of the senior notes due October 2020.

In November 2019, the Company issued senior notes (the "March 2022 Senior Notes II") with a principal amount of USD30,000,000 (equivalent to approximately RMB210,813,000), which were consolidated with and formed a single series with March 2022 Senior Notes I.

(c) In October 2019, the Company issued senior notes (the "February 2023 Senior Notes I") with a principal amount of USD200,000,000 (equivalent to approximately RMB1,413,800,000), bearing interest at a fixed interest rate of 13.75% per annum and will mature in February 2023.

In November 2019, the Company issued senior notes (the "February 2023 Senior Notes II") with a principal amount of USD37,500,000 (equivalent to approximately RMB263,336,000), which were consolidated with and formed a single series with February 2023 Senior Notes I.

(d) The Company is required to make an offer to repurchase the outstanding senior notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, upon the occurrence of change of control triggering event or delisting event In the opinion of directors, the fair value of the above early redemption options was insignificant on initial recognition.

(e) All of the above senior notes contain a liability component and early redemption options.

The holders of these senior notes have the right, at their options, to require the Company to repurchase all or any portion of the principal on designated repurchase dates, as set out in the respective offering circulars at purchase prices ranging from 100% to 102.795% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

As at 31 December 2019, the fair value of these put options have been recognised as derivative financial instruments in the consolidated financial statements at the amount of RMB238,387,000 (2018: nil).

Liability component represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

(f) All senior notes issued by the Company are listed. The fair values of the senior notes as at 31 December 2019 were approximately RMB4,962,892,000.The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position.

30 SHARE CAPITAL

	Number of shares	Nominal value HKD'000	Nominal value RMB'000
Ordinary shares of HKD0.01 each			
Authorised			
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000,000	100,000	
Issued and fully paid			
At 1 January 2018	2,452,000,000	24,520	20,564
Issue of shares upon scrip dividend scheme	39,405,402	394	345
Issue of shares for acquisition of entities under common control	19,566,400	196	174
At 31 December 2018 and 1 January 2019	2,510,971,802	25,110	21,083
Issue of shares for acquisition of Chuangyuan Group *(Note 1.2)*	50,180,189	502	434
Issue of shares upon scrip dividend scheme *(a)*	5,140,695	51	45
Issue of shares for acquisition of Huiyuan Group *(Note 1.2)*	1,377,959,475	13,780	12,308
At 31 December 2019	3,944,252,161	39,443	33,870

On 26 March 2019, a scrip dividend scheme was proposed by the Board in relation to the 2018 final dividend, pursuant to which, the shareholders of the Company would receive the final dividend wholly by way of an allotment of and issue of scrip shares unless the shareholders elected to receive the final dividend wholly in cash or partly in cash or partly in scrip shares. This proposal was approved at the annual general meeting of the Company held on 13 June 2019. On 30 July 2019, 5,140,695 shares of HKD0.01 each were allotted and issued at HKD3.452 each to shareholders in respect of the 2018 final dividend under the scrip dividend scheme. The shares issued were amounted to HKD17,746,000 (equivalent to RMB15,616,000).

31 CASH FLOW INFORMATION

(a) Cash generated from operations:

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**4,789,537**	4,493,202
Adjustments for:			
Interest income on bank deposits	*9*	**(79,860)**	(72,196)
Interest income on loans receivable	*9*	**(132,597)**	(190,491)
Interest income on financial assets at FVPL	*9*	**(80,572)**	(63,791)
Finance costs	*11*	**282,698**	293,400
Net impairment reversal/(losses) on financial assets		**(19,942)**	94,764
Share of results of investments accounted for using the equity method	*19*	**(82,056)**	(86,449)
Depreciation of property and equipment	*13*	**12,785**	14,553
Amortisation of intangible assets		**198**	12
Foreign exchange loss (gain), net	*10*	**61,144**	167,016
Losses on disposal of subsidiaries	*10*	**39,709**	–
Gains on disposal of associate	*10*	**(21,712)**	–
Loss on disposal of financial assets at FVPL	*10*	**15,232**	–
Gain on disposal of property and equipment	*10*	**5**	(115)
Fair value change on investment properties	*17*	**(437,238)**	(365,890)
Fair value gain upon transfer of inventories of properties to investment properties	*17*	**–**	(520,917)
Fair value gains on derivative financial instruments	*10*	**55,357**	–
Depreciation of right-of-use assets	*13*	**2,311**	–
Fair value gain on financial assets at FVPL		**80,378**	(12,930)
Operating cash flows before movements in working capital		**4,485,377**	3,750,168
Decrease in inventories of properties		**629,197**	955,450
Decrease/(increase) in trade and other receivables		**1,737,054**	(1,791,442)
Increase in financial assets at FVPL		**(78,717)**	(274,752)
Increase in trade and other payables		**917,676**	383,430
Increase in pre-sale deposits received		**1,139,491**	4,421,217
Increase in restricted bank deposits		**(208)**	(1,300)
Cash generated from operations		**8,829,870**	7,442,771

31 CASH FLOW INFORMATION (CONTINUED)

(b) In the consolidated statement of cash flow, proceeds from disposals of property and equipment comprise:

	2019 RMB'000	2018 RMB'000 (Restated)
Net book amount disposed of *(Note 18)*	**1,270**	102
Gains on disposals *(Note 10)*	**(5)**	115
Proceeds	**1,265**	217

(c) Non-cash investing and financing activities

Major non-cash transactions during the year represented the issue of ordinary shares for acquisitions of entities under common control (Note 1.2 and Note 30) and the payment of dividend under scrip dividend scheme (Note 15 and Note 30) .

31 CASH FLOW INFORMATION (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Senior notes RMB'000	Due to non-controlling interests RMB'000	Due to related parties RMB'000	Total RMB'000
Net debt as at 31 December 2017 (restated)	–	14,890,909	4,330,952	200,314	2,936,689	22,358,864
Cash flows						
Financing cash flows	–	(3,008,821)	1,859,908	322,938	(2,757,028)	(3,583,003)
– Acquisitions of subsidiaries	–	1,526,145	–	320,578	–	1,846,723
– Consideration payable for acquisition of entities under common control	–	–	–	–	369,856	369,856
– Foreign exchange translation	–	131,025	244,313	–	–	375,338
– Interest expenses	–	1,261,663	777,336	–	133,442	2,172,441
Net debt as at 31 December 2018 (restated)	–	14,800,921	7,212,509	843,830	682,959	23,540,219
Adoption of HKFRS 16	13,005	–	–	–	–	13,005
Net debt as at 1 January 2019	13,005	14,800,921	7,212,509	843,830	682,959	23,553,224
Cash flows						
Financing cash flows	(2,641)	(3,913,813)	(2,446,475)	(113,945)	(447,999)	(6,924,873)
– Derivative liability component of senior notes	–	–	(179,897)	–	–	(179,897)
– Foreign exchange translation	–	(89)	67,098	–	–	67,009
– Interest expenses	550	1,243,160	621,541	–	–	1,865,251
Net debt as at 31 December 2019	10,914	12,130,179	5,274,776	729,885	234,960	18,380,714

32 RETIREMENT BENEFIT PLAN

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contributions is matched by employees.

The total expense recognised in profit or loss of RMB24,812,000 (2018: RMB20,676,000) represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

33 PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the reporting period:

	2019 RMB'000	2018 RMB'000 (Restated)
Properties under development	**9,841,317**	14,185,426
Properties held for sale	**606,049**	370,534
Investment properties	**2,478,600**	1,048,391
Pledged bank deposits	**259,083**	1,965,481
Property and equipment	**72,312**	73,946
Financial assets at fair value through profit or loss	**14,866**	14,958
	13,272,227	17,658,736

34 COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments for capital expenditures

	2019 RMB'000	2018 RMB'000 (Restated)
– In respects of projects classified as inventories of properties	**9,676,191**	8,659,553
– In respects of projects classified as investment properties	**–**	116,402

(b) Operating lease rentals receivable

	2019 RMB'000	2018 RMB'000 (Restated)
Within one year	**154,965**	72,211
In the second to third year inclusive	**178,784**	154,965
In the third to fourth year inclusive	**109,904**	178,784
In the fourth to fifth year inclusive	**109,715**	109,904
After five years	**610,996**	720,711
	1,164,364	1,236,575

35 GUARANTEES

	2019 RMB'000	2018 RMB'000 (Restated)
Mortgage guarantees	**13,289,638**	11,269,932
Pledge of properties held for sale for a related party	**–**	123,283
	13,289,638	11,393,215

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the directors of the Company consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and as at 31 December 2019 and 31 December 2018.

36 TRANSACTION WITH NON-CONTROLLING INTERESTS

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the year ended 31 December 2019 are as follows:

	2019 RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Deemed disposals of interest in subsidiaries without loss of control	28,644

During the year ended 31 December 2019, a third party injected RMB60,000,000 as capital to a subsidiary of the Group without loss of control. The Group recognised a increase in reserve of RMB28,644,000 and increase in non-controlling interest of RMB31,356,000.

37 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is ultimately controlled by Mr. Shum Tin Ching, the Ultimate Shareholder.

(a) Related party transactions

Apart from those related party transactions disclosed above in the consolidated financial statements, the following transactions were carried out with related parties.

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000 (Restated)
(i) Entities controlled by the Ultimate Shareholder and the close family members of the Ultimate Shareholder		
Procurement of intelligent system equipment	35,947	16,912
Procurement of architecture design services	30,881	30,274
Provision of property management services	36,894	28,315
Procurement of electrical appliances	14,000	5,042
Interest expense	–	133,442
Procurement of consulting services	12,615	25,700
Subscription of the Company's senior notes	534,377	–
Provision of financial guarantees to the Group	6,470,800	2,299,147
Provision of pledge of properties to the Group	–	123,283
(ii) Joint ventures		
Provision of property management services	1,155	476

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

37 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Short term benefits	**14,015**	11,884
Post-employment benefits	**133**	275
	14,148	12,159

The remuneration of directors and other members of key management is determined with reference to performance of individuals and market trends.

37 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2019 RMB'000	2018 RMB'000 (Restated)
(i) Entities controlled by Ultimate Shareholder		
Trading nature and included in:		
– Trade receivables	22,195	3,473
– Other receivables	2,472	–
– Prepayment	1,218	–
– Trade payables	72,572	19,718
– Other payables	228	–
– Pre-sale deposits	968	–
Non-trading nature and included in:		
– Other receivables	–	3,403,917
– Other payables	142,580	441,159
(ii) Joint ventures		
Trading nature and included in:		
– Trade receivables	1,020	–
– Other receivables	1,045	–
– Trade payables	2,792	–
Non-trading nature and included in:		
– Other receivables	2,222,991	–
– Other payables	–	165,800
(iii) Associates		
Non-trading nature and included in:		
– Other receivables	–	72,732
– Other payables	92,380	76,000
(iv) Key management of a subsidiary		
Non-trading nature and included in:		
– Other receivables	2,724	2,600

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms except for an amount of RMB400,000,000 (2018: nil) due from a joint venture bearing interest at a rate of 8.5% per annum. The amount due to entities controlled by Ultimate Shareholder, amounting to RMB391,204,000 as at 31 December 2018, bore interest at rates ranged from 6.2% to 8.5% per annum with fixed repayment dates within one year. The amount due to a related party amounting to RMB67,611,000 as at 31 December 2018 bore interest at a rate of 7.2% per annum and was repayable within one year.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	4,921,852	818,931
Amounts due from subsidiaries	1,422,969	3,118,745
	6,344,821	3,937,676
Current assets		
Other receivables	1,273,573	824,435
Amounts due from subsidiaries	4,258,371	5,369,483
Financial assets at fair value through profit or loss	–	57,218
Cash and cash equivalent	10,232	439,339
	5,542,176	6,690,475
Current liabilities		
Other payables	216,835	79,055
Amounts due to subsidiaries	1,282	1,282
Bank and other borrowings	–	382,061
Senior notes	314,084	4,477,446
	532,201	4,939,844
Net current assets	5,009,975	1,750,631
Total assets less current liabilities	11,354,796	5,688,307
Equity		
Share capital	33,870	21,083
Reserves	6,121,847	2,932,161
Total equity	6,155,717	2,953,244
Non-current liabilities		
Senior notes	4,960,692	2,735,063
Derivative financial instruments	238,387	–
	11,354,796	5,688,307

The statement of financial position of the Company was approved by the Board of Directors on 9 March 2020 and was signed on its behalf.

Zhang Yi
Director

Cheuk Hiu Nam
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

Reserve movements of the Company

	Share premium RMB'000	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At 1 January 2018	3,216,102	216,369	3,432,471
Issue of shares upon scrip dividend scheme	495,310	–	495,310
Issue of shares for acquisition of entities under common control	245,760	–	245,760
Dividends	(625,286)	–	(625,286)
Loss and total comprehensive loss for the year	–	(616,094)	(616,094)
At 31 December 2018	3,331,886	(399,725)	2,932,161
At 1 January 2019	**3,331,886**	**(399,725)**	**2,932,161**
Issue of shares upon scrip dividend scheme	**15,571**	**–**	**15,571**
Issue of shares for acquisition of entities under common control	**4,090,177**	**–**	**4,090,177**
Dividends	**(248,054)**	**–**	**(248,054)**
Loss and total comprehensive loss for the year	**–**	**(668,008)**	**(668,008)**
At 31 December 2019	**7,189,580**	**(1,067,733)**	**6,121,847**

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Directly held by the Company:						
Jiayuan Investment Management Limited 佳源投資管理有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Jiayuan Commercial Properties Company Limited 佳源商業地產有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Indirectly held by the Company:						
Hong Kong Jiayuan Commercial Properties Limited 香港佳源商業地產有限公司	Hong Kong	100%	100%	HKD10,000	Hong Kong	Investment holding
Hong Kong Youyou Kids Playground Limited 香港優優兒童娛樂有限公司	Hong Kong	100%	100%	HKD10,000	Hong Kong	Investment holding
Yangzhou Baoyuan Commercial Management Co., Ltd 揚州博源商務管理有限公司	PRC	100%	100%	RMB725,500,000	PRC	Investment holding
Nanjing Jiayuan Commercial Management Co., Ltd 南京佳源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Huyuan Holding Limited 滬源控股有限公司	BVI	100%	100%	USD50,000	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Yangzhou Guoyuan Property Development Co., Ltd 揚州國源房地產開發有限公司	PRC	100%	100%	RMB100,000,000	PRC	Property development
Changzhou Chongyuan Commercial Management Co., Ltd 常州崇源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Taixing Hengyuan Commercial Management Co., Ltd 泰興市恒源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Taixing Jiayuan Commercial Management Co., Ltd 泰興市佳源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Yangzhou Jiayuan Commercial Management Co., Ltd 揚州佳源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Taizhou Mingyuan Commercial Management Co., Ltd 泰州明源商業管理有限公司	PRC	100%	100%	RMB100,000	PRC	Property development and investment
Jiayuan (Macau) Holding Limited 佳源(澳門)控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Jiayuan (Hong Kong) Holdings Limited 佳源(香港)控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Jiayuan (Cambodia) Holdings Limited 佳源(柬埔寨)控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Holdings Limited 佳源(越南)控股有限公司	BVI	100%	100%	USD1	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Chuangyuan Holdings Limited 創源控股有限公司 (i)	BVI	**100%**	–	USD1	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	**100%**	100%	HKD990,000	Hong Kong	Investment and property holding
Jiayuan Financial Holdings Limited 佳源金融控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan Property Agency Limited 佳源地產代理有限公司	BVI	**100%**	100%	HKD1	Hong Kong	Investment holding
Pinyuan Development Limited 品源發展有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Huiyuan Investment Holdings Limited 徽源投資控股有限公司 (i)	BVI	**100%**	–	USD1	Hong Kong	Investment holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	**100%**	100%	MOP25,000	Macau	Property development and investment
MJY Property Limited 澳門佳源置業有限公司	Macau	**100%**	100%	MOP25,000	Macau	Property development and investment
Jiayuan (Macau) Investment Limited 佳源(澳門)投資有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan StanGroup Development Company Limited 佳源陞域發展有限公司	BVI	**70.1%**	70.1%	USD1	Hong Kong	Investment holding
Top Galaxy Limited	BVI	**70.1%**	70.1%	HKD7.8	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Sino Harbour Holdings Limited 國海集團有限公司	Hong Kong	**70.1%**	70.1%	HKD1	Hong Kong	Investment holding
Jiayuan Investment Development Limited 佳源投資發展有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Investment Limited 佳源(越南)投資有限公司	Hong Kong	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Vietnam) Management Limited 佳源(越南)管理有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan Property Management Limited 佳源(越南)投資和發展有限公司	Hong Kong	**100%**	100%	USD1	Hong Kong	Investment holding
Chuangyuan Development Limited 創源發展有限公司 (ii)	BVI	**100%**	100%	USD1	BVI	Investment holding
Jiayuan Property Management Limited 佳源物業管理有限公司 (ii)	Hong Kong	**100%**	100%	HKD1	Hong Kong	Investment holding
Zhejiang Heyuan Property Services Co., Ltd 浙江禾源物業服務集團有限公司 (ii)	PRC	**100%**	100%	RMB300,000,000	PRC	Investment holding
Zhejiang Jiayuan Property Management Services Group Co., Ltd 浙江佳源物業服務集團有限公司 (ii)	PRC	**100%**	100%	RMB50,000,000	PRC	Property management
Ninggang Jiayuan Investment Consulting Group Co., Ltd 寧港佳源投資諮詢集團有限公司	PRC	**100%**	100%	RMB1,000,000	PRC	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Changzhou Jinyuan Property Development Co., Ltd 常州金源房地產開發有限公司	PRC	**100%**	100%	RMB70,500,000	PRC	Property development
Changzhou Dexin Jiayuan Property Co., Ltd ("Changzhou Dexin") 常州德信佳源置業有限公司	PRC	**50.50%**	50.50%	RMB220,000,000	PRC	Property development
Yangzhou Guangyuan Property Development Co., Ltd 揚州廣源房地產開發有限公司	PRC	**100%**	100%	USD22,560,000	PRC	Property development and investment
Taixing Mingyuan Property Development Co., Ltd 泰興市明源房地產開發有限公司	PRC	**100%**	100%	USD10,000,000	PRC	Property development
Guo Xiang Property Co., Ltd 國祥房地產有限公司	Hong Kong	**100%**	100%	HKD10,000	Hong Kong	Investment holding
Dinglijia Co., Ltd 鼎立佳有限公司	Hong Kong	**100%**	100%	HKD1	Hong Kong	Investment holding
Yangzhou Xiyuan Building Materials Sales Co., Ltd 揚州市西源建材銷售有限公司	PRC	**100%**	100%	USD32,000,000	PRC	Building materials sales
Shenzhen Gangyuan Investment Consulting Co.,Ltd. 深圳港源投資諮詢有限公司	PRC	**100%**	100%	RMB100,000	PRC	Investment holding
Yangzhou Mingyuan Property Development Co., Ltd 揚州明源房地產開發有限公司	PRC	**100%**	100%	RMB10,000,000	PRC	Property development and investment
Hengli Property Nantong Co., Ltd 恒力房地產南通有限公司	PRC	**100%**	100%	RMB607,750,000	PRC	Property development and investment

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Yangzhou Xiangjiang New City Centre Property Co., Ltd 揚州香江新城市中心置業有限公司	PRC	100%	100%	RMB400,000,000	PRC	Property development and investment
Yangzhou Gangyuan Property Management Co., Ltd ("Yangzhou Gang Yuan") 揚州港源置業管理有限公司	PRC	70%	70%	RMB10,000,000	PRC	Property development
Jiangsu Derun Hongxiang Property Co., Ltd 江蘇德潤鴻翔置業有限公司	PRC	100%	100%	RMB20,000,000	PRC	Property development and investment
Yangzhou Yurun Property Development Co., Ltd 揚州雨潤房地產開發有限公司	PRC	100%	100%	RMB100,000,000	PRC	Property development
Yangzhou Hengyuan Property Development Co., Ltd 揚州恒源房地產開發有限公司	PRC	100%	100%	RMB40,000,000	PRC	Property development and investment
Taizhou Jia Yuan Property Development Co., Ltd 泰州市佳源房地產開發有限公司	PRC	100%	100%	RMB140,000,000	PRC	Property development and investment
Taizhou Mingyuan Property Development Co., Ltd 泰州市明源房地產開發有限公司	PRC	100%	100%	RMB60,000,000	PRC	Property development and investment
Taixing Guangyuan Property Development Co., Ltd 泰興市廣源房地產開發有限公司	PRC	100%	100%	RMB300,000,000	PRC	Property development and investment
Taixing Hengyuan Property Development Co., Ltd 泰興市恒源房地產開發有限公司	PRC	100%	100%	RMB26,670,000	PRC	Property development and investment

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Suqian Jia Yuan Property Development Co., Ltd ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC	**90%**	90%	RMB60,000,000	PRC	Property development
Siyang Fengyuan Property Development Co., Ltd 泗陽豐源房地產開發有限公司	PRC	**100%**	100%	RMB50,000,000	PRC	Property development and investment
Haiyi International Land (Taicang) Co., Ltd 海藝國際置地(太倉)有限公司	PRC	**100%**	100%	RMB150,000,000	PRC	Property development
Jiayuan Southern (Shenzhen) Group Co., Ltd 佳源南方(深圳)集團有限公司	PRC	**70%**	100%	RMB100,000	PRC	Property development and investment
Nanjing Jiafeng Consulting Management Co., Ltd 南京嘉豐諮詢管理有限公司	PRC	**100%**	100%	RMB5,000,000	PRC	Investment holding
Yangzhou Jialian Property Development Co., Ltd 揚州嘉聯置業發展有限公司	PRC	**70%**	70%	RMB75,087,960	PRC	Property development
Zhuhai Rongyuan Real Estate Co., Ltd 珠海榮源房地產有限公司	PRC	**60%**	60%	RMB10,000,000	PRC	Property development
Enping Empire Resort and Spa Development Co., Ltd ("Enping Empire") 恩平市帝都溫泉旅遊區發展有限公司	PRC	**78.3%**	90%	RMB133,000,000	PRC	Property development
Nanjing Rongsheng Construction Consulting Co., Ltd 南京融晟建築諮詢有限公司 (i)	PRC	**100%**	–	RMB20,000,000	PRC	Construction Consulting

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Nanjing Rongjia Shanju Construction Development Co., Ltd 南京融佳善居建設發展有限公司 (i)	PRC	60%	–	RMB20,000,000	PRC	Property development
Anhui Yeyuan Real Estate Development Co., Ltd 安徽業源房地產開發有限公司 (i)	PRC	60%	–	RMB200,000,000	PRC	Property development
Hefei Shuoyuan Real Estate Development Co., Ltd 合肥市碩源房地產開發有限公司 (i)	PRC	60%	–	RMB100,000,000	PRC	Property development
Nantong Lishun Property Co., Ltd 南通力順置業有限公司	PRC	100%	100%	RMB20,000,000	PRC	Property development and investment
Xinjiang Jiayuan Building Development Co., Ltd 新疆佳源創建房地產開發有限公司	PRC	63%	90%	RMB100,000	PRC	Property development and investment
Guizhou Hengfeng Xingyuan Development Co. Ltd 貴州恒豐佳源房地產開發有限公司	PRC	42.7%	61%	RMB10,000,000	PRC	Property development and investment
Shenzhen Xiangyuan Industry Co., Ltd 深圳市翔源實業有限公司	PRC	70%	100%	RMB100,000,000	PRC	Property development
Changzhou Ruiyuan Real Estate Co., Ltd 常州睿源置業有限公司	PRC	100%	100%	RMB405,000,000	PRC	Property development
Yangzhou Haoyuan Real Estate Development Co., Ltd 揚州浩源房地產開發有限公司 (i)	PRC	100%	–	RMB20,000,000	PRC	Property development
Nanjing Xinhaoning Property Development Co., Ltd 南京新浩寧房地產開發有限公司	PRC	100%	100%	USD99,000,000	PRC	Property development

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Nanjing Guangyuan science and Technology Industrial Park Management Co., Ltd 南京廣源科技產業園管理有限公司 (i)	PRC	**100%**	–	USD300,000,000	PRC	Industrial Park Management
Shanghai Jiayuan Hucheng Real Estate Group Co., Ltd 上海佳源滬城房地產集團有限公司	PRC	**90%**	90%	RMB35,000,000	PRC	Investment holding
Shanghai Dongyuan Property Development Co. Ltd ("Shanghai Dongyuan") 上海東源房地產開發有限公司	PRC	**90%**	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Xiangyuan Property Development Co. Ltd ("Shanghai Xiangyuan") 上海祥源房地產有限公司	PRC	**90%**	90%	RMB5,000,000	PRC	Property development and investment
Shanghai Dingyuan Property Development Co. Ltd ("Shanghai Dingyuan") 上海定源房地產有限公司	PRC	**90%**	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Rongyuan Real Estate Co., Ltd 上海榮源房地產有限公司	PRC	**90%**	90%	RMB100,000,000	PRC	Property development
Jiayuan Capital Limited 佳源資本有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding
Jiayuan (Saipan) Holdings Limited 佳源(塞班)控股有限公司	BVI	**100%**	100%	USD1	Hong Kong	Investment holding

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Issued and fully paid share capital/ register capital	Place of operations	Principal activities
Huiyuan Property Development Limited 徽源房地產開發有限公司 (i)	Hong Kong	**100%**	–	HKD10	Hong Kong	Investment holding
Anhui Mingyuan Enterprise Management Consulting Co., Ltd 安徽明源企業管理諮詢有限公司 (i)	PRC	**100%**	–	RMB30,000,000	PRC	Enterprise Management Consulting
Anhui Jiayuan Real Estate Group Co., Ltd 安徽佳源房地產集團有限公司 (ii)	PRC	**100%**	100%	RMB200,000,000	PRC	Property development and investment
Zhejiang Jiayuan Anhui Real Estate Development Co., Ltd 浙江佳源安徽房地產開發有限公司 (ii)	PRC	**100%**	100%	RMB200,000,000	PRC	Property development
Lujiang Guangyuan Real Estate Development Co., Ltd 盧江縣廣源置業發展有限公司 (ii)	PRC	**99%**	99%	RMB50,000,000	PRC	Property development
Hexian Jiayuan Real Estate Development Co., Ltd 和縣佳源房地產開發有限公司 (ii)	PRC	**78.5%**	78.5%	RMB50,000,000	PRC	Property development
Lixin Mingyuan Real Estate Development Co., Ltd 利辛縣明源房地產開發有限公司 (ii)	PRC	**60%**	60%	RMB75,000,000	PRC	Property development
Guoyang Mingbang Real Estate Co., Ltd 渦陽縣名邦置業有限公司 (i)	PRC	**51%**	51%	RMB100,000,000	PRC	Property development
Fengtai Mingyuan Real Estate Development Co., Ltd 鳳台縣明源房地產開發有限公司 (ii)	PRC	**100%**	100%	RMB35,000,000	PRC	Property development

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies: (Continued)

Name of subsidiary	Place of incorporation	Equity interest attributable to the Group		Issued and fully paid share capital/ register capital	Place of operations	Principal activities
		2019	2018			
Lu'an xinhuaxin Real Estate Co., Ltd 六安新華信置業有限公司 (ii)	PRC	**70%**	70%	RMB100,000,000	PRC	Property development
Guoyang Xinggang Real Estate Co., Ltd 渦陽縣星港置業有限公司 (ii)	PRC	**91%**	91%	RMB200,000,000	PRC	Property development
Bengbu Mingyuan Real Estate Development Co., Ltd 蚌埠明源房地產開發有限公司 (ii)	PRC	**82.5%**	82.5%	RMB171,250,000	PRC	Property development
Lujiang Jiayuan Real Estate Development Co., Ltd 廬江縣佳源房地產開發有限公司 (ii)	PRC	**42%**	42%	RMB100,000,000	PRC	Property development
Shucheng Jiayuan Real Estate Development Co., Ltd 舒城佳源房地產開發有限公司 (ii)	PRC	**55%**	55%	RMB100,000,000	PRC	Property development
Anhui Shuyuan Real Estate Development Co., Ltd 安徽墅源房地產開發有限公司 (i)	PRC	**100%**	–	RMB200,000,000	PRC	Property development
Mengcheng Minhe Residential Real Estate Development Co., Ltd 蒙城民和民居房地產開發有限公司 (i)	PRC	**67%**	–	RMB30,550,000	PRC	Property development

(i) These subsidiaries were newly incorporated during the year ended 31 December 2019.

(ii) These subsidiaries were acquired by the Group under Chuangyuan Acquicition and Huiyuan Acquisition during the year ended 31 December 2019.

For those subsidiaries with equity interest of 50% or less, as the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group thus has control over these companies and these companies are accounted for as subsidiaries of the Group.

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries is not disclosed.

40 EVENTS AFTER THE REPORTING PERIOD

After the Novel Coronavirus ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been implemented across the Asia region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements was authorised for issue, the Group was not aware of any material adverse effects on its consolidated financial statements as a result of the COVID-19 outbreak.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015 RMB'000 (Note)	2016 RMB'000 (Note)	2017 RMB'000 (Note)	2018 RMB'000 (Restated)	**2019** **RMB'000**
Revenue	2,162,557	4,265,909	7,606,548	13,616,003	**16,070,171**
Profit before taxation	546,519	1,479,564	2,366,386	4,493,202	**4,789,537**
Income tax expense	(198,744)	(699,226)	(1,022,270)	(2,141,018)	**(2,329,054)**
Profit for the year	347,775	780,338	1,344,116	2,352,184	**2,460,483**
Attributable to:					
Owners of the Company	331,451	785,174	1,332,501	2,234,821	**2,050,664**
Non-controlling interests	16,324	(4,836)	11,615	117,363	**409,819**
	347,775	780,338	1,344,116	2,352,184	**2,460,483**

ASSETS AND LIABILITIES

	As at 31 December				
	2015 RMB'000 (Note)	2016 RMB'000 (Note)	2017 RMB'000 (Note)	2018 RMB'000 (Restated)	**2019** **RMB'000**
Total assets	16,286,911	20,539,464	36,420,441	60,667,668	**61,735,580**
Total liabilities	(14,712,924)	(17,085,819)	(29,427,758)	(50,130,988)	**(49,898,422)**
Net assets	1,573,987	3,453,645	6,992,683	10,536,680	**11,837,158**
Equity attributable to owners of the Company	1,534,719	3,331,864	6,948,557	9,066,515	**9,859,480**
Non-controlling interests	39,268	121,781	44,126	1,470,165	**1,977,678**
	1,573,987	3,453,645	6,992,683	10,536,680	**11,837,158**

Note: The assets and liabilities as at 31 December 2015, 2016 and 2017 and the results for each of the three years then ended have not been restated to present the effect of the acquisitions of Chuangyuan Group and Huiyuan Group.