中駿集団

CHINA SCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

ANNUAL REPORT 2019

Contents

CORPORATE PROFILE

China SCE Group Holdings Limited ("China SCE" or the "Company"), together with its subsidiaries (collectively, the"Group"), was established in 1996 and with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in February 2010 (Stock Code: 1966.HK). The Group's major businesses include property development, commercial management, property management and rental apartments business. The Company is headquartered in Shanghai for its business operations, while implementing regional focused development strategy targeting the first- and second-tier cities in the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the West Taiwan Strait Economic Zone and the Central Western Region.

The Group's property projects are distributed in 47 cities, including Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Chengdu, Suzhou, Hangzhou, Nanjing, Zhengzhou, Qingdao, Jinan, Xiamen, Nanchang and Kunming, etc. Its products cover a wide range of properties including high-rise residential buildings, low-rise residential buildings, villas, commercial buildings, offices and long-term rental apartments. The Company upholds "We Build to Inspire" (專築您的感動) as its key value proposition, "Creating Smart Living to Help Seize Happiness" (創建智慧生活，讓幸福觸手可及) as its mission. The Company was awarded the "2019 Best 40 China Real Estate Listed Companies with Strongest Comprehensive Strengths", "2019 Best 50 of China Real Estate Developers" (2019中國房地產開發企業50強) and "Fortune China 500" in 2019.

As of 31 December 2019, the Group together with its joint ventures and associates owned a land bank with an aggregate planned gross floor area ("GFA") of approximately 32.09 million square metres ("sq.m."), which is believed to suffice the development by the Group in the next three to four years. In the future, China SCE will continue to deepen the strategic plan of"One Body Two Wings" (一體兩翼) and secure the regional leading position by implementing more proactive and prudent development strategies. In addition, the Company will strive to become a more competitive property developer in the People's Republic of China ("PRC").

Shanghai • SCE Plaza

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi *(Chairman)*
Mr. Wong Chiu Yeung
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

CORPORATE GOVERNANCE COMMITTEE

Mr. Huang Youquan *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

REGISTERED OFFICE

Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Tower
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Hongqiao Business District, Shanghai
China

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2801, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
Ping An Bank Co., Ltd.
Industrial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
BOC Hong Kong (Holdings) Limited
The Bank of East Asia, Limited
CMB Wing Lung Bank Limited

INVESTOR RELATIONS

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

www.sce-re.com

SUMMARY OF STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change (%)
Revenue	**21,369,802**	17,782,886	20.2
Gross profit	**5,891,871**	6,146,596	(4.1)
Profit for the year	**4,023,466**	3,676,823	9.4
Profit attributable to owners of the parent	**3,510,045**	3,385,284	3.7
Core profit attributable to owners of the parent[1]	**2,650,332**	2,200,040	20.5
Earnings per share			
— Basic	**RMB84.9 cents**	RMB87.8 cents	(3.3)
— Diluted	**RMB83.4 cents**	RMB86.0 cents	(3.0)
Dividend per share	**HK24 cents**	HK21 cents	14.3

SUMMARY OF STATEMENT OF FINANCIAL POSITION

	31 December 2019 RMB'000	31 December 2018 RMB'000	Change (%)
Total assets	**149,382,054**	101,490,775	47.2
Cash and bank balances	**23,898,660**	19,972,815	19.7
Total debts	**(42,077,082)**	(33,337,645)	26.2
Total liabilities	**(119,095,867)**	(79,351,368)	50.1
Total equity	**30,286,187**	22,139,407	36.8

1 It represents profit attributable to owners of the parent excluding the post-tax net changes in fair value of investment properties of subsidiaries and joint ventures, premium paid on early redemption of senior notes, fair value gain and interest expenses of derivative financial instruments — transactions not qualifying as hedges, net fair value loss of financial assets at fair value through profit or loss, net gain on disposal of subsidiaries and a joint venture, equity-settled share option expenses, impairment of investment in associates and loss on forfeiture of a deposit.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the results of the Group for the year ended 31 December 2019.

Wong Chiu Yeung *Chairman*

RESULTS AND DIVIDENDS

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB21.370 billion, representing an increase of approximately 20.2% over last year. Profit attributable to owners of the parent amounted to approximately RMB3.510 billion, representing a growth of approximately 3.7% as compared with last year. Earnings per share was approximately RMB84.9 cents. In 2019, the gross profit margin of the Group was approximately 27.6%.

In appreciation of the tremendous support of our shareholders, the Board resolved to declare the payment of a final dividend of HK14 cents per ordinary share for the year ended 31 December 2019 to shareholders, totaling approximately HK$585 million, subject to the approval by shareholders of the Company in the forthcoming annual general meeting of the Company. Together with the paid interim dividend of HK10 cents per ordinary share for the year 2019, the full-year dividend payout ratio amounted to 33.4% of the core profit attributable to owners of the parent.

CONTRACTED SALES

In the context of the normalisation of real estate control policy in Mainland China, the industry's sales growth has slowed down, and the profit margins of property developers have also been affected. "No Speculation of Residential Properties, Policy by City" is still the main tone of the control policy, and the real estate market in each city continues to diverge. With the continued demand for commodity housing in the Mainland, the sales of commodity housing nationwide in 2019 continued to increase year-on-year.

In 2019, the whole Group strived to step forward and achieved fruitful results, and contracted sales amounts of the Group together with its joint ventures and associates reached another record-high. The contracted sales amount was approximately RMB80.501 billion and the contracted sales area was approximately 6.32 million sq.m. for the year, representing an increase of approximately 56.7% and 52.4% as compared with that of last year, respectively. During the year, the Group together with its joint ventures and associates had an aggregate of over 150 projects for sales in 37 cities, among which 46 projects were newly launched during the year. Our Group will take quick response to cope with the fluctuation of the real estate market by flexible sales strategy. Our first priority is promoting the sales and collection of cash and launched the new projects in different second-tier cities as well as strong third- and fourth-tier cities when opportunity arises, such as Chongqing, Tianjin, Nanjing, Xiamen, Jinan, Xuzhou, Quanzhou and Jiaxing. The contracted sales amounts of these eight cities accounted for approximately 58.3% of the contracted sales amounts of the Group together with its joint ventures and associates.

LAND BANK STRATEGY

In order to promote economic development, in the first half of 2019, local governments frequently introduced new household registration policies to attract more talents. At the same time, the market is looking forward to the relaxation of real estate control policies, which has led to a rebound in house prices and transaction volume. However, the Group adhered to the principle of prudent land expansion at reasonable costs. The Group has also reduced land purchases since the third quarter of the year, in the hope of resuming active purchases when the price reduced to normal price in the fourth quarter of the year.

In 2019, through bidding and acquisition, the Group together with its joint ventures and associates acquired 46 projects in 32 cities, including first-tier, second-tier cities as well as strong third- and fourth-tier cities, such as Beijing, Tianjin, Chongqing, Suzhou, Hangzhou, Zhengzhou, Xiamen, Nanchang, Kunming, Qingdao and Jinan, etc. The increased total above-ground GFA amounted to approximately 9.80 million sq.m., laying a solid ground for the biggest leap in 2020. In 2019, the Group strengthened the implementation of the core business development model of "One Body Two Wings". The Group had obtained 7 shopping centres and 8 long-term rental apartments projects, determining the future transformation of strategy is on the fast track. As at 31 December 2019, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 32.09 million sq.m., which was sufficient to support the Group's development in the next three to four years.

FINANCIAL STRATEGY

In 2019, the domestic financing environment is still tight. Regulatory institutions continue to strictly control the flow of illegal funds into the real estate sector, resulting in tight real estate financing and rising interest rates. However, the overseas financing environment is relatively lax. Affected by interest rate cuts in the United States, a large amount of funds have flowed into emerging markets, leading to a significant decline in coupon rate of property high yield bonds. The Group seized the best timing from January to July 2019 to conduct overseas financing in advance so as to optimise debt structure. During the period, the total amount of US$1.35 billion offshore senior notes was issued by the Group. The coupon rate ranging from 7.25% to 8.75% and the tenor is two to five years, of which US$350 million was used for early redemption of the senior notes at a coupon rate of 10% due in July 2020. Furthermore, in September 2019, the Company obtained a dual tranche term syndicated facility with principals of HK$516,000,000 and US$180,000,000. The loan period is three years and six months, and the annual interest rate is the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate plus 3.6%. The fund is for refinancing existing financial indebtedness of the Group and financing the general corporate funding requirements of the Group.

Through the aforesaid financing, the Group successfully extended the tenor and lowered the relevant coupon rate of offshore senior notes. The average pro forma coupon rate of offshore senior notes decreased from 7.52% to 7.34%. Due to the rising interest rate of onshore loans, the average financing cost of the Group increased from 6.4% in the same period last year to 6.7%.

OUTLOOK

By early 2020, the COVID-19 disease has spread all over the world, which may inflict a short-term blow to the global economy. Although the outbreak comes under control in the initial stage in China, the global economic situation remains grim against a backdrop of increasing internal and external uncertainties. The economic growth of China is expected to also slow down further. In order to stimulate economic growth, it is believed that the central government will adopt a flexible monetary policy and proactive fiscal policy.

The outbreak of disease has affected, to a certain extent, the land transactions, construction progress, sales scale, and liquidity of the real estate industry in the first quarter of 2020. In order to maintain the stable and healthy development of the real estate industry, it is expected that the local governments will introduce more encouraging or stimulating policies. In addition, there will be a continuous improvement of the overall financing environment with a further reduction in loan interest rates, from which the real estate industry is expected to benefit. The purchasing power for commodity housing is expected to, therefore, once again grow. In general, the unit price and transaction volume of commodity housing in 2020 is expected to remain stable.

Despite the fact that the Group has no projects in Hubei Province, the epidemic situation still has some implications on the Group's operations. The Group has taken decisive measures to reduce the epidemic's impact on the Group's operations and finances, such as adjusting the sales launch of properties, strengthening online marketing, accelerating the recovery of pre-sale proceeds, enhancing management of cash flow and project progress, and implementing rent reduction measures to merchants in stages to tide over the difficult period with the merchants.

At present, China SCE has formed a "One Body Two Wings" core business development model with property development as the main body and shopping mall business and long-term apartment rental business as two wings. In 2020, the Group will continue to strengthen the two major businesses in the shopping mall and long-term rental apartment, forming a synergy with the property development business, and grasp the best timing to obtain high-quality comprehensive land in the five major regions at competitive prices, laying a solid foundation for the Group's future saleable resources and profit contribution.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express our sincere appreciation to all staff of the Company, our shareholders, bondholders, clients and business partners!

Wong Chiu Yeung
Chairman

Hong Kong, China
30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the control policies of the real estate market in the PRC became more stringent as a whole. In order to prevent real estate financial risks, the central government continued upholding the general direction of "No Speculation of Residential Properties", and comprehensively monitored the capital flows in the real estate industry. At the same time, local governments appropriately adjusted their control policies according to the local real estate market changes to ensure the further implementation of the basic principle of "Policy by City", fully carry out the long-term management control mechanism of "Stabilising Land Prices, Housing Prices and Market Expectations", and facilitate the steady and healthy development of the real estate market.

Throughout 2019, the transaction volume and average selling price of commodity housing in the PRC took a moderate upward trend. According to the "National Real Estate Development and Sales in January to December 2019" (《2019年1–12月全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics of the PRC, the sales area of national commodity housing amounted to approximately 1.72 billion sq.m. in 2019, representing a decrease of 0.1% as compared with that of last year, of which the sales area of residential housing increased by 1.5% year-on-year. The sales amount of national commodity housing amounted to approximately RMB15,972.5 billion, representing a year-on-year increase of 6.5%, of which the sales amount of residential housing increased by 10.3% as compared with that of last year.

Shenzhen • Sunshine City

BUSINESS REVIEW

Contracted Sales

In 2019, the Group together with its joint ventures and associates outperformed its annual sales target of RMB70.0 billion and achieved a record-high contracted sales amount reaching approximately RMB80.501 billion (including the contracted sales amount of approximately RMB40.146 billion from the joint ventures and associates) and contracted sales area of approximately 6.32 million sq.m. (including the contracted sales area of approximately 2.71 million sq.m. from the joint ventures and associates) for the year, representing an increase of approximately 56.7% and 52.4% as compared with that of last year, respectively.

In 2019, the Group together with its joint ventures and associates had an aggregate of over 150 projects for sale in 37 cities, mainly in second-tier and strong third-tier cities. Among which 46 projects were newly launched during the year and 26 new projects were launched by the Group, details of which are listed as follows:

City	Project Name
Zhangzhou	Royal Palace
Huizhou	Sceneway Bay
Xiamen	Polaris Palace
Quanzhou	Cloudview Palace
Putian	Parkview Bay
Shangrao	Royal Palace (Dongtou)
Nanchang	Xintiandi
Linfen	SCE International Community (Phase 5)
Tianjin	Polaris Bay
Tianjin	River Coast
Shangqiu	Parkview Palace
Shangqiu	Cloudview Terrace
Jinan	Royal Palace
Xuzhou	One Park Square
Xuzhou	Parkview Bay
Xuzhou	Parkview City
Lianyungang	The Royal Bay
Chongqing	Imperial Manor
Chongqing	Utopia
Kunming	Cloud Valley
Nanjing	Cloudview Pavilion
Nanjing	Parkview Bay
Ningbo	Parkview Palace
Suzhou	Glory Sky
Nantong	The Royal Bay
Shanghai	The Paramount

The contracted sales realised by the Group together with its joint ventures and associates during the year are set out below:

By City

City	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Beijing	126,050	6,287	7.8
Shanghai	55,909	2,251	2.8
Shenzhen	63,598	2,119	2.6
Hangzhou	148,168	2,363	2.9
Chongqing	1,209,717	10,754	13.4
Suzhou	164,924	2,889	3.6
Tianjin	306,377	4,693	5.8
Nanjing	229,752	4,637	5.8
Wuxi	141,904	2,101	2.6
Xiamen	142,468	7,612	9.5
Jinan	374,430	3,624	4.5
Xuzhou	516,721	4,529	5.6
Quanzhou	735,706	6,305	7.8
Jiaxing	292,982	4,724	5.9
Others	1,815,994	15,613	19.4
Total	6,324,700	80,501	100.0

From the perspective of distribution among cities, contracted sales in Chongqing and Xiamen have been the most remarkable among the second-tier cities, amounting to approximately RMB10.754 billion and RMB7.612 billion respectively. While China SCE only entered the Chongqing market less than two years ago, it has already completed the transformation from expansion to vigorous growth to further development. For China SCE, Chongqing became the first city with contracted sales surpassing RMB10 billion. According to the "2019 Sale Rankings of Commodity Housings among Xiamen's Real Estate Enterprises" (《2019年度廈門房企商品房銷售排行榜》) released by E-House Enterprise Group CRIC, China SCE ranked second in Xiamen in terms of the contracted sales amount. In addition, contracted sales in Quanzhou have continued to be the highest among the third-tier cities, with contracted sales amounting to approximately RMB6.305 billion, accounting for approximately 7.8% of the overall contracted sales amount. The Group has maintained a leading market share in Quanzhou for a long period of time. According to the "2019 Sale Rankings of Commodity Housings among Quanzhou's Real Estate Enterprises" (《2019年度大泉州房企商品房銷售排行榜》) released by E-House Enterprise Group CRIC, China SCE ranked second in Quanzhou in terms of the contracted sales amount and area.


Jinan • Parkview Bay

By Region

Region	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
Yangtze River Delta Economic Zone	1,886,225	27,093	33.7
West Taiwan Strait Economic Zone	1,341,417	17,593	21.9
Bohai Rim Economic Zone	1,043,854	16,265	20.2
Central Western Region	1,783,007	14,525	18.0
Guangdong — Hong Kong — Macao Greater Bay Area	270,197	5,025	6.2
Total	6,324,700	80,501	100.0

Due to the launch of several new projects in the Yangtze River Delta Economic Zone and the positive results of further development in this area, the proportion of contracted sales amount of the Group together with its joint ventures and associates in this region accounted for the largest, amounting to approximately 33.7%. Among which, Nanjing, Xuzhou, Suzhou, Hangzhou, Shanghai, and Wuxi contributed the most to the contracted sales. Immediately after that zone was the contracted sales in the West Taiwan Strait Economic Zone, Bohai Rim Economic Zone and Central Western Region, amounting to approximately 21.9%, 20.2% and 18.0% respectively.

By City Tier

City Tier	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB Million)	Percentage of Contracted Sales Amount (%)
First-tier cities	245,557	10,657	13.2
Second-tier cities	3,035,335	42,904	53.3
Third- and fourth-tier cities	3,043,808	26,940	33.5
Total	6,324,700	80,501	100.0

From the perspective of city tier, the contracted sales amounts of the Group together with its joint ventures and associates in the first- and second-tier cities were RMB10.657 billion and RMB42.904 billion respectively, contributing approximately 13.2% and 53.3% respectively, by which, significant achievement has been made due to the demonstration of the Group's strategy of "focusing on first-tier cities and quality second-tier cities". At the same time, the Group timely launched properties in strong third- and fourth-tier cities to cope with a changing market, the contracted sales amounts of the third- and fourth-tier cities decreased to 33.5%, amounting to RMB26.940 billion.

Chongqing • Imperial Manor

Recognised Property Sales Income

In 2019, the Group achieved recognised property sales income of approximately RMB20.453 billion and area of properties delivered of approximately 1.84 million sq.m., representing a year-on-year increase of approximately 18.7% and approximately 72.0% respectively. The average selling price of properties was approximately RMB11,143 per sq.m., representing a year-on-year decrease of approximately 31.0%. Details of the Group's recognised property sales income are as follows:

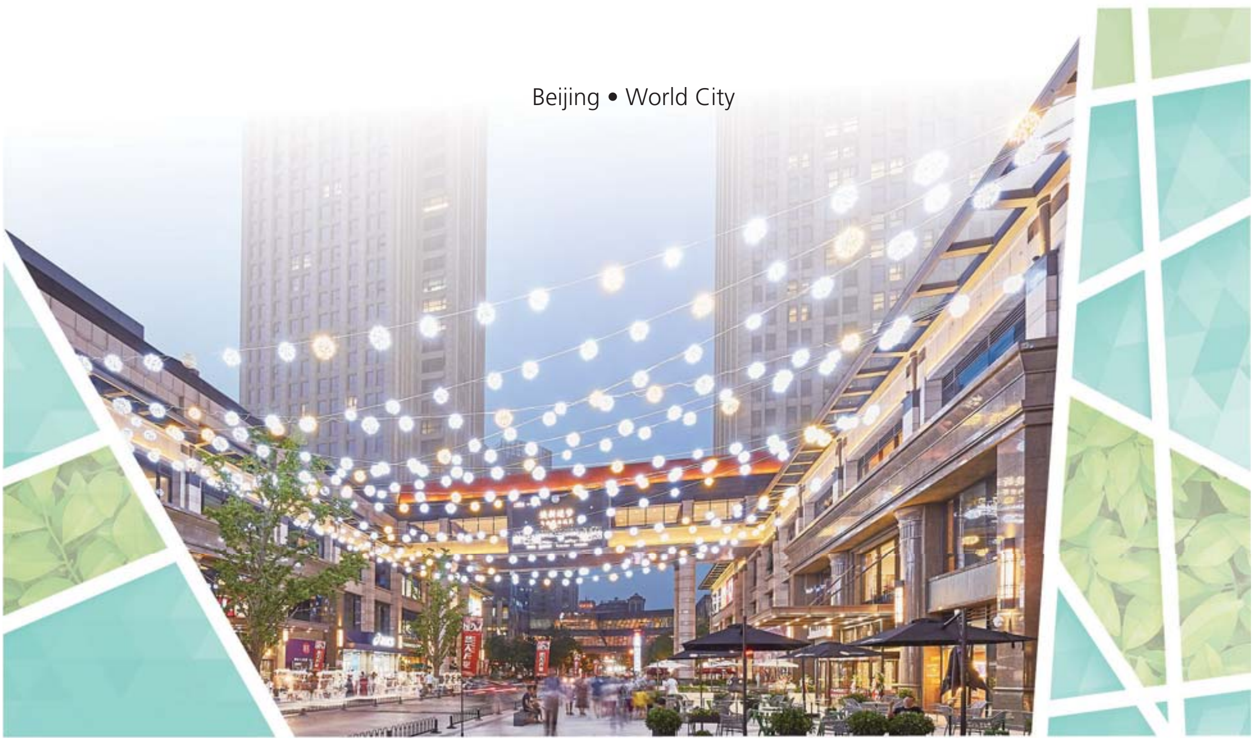
By City

City	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Beijing	49,700	2,803	13.7
Quanzhou	708,739	6,955	34.0
Zhangzhou	250,486	1,920	9.4
Shenzhen	39,521	1,169	5.7
Shanghai	25,496	1,227	6.0
Tianjin	146,408	1,473	7.2
Chongqing	155,302	958	4.7
Others	459,806	3,948	19.3
Total	1,835,458	20,453	100.0

By Region

Region	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
Bohai Rim Economic Zone	375,472	5,781	28.3
West Taiwan Strait Economic Zone	1,000,893	9,120	44.6
Guangdong – Hong Kong – Macao Greater Bay Area	87,884	1,635	8.0
Yangtze River Delta Economic Zone	102,821	2,370	11.6
Central Western Region	268,388	1,547	7.5
Total	1,835,458	20,453	100.0

Beijing • World City



By City Tier

City Tier	Recognised Property Sales Area (sq.m.)	Recognised Property Sales Income (RMB Million)	Percentage of Recognised Property Sales Income (%)
First-tier cities	114,717	5,199	25.4
Second-tier cities	437,331	4,357	21.3
Third- and fourth-tier cities	1,283,410	10,897	53.3
Total	1,835,458	20,453	100.0

Land Bank

As at 31 December 2019, the Group together with its joint ventures and associates had a land bank with an aggregate planned GFA of approximately 32.09 million sq.m., of which the aggregate planned GFA attributable to the Group was approximately 18.52 million sq.m. and distributed in 47 cities. In 2019, the Group together with its joint ventures and associates acquired 46 projects in total, distributed in 32 cities, including Xiamen, Beijing, Jinan, Nanchang, Tianjin, Hangzhou, Suzhou and Chongqing, among which 12 cities were new, with an aggregate above-ground GFA of approximately 9.80 million sq.m., at an aggregate land costs of approximately RMB47.725 billion, the attributable land cost was approximately RMB30.155 billion. The average land cost was approximately RMB4,872 per sq.m. The new land acquisitions in 2019 were as follows:

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone						
Beijing	The Regent	Residential and commercial	133,434	1,600	11,991	50
Beijing	Cloudview Terrace/ Imperial Terrace	Residential and commercial	381,104	4,200	11,021	100
Tianjin	Polaris Bay	Residential	70,712	732	10,352	95
Tianjin	Gratifying Bay	Residential	58,006	577	9,947	66
Tianjin	River Coast	Residential	51,784	262	5,067	42
Tianjin	Galaxy	Residential	73,822	770	10,430	48
Qingdao	Parkview Palace	Residential	68,410	194	2,837	97
Jinan	Royal Palace	Residential	132,915	474	3,566	95
Jinan	The Prestige	Residential and commercial	422,671	3,248	7,684	50
Yangtze River Delta Economic Zone						
Hangzhou	China Chic	Residential and commercial	93,121	1,595	17,128	29
Hangzhou	Cloudview Palace	Residential	53,249	465	8,732	20
Suzhou	Glory Sky	Residential and commercial	170,351	2,061	12,098	91
Nantong	The Royal Bay	Residential	162,307	47	288	55
Xuzhou	Parkview City Phase 1	Residential	326,270	783	2,400	46
Xuzhou	Parkview City Phase 2	Residential	198,165	476	2,400	46
Jiaxing	Parkview Bay	Residential, office and commercial	121,563	359	2,957	93
Taizhou (台州)	Powerlong Plaza	Residential and commercial	272,476	1,790	6,569	34
Taizhou (泰州)	Parkview Mount	Residential and commercial	193,405	889	4,597	100
Taizhou (泰州)	Funworld	Commercial	149,144	481	3,225	100
Yiwu	Garden Mansion	Residential and commercial	198,736	1,610	8,101	32
Lishui	Mansion Park	Residential	216,165	1,872	8,660	51
Suqian	Sky Mansion	Residential and commercial	378,840	1,046	2,762	30

City	Project	Type of Property	Above-ground GFA (sq.m.)	Land Cost (RMB Million)	Average Land Cost (RMB per sq.m.)	Percentage of Interest Attributable to the Group (%)
West Taiwan Strait Economic Zone						
Xiamen	The Regent	Residential and commercial	130,200	5,940	45,622	42
Nanchang	Xintiandi	Residential and commercial	559,224	1,807	3,231	99
Nanchang	Funworld	Residential and commercial	216,195	1,244	5,753	100
Quanzhou	Cloudview Palace	Residential and commercial	145,863	420	2,879	90
Quanzhou	Parkview Mount	Residential and commercial	376,376	645	1,714	50
Zhangzhou	Royal Palace	Residential and commercial	70,260	354	5,038	80
Zhangzhou	Cloudview Palace	Residential and commercial	155,795	500	3,209	52
Zhangzhou	Parkview Palace	Residential and commercial	60,676	220	3,626	100
Shangrao	Cloudview Terrace	Residential and commercial	484,060	610	1,260	96
Putian	Parkview Bay	Residential and commercial	224,000	506	2,259	90
Guangdong — Hong Kong — Macao Greater Bay Area						
Foshan	Town of Golden River	Residential and commercial	187,591	617	3,290	48
Foshan	Royal Terrace	Residential and commercial	110,953	780	7,029	100
Huizhou	Sceneway Bay	Residential and commercial	137,029	380	2,773	48
Jiangmen	Unique Mansion	Residential and commercial	138,510	665	4,800	49
Heyuan	Funworld	Residential and commercial	492,135	1,010	2,052	100
Shanwei	Century Palace	Residential and commercial	348,287	607	1,743	92
Central Western Region						
Chongqing	Imperial Manor	Residential	249,111	1,045	4,196	50
Chongqing	Utopia	Residential	164,310	905	5,508	50
Zhengzhou	Cloudview Pavilion	Residential	91,350	182	1,997	100
Kunming	The Prestige	Residential and commercial	440,780	1,889	4,285	50
Luoyang	Mansion Park	Residential	104,192	94	900	70
Shangqiu	Imperial Manor	Residential	248,912	484	1,944	21
Pingdingshan	Funworld	Residential and commercial	390,761	455	1,164	100
Meishan	River State	Residential and commercial	342,121	835	2,441	32
			9,795,341	47,725	4,872	

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives from sales of properties, rental income, property management fees and project management income.

The annual revenue increased by approximately 20.2% from approximately RMB17,782,886,000 in 2018 to approximately RMB21,369,802,000 in 2019, which was attributable to the increase in property sales income.

- **Sales of properties**

  Income from property sales increased by approximately 18.7% from approximately RMB17,224,700,000 in 2018 to approximately RMB20,452,820,000 in 2019. Delivered area increased significantly by approximately 72.0% from 1,067,013 sq.m. in 2018 to 1,835,458 sq.m. in 2019. The average unit selling price decreased from approximately RMB16,143 per sq.m. in 2018 to approximately RMB11,143 per sq.m. in 2019.

- **Rental income**

  Rental income increased significantly by approximately 117.3% from approximately RMB130,962,000 in 2018 to approximately RMB284,603,000 in 2019, which was mainly attributable to the increase in rental income of the office buildings of SCE Plaza in Shanghai and the shopping mall of World City in Nan'an.

- **Property management fees**

  Property management fees increased significantly by approximately 36.1% from approximately RMB336,678,000 in 2018 to approximately RMB458,066,000 in 2019, which was mainly attributable to the increase in number and floor area of properties under management.

- **Project management income**

  The project management income increased significantly by approximately 92.5% from approximately RMB90,546,000 in 2018 to approximately RMB174,313,000 in 2019, which was attributable to the project management service and other property related service income provided to joint ventures.

Gross Profit

Gross profit decreased by approximately 4.1% from approximately RMB6,146,596,000 in 2018 to approximately RMB5,891,871,000 in 2019. Gross profit margin decreased from approximately 34.6% in 2018 to approximately 27.6% in 2019. The decrease in gross profit margin was attributable to the impact on average unit selling price of projects as result of price restriction policy.

Other Income and Gains

Other income and gains increased significantly by approximately 199.0% from approximately RMB386,637,000 in 2018 to approximately RMB1,155,838,000 in 2019. The significant increase in other income and gains was mainly attributable to a gain on bargain purchase of approximately RMB564,349,000, while there was no such income in 2018.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 29.8% from approximately RMB1,082,540,000 in 2018 to approximately RMB1,404,861,000 in 2019. The fair value gains of investment properties during the year were mainly attributable to the value appreciations of the office buildings of SCE Plaza in Shanghai and certain long-term rental apartments.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately 29.5% from approximately RMB398,421,000 in 2018 to approximately RMB516,031,000 in 2019. The increase in selling and marketing expenses was mainly attributable to the significant increase in the number of projects for sale during the year.

Administrative Expenses

Administrative expenses increased by approximately 24.5% from approximately RMB1,298,702,000 in 2018 to approximately RMB1,616,310,000 in 2019. The increase in administrative expenses was mainly attributable to inclusion of the equity-settled share option expenses of approximately RMB93,776,000 in 2019 and the increase in administrative staff costs to cope with the needs for business expansion.

Finance Costs

Finance costs increased significantly by approximately 31.5% from approximately RMB401,686,000 in 2018 to approximately RMB528,142,000 in 2019. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased significantly by approximately 37.8% from approximately RMB2,135,634,000 in 2018 to approximately RMB2,942,366,000 in 2019.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits of joint ventures and associates decreased significantly by approximately 71.2% from approximately RMB535,492,000 in 2018 to approximately RMB154,431,000 in 2019. The decrease in the amount was mainly attributable to the increase of operating expenses of projects under development of joint ventures and associates and the decrease in the fair value gains of investment properties of joint ventures.

Income Tax Expense

Income tax expense decreased by approximately 22.9% from approximately RMB2,375,633,000 in 2018 to approximately RMB1,830,809,000 in 2019. The decrease in income tax expense was mainly due to less provision for land appreciation tax made as a result of relatively lower appreciation rate of certain projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by approximately 3.7% from approximately RMB3,385,284,000 in 2018 to approximately RMB3,510,045,000 in 2019. Basic earnings per share amounted to approximately RMB84.9 cents in 2019. Core profit attributable to owners of the parent increased by approximately 20.5% from approximately RMB2,200,040,000 in 2018 to approximately RMB2,650,332,000 in 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2019, the Group's cash and bank balances were denominated in different currencies as set out below:

	2019 RMB'000	2018 RMB'000
Renminbi	**20,974,502**	16,880,927
Hong Kong dollars	**1,837,305**	1,902,693
US dollars	**1,086,853**	1,189,195
Total cash and bank balances	**23,898,660**	19,972,815

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 31 December 2019, the amounts of restricted cash and pledged deposits were approximately RMB4,297,558,000 (31 December 2018: approximately RMB4,409,592,000) and approximately RMB450,253,000 (31 December 2018: approximately RMB47,909,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 31 December 2019 is as follows:

	2019 RMB'000	2018 RMB'000
Bank and other borrowings:		
Within one year or on demand	**8,858,490**	10,537,381
In the second year	**6,529,786**	2,977,463
In the third to fifth years, inclusive	**4,761,871**	6,358,405
Beyond fifth year	**1,110,109**	258,752
	21,260,256	20,132,001
Senior notes and domestic bonds:		
Within one year or on demand	**3,436,692**	–
In the second year	**7,574,832**	5,791,736
In the third to fifth years, inclusive	**9,805,302**	7,413,908
	20,816,826	13,205,644
Total borrowings	**42,077,082**	33,337,645

The borrowings were denominated in different currencies as set out below:

	2019 RMB'000	2018 RMB'000
Bank and other borrowings:		
Renminbi	**17,846,768**	15,060,183
Hong Kong dollars	**3,351,778**	2,737,042
US dollars	**61,710**	2,334,776
	21,260,256	20,132,001
Senior notes and domestic bonds:		
Renminbi	**3,976,692**	3,428,726
US dollars	**16,840,134**	9,776,918
	20,816,826	13,205,644
Total borrowings	**42,077,082**	33,337,645

As at 31 December 2019, approximately RMB18,043,449,000 (31 December 2018: approximately RMB15,060,183,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of approximately RMB44,342,558,000 (31 December 2018: approximately RMB36,950,279,000), and capital stocks of certain subsidiaries. The senior notes of US$500 million at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "2017 Senior Notes"), the senior notes of US$600 million at a coupon rate of 7.45% due 2021 issued in April 2018 (the "2018 Senior Notes"), the senior notes of US$500 million at a coupon rate of 8.75% due 2021 issued in January 2019 (the "2019 January Senior Notes"), the senior notes of US$350 million at a coupon rate of 7.375% due 2024 issued in April 2019 (the "2019 April Senior Notes"), the senior notes of US$500 million at a coupon rate of 7.25% due 2023 issued in July 2019 (the "2019 July Senior Notes") and approximately RMB2,868,147,000 (31 December 2018: approximately RMB4,833,471,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 31 December 2019, except for certain bank and other borrowings of approximately RMB5,961,790,000 (31 December 2018: approximately RMB5,915,320,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes, the 2019 July Senior Notes, the domestic corporate bonds of RMB1,974,058,000 at an adjusted coupon rate of 7.6% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1,470,200,000 at an adjusted coupon rate of 7.6% due 2020 issued in December 2015 and the domestic corporate bonds of RMB540 million at a coupon rate of 6.95% due 2023 issued in August 2019 bear interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2019, the net gearing ratio was approximately 60.0% (31 December 2018: 60.4%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and substantially all of the Group's revenue and operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2019, except for certain bank deposits, financial assets at fair value through profit or loss, bank and other borrowings, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the 2019 July Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

No foreign currency hedging arrangement was made as at 31 December 2019. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

FINANCIAL GUARANTEES

As at 31 December 2019, the Group provided financial guarantees to the banks in respect of the following items:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	20,307,223	15,912,024

In addition, the Group's share of the joint ventures and associates' own financial guarantees, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures and associates' properties	2,652,313	1,097,021

As at 31 December 2019, the Group provided guarantees to banks in connection with loan amount of RMB7,935,790,000 (31 December 2018: RMB2,414,790,000), granted to joint ventures and associates.

COMMITMENTS

As at 31 December 2019, the capital commitments of the Group are as follows:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	18,951,500	15,245,582

In addition, the Group's share of the joint ventures and associates' own capital commitments, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures and associates' properties under development and construction of investment properties in Mainland China	3,737,499	2,803,668

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 7,592 employees (31 December 2018: 6,470 employees). During the year, the total cost of employees was approximately RMB1,379,796,000 (2018: approximately RMB1,057,833,000). The Group provides employees with competitive remuneration and benefits and has adopted share option schemes to provide incentives and rewards to, among others, the employees (please refer to the section headed "Report of the Directors — Share Option Scheme" of this annual report for further details of the share option schemes). The Group reviews the employee remuneration plan at least annually to ensure that it maintains market competitiveness and allows the employees to receive fair and equal rewards. The promotion decision is also based on considering the employees' assessment results, experience, skills and personal characteristics. In addition, the Group has established China SCE College to provide employees with three types of training programs, namely business courses, quality skills and cultural identity. The Group has launched its management trainee programme since 2011 for positions in selected functional areas in order to build pipeline for succession.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of persons for the year ended 31 December 2019 are set out below:

Remuneration Bands	Number of Persons
HK$2,500,001 to HK$3,000,000	1
HK$4,000,001 to HK$4,500,000	1
HK$7,500,001 to HK$8,000,000	1
HK$10,000,001 to HK$10,500,000	1
HK$10,500,001 to HK$11,000,000	3

Further details of Directors' remuneration and the five highest paid employees are set out in notes 9 and 10 to the financial statements, respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

China SCE actively fulfils its social responsibilities of protecting the environment and plays an exemplary role by undertaking the mission of promoting social environmental protection activities. China SCE gives due consideration to environmental philosophy in various aspects of its business, including construction works, fitting-out works, landscaping and property management, and incorporates environmentally friendly practices into its daily course of business to save energy and reduce emissions, performing its commitments and obligations of protecting the environment in all aspects and contributing to creating a green and harmonious society. Such environmental initiatives include but are not limited to dust control, noise control, water and energy conservation and handling construction waste properly as well as using environmental materials.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries incorporated or established in the British Virgin Islands, Hong Kong and the PRC and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of the Hong Kong Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, British Virgin Islands, the PRC and Hong Kong. The Group will seek professional legal opinions from its Legal Department and legal advisors when necessary to ensure that the Group's transactions and business are in conformity with all applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

China SCE always adheres to the principle that "People Are The Most Important Resources" and the policy of "Human-Based Management". China SCE recognises value of its employees, and pays much attention to their development, bringing their potentials into play and encouraging them to learn and grow, with a view to stimulating employees' personal growth through corporate development and promoting corporate progress through employee development, thus achieving win-win situation for the Group and its employees.

The Group maintains a solid relationship with its existing and prospective customers, which plays a vital role in the development and success of the Group. The Group's "SCE Club" ("中駿會") is established for such purpose. By persisting on the idea and objective of "Leading a Life Full of Love and Thoughtful Services (愛心生活，用心服務)", as well as serving the customers, SCE Club is committed to reinforcing communications and contacts between China SCE and its customers. As the Group instantly and attentively heeds its customers' advice and recommendations for China SCE, it has a solid foundation for introducing more premium properties that satisfy the community demand. In addition, China SCE builds customer trust and realises its branding strategy by providing excellent aftersales services, as well as committing to customised aftersales services of high standards.

The Group also establishes long-term collaboration with international prominent designers in architecture and landscape and famous construction contractors, while maximising its efforts to ensure its adherence to the objective of providing customers with premium properties. The Group selects qualified construction contractors through tender process in accordance with applicable laws and regulations, and conducts thorough due diligence review over such contractors. Successful tenderers are selected based on a variety of factors, including costs, construction completion schedule, quality performance of construction projects, construction planning, manpower distribution, safety measures and standards, equipment and facilities and the industrial experience of project managers.

Hangzhou • Parkview Bay

MAJOR PROPERTIES PROFILE

Bohai Rim Economic Zone

Jinan:
Uptown
Parkview Bay
Royal Palace
Royal Palace (Licheng District)
The Prestige

Anshan:
Royal Spring City

Dezhou:
The Royal Bay

Qingdao:
Qingdao Project
Parkview Palace

Linfen:
SCE International Community Phase 5

Tangshan:
Sunshine City

Beijing:
World City
Royal Terrace
Sunshine Mansion
The Paramount
Cloudview Terrace/Imperial Terrace
Jade Square
Royal River Villa
The Regent

Tianjin:
Garden Terrace
Marina Bay
Polaris Bay
River Coast
Galaxy
Gratifying Bay
Royal Palace
Parkview Manor
Jasper Sky
Peaceful Residence
Wonderland Mile

Yanjiao:
Yanjiao Funlive

Yangtze River Delta Economic Zone

Hangzhou:
Future Sci-Tech City Funlive
Parkview Bay
Majestic Mansion
Cloudview Palace
China Chic

Wuxi:
The Royal Bay
Luxury House

Zhenjiang:
Sunshine City

Xuzhou:
Parkview Bay
Golden Riviera
Garden Terrace
Parkview City Phase 1
Parkview City Phase 2
Cloudview Pavilion
Parkview Palace

Suqian:
Sky Mansion

Nantong:
The Royal Bay
Metropolis

Ningbo:
Parkview Palace

Lianyungang:
The Royal Bay

Taizhou (泰州):
Parkview Mount
Funworld

Yangzhou:
Light of the Future

Taizhou (台州):
Powerlong Plaza

Yiwu:
Garden Mansion

Lishui:
Mansion Park

Nanjing:
6 Park Square
Parkview Bay
Cloudview Pavilion
Royal Terrace
Back Bay
Times Mansion
Metro Hub

Suzhou:
Suzhou Project
Seal of Highness
Orient Moon Bay
Cloudview Terrace
Glory Sky
Coastal Mansion
Cullinan Mansion

Shanghai:
SCE Plaza Phase 2
Skyline Tower
The Paramount
The Glamour
The Royal Bay
Pujiang Funlive
Huacao Funlive
Times square

Jiaxing:
Parkview Bay
Dream City
Star City (Tingqiao Village)
Metropolis
Star City (Jingyi Road West)

West Taiwan Strait Economic Zone

Xiamen:
SCE Building Phase 1
SCE Building Phase 2
Polaris Palace
The Regent
Central Park

Zhangzhou:
Sunshine City
Cloudview Terrace
Royal Palace
Cloudview Palace
Parkview Palace
Chiulung Mansion

Shangrao:
Royal Palace (Dongtou)
Royal Palace
Cloudview Terrace

Jiujiang:
The Royal Bay

Nanchang:
The Royal Bay
Uptown
Xintiandi
Funworld
Imperial Manor

Quanzhou:
Sapphire Peninsula
World City (Nan'an)
Marina Bay
Sunshine Park
Cloudview Palace
Imperial Manor
Enjoy City
The Paramount
Fortune Plaza • World City
Fortune Plaza • Imperial Terrace
Parkview Palace
SCE Mall
Gold Coast
SCE Mall (Shishi)
Parkview Palace (Shishi)
SCE Plaza
Cloudview Palace (Nan'an)
Parkview Mount
Century Mansion
Country Garden
Parkview Mount
Champagne Cloudcity

Putian:
Parkview Bay

Guangdong — Hong Kong — Macao Greater Bay Area

Shenzhen:
Cloudview Palace

Jiangmen:
Unique Mansion

Heyuan:
Funworld

Foshan:
Royal Terrace
The Riviera
Town of Golden River

Shanwei:
Century Palace

Huizhou:
Uptown
The Royal Bay
Royal Terrace
Sceneway Bay

Central Western Region

Chengdu:
Parkview Mount

Shangqiu:
Royal Terrace
Parkview Palace
Cloudview Terrace
Imperial Manor

Pingdingshan:
Funworld

Kunming:
Cloud Valley
The Prestige

Luoyang:
The Royal Bay
Mansion Park

Zhengzhou:
Cloudview Pavilion

Meishan:
River State

Chongqing:
Cloudview Terrace
The Royal Bay
Imperial Terrace
Liberty Mountain
Utopia
Imperial Manor
Langyuejiangshan
Meridian Avenue
Nebula Mansion
Campus Park
Cloud View
Mountain Mansions

Project	City	Type of Property	Investment Properties (sq.m.)	Completed Projects Held for Sale (sq.m.)	Project under Development (sq.m.)	Projects Held for Future Development (sq.m.)	Total Planned GFA (sq.m.)	Percentage of Interest Attributable to the Group (%)
Bohai Rim Economic Zone								
World City	Beijing	Commercial	30,899	–	–	–	30,899	100
Royal Terrace	Beijing	Commercial	22,640	–	–	–	22,640	100
Sunshine Mansion	Beijing	Residential	–	–	6,525	–	6,525	100
The Paramount	Beijing	Residential and commercial	–	9,619	138,881	–	148,500	100
Cloudview Terrace/Imperial Terrace	Beijing	Residential and commercial	–	–	–	381,104	381,104	100
Garden Terrace	Tianjin	Residential	–	26,449	80,061	–	106,510	100
Marina Bay	Tianjin	Residential	–	18,949	–	–	18,949	100
Polaris Bay	Tianjin	Residential	–	–	79,031	–	79,031	95
River Coast	Tianjin	Residential	–	–	72,966	–	72,966	42
Galaxy	Tianjin	Residential	–	–	95,360	–	95,360	48
Gratifying Bay	Tianjin	Residential	–	–	–	58,006	58,006	66
Qingdao Project	Qingdao	Residential and commercial	–	–	–	396,800	396,800	96
Parkview Palace	Qingdao	Residential	–	–	93,196	–	93,196	97
Uptown	Jinan	Commercial	–	–	67,697	–	67,697	100
Parkview Bay	Jinan	Residential and commercial	–	19,076	339,315	–	358,391	45
Royal Palace	Jinan	Residential	–	–	166,193	–	166,193	95
Sunshine City	Tangshan	Residential and commercial	–	–	184,367	–	184,367	90
The Royal Bay	Dezhou	Residential	–	–	363,676	–	363,676	40
Royal Spring City	Anshan	Residential, commercial and hotel	–	21,195	–	1,455,141	1,476,336	70
SCE International Community Phase 5	Linfen	Residential and commercial	–	–	36,679	8,666	45,345	100
Yanjiao Funlive	Yanjiao	Residential	26,043	–	–	26,419	52,462	55
Yangtze River Delta Economic Zone								
SCE Plaza Phase 2	Shanghai	Commercial	155,606	–	–	–	155,606	61
Skyline Tower	Shanghai	Commercial	66,576	–	–	–	66,576	100
The Paramount	Shanghai	Residential, office and commercial	24,627	10,466	–	–	35,093	100
The Glamour	Shanghai	Residential	2,498	12,276	–	–	14,774	100
The Royal Bay	Shanghai	Residential and commercial	–	24,248	–	–	24,248	100
Future Sci-Tech City Funlive	Hangzhou	Commercial	28,598	–	–	–	28,598	100
Parkview Bay	Hangzhou	Residential and commercial	46,380	12,886	–	–	59,266	96
Suzhou Project	Suzhou	Residential and commercial	–	81,761	–	518,118	599,879	80
Seal of Highness	Suzhou	Residential and commercial	–	–	–	206,131	206,131	47
Orient Moon Bay	Suzhou	Residential	–	60,688	–	–	60,688	50
Cloudview Terrace	Suzhou	Residential	–	–	115,786	–	115,786	95
Glory Sky	Suzhou	Residential and commercial	50,785	–	136,988	–	187,773	91
6 Park Square	Nanjing	Commercial	–	43,055	110,654	–	153,709	64
Parkview Bay	Nanjing	Residential and commercial	–	–	59,225	–	59,225	44
Cloudview Pavilion	Nanjing	Residential and commercial	–	–	226,341	–	226,341	50
Parkview Palace	Ningbo	Residential	–	–	115,204	–	115,204	50
The Royal Bay	Nantong	Residential	–	–	175,779	–	175,779	55
Parkview Bay	Xuzhou	Residential and commercial	–	–	295,933	–	295,933	70
Golden Riviera	Xuzhou	Residential and commercial	–	–	250,072	–	250,072	40
Garden Terrace	Xuzhou	Residential and commercial	–	–	185,854	–	185,854	96

Project	City	Type of Property	Investment Properties (sq.m.)	Completed Projects Held for Sale (sq.m.)	Project under Development (sq.m.)	Projects Held for Future Development (sq.m.)	Total Planned GFA (sq.m.)	Percentage of Interest Attributable to the Group (%)
Parkview City Phase 1	Xuzhou	Residential	–	–	340,955	112,002	452,957	46
Parkview City Phase 2	Xuzhou	Residential	–	–	–	269,540	269,540	46
Parkview Bay	Jiaxing	Residential, office and commercial	–	–	121,765	–	121,765	93
Parkview Mount	Taizhou (泰州)	Residential and commercial	–	–	–	193,405	193,405	100
Funworld	Taizhou (泰州)	Commercial	–	–	–	149,144	149,144	100
The Royal Bay	Lianyungang	Residential and commercial	–	–	68,724	–	68,724	60
Sunshine City	Zhenjiang	Residential and commercial	–	78,747	95,648	–	174,395	96
Mansion Park	Lishui	Residential	–	–	106,381	109,784	216,165	51
West Taiwan Strait Economic Zone								
The Royal Bay	Nanchang	Residential and commercial	–	–	165,849	–	165,849	90
Uptown	Nanchang	Residential and commercial	–	18,734	–	–	18,734	100
Xintiandi	Nanchang	Residential and commercial	–	–	180,161	379,063	559,224	99
Funworld	Nanchang	Residential and commercial	–	–	–	216,195	216,195	100
SCE Building Phase 1	Xiamen	Office and commercial	10,098	–	–	–	10,098	100
SCE Building Phase 2	Xiamen	Office and commercial	36,597	–	–	–	36,597	100
Polaris Palace	Xiamen	Residential and commercial	–	–	111,167	–	111,167	46
The Regent	Xiamen	Residential and commercial	–	–	–	130,200	130,200	42
Sapphire Peninsula	Quanzhou	Commercial	7,441	–	–	–	7,441	100
World City (Nan'an)	Quanzhou	Commercial	44,777	–	–	–	44,777	100
Marina Bay	Quanzhou	Residential and commercial	–	–	136,423	–	136,423	100
Sunshine Park	Quanzhou	Residential and commercial	–	–	11,736	–	11,736	50
Cloudview Palace	Quanzhou	Residential and commercial	–	–	83,068	–	83,068	41
Imperial Manor	Quanzhou	Residential and commercial	–	–	198,366	–	198,366	40
Enjoy City	Quanzhou	Residential and commercial	–	11,803	113,987	–	125,790	40
The Paramount	Quanzhou	Residential, office and commercial	42,723	–	–	–	42,723	100
Fortune Plaza • World City	Quanzhou	Residential and commercial	206,283	–	–	–	206,283	58
Fortune Plaza • Imperial Terrace	Quanzhou	Residential, office and commercial	–	–	90,201	–	90,201	100
Parkview Palace	Quanzhou	Residential and commercial	–	–	236,122	–	236,122	70
SCE Mall	Quanzhou	Residential, office and commercial	23,848	–	–	–	23,848	100
Gold Coast	Quanzhou	Residential and commercial	17,590	70,428	76,611	465,306	629,935	45
SCE Mall (Shishi)	Quanzhou	Residential, office and commercial	30,214	–	–	–	30,214	60
Parkview Palace (Shishi)	Quanzhou	Residential and commercial	–	–	126,903	–	126,903	60
SCE Plaza	Quanzhou	Office and commercial	36,992	–	–	–	36,992	100
Cloudview Palace (Nan'an)	Quanzhou	Residential and commercial	–	–	190,963	–	190,963	90
Sunshine City	Zhangzhou	Residential and commercial	–	36,736	31,206	–	67,942	90
Cloudview Terrace	Zhangzhou	Residential	–	–	14,341	–	14,341	75
Royal Palace	Zhangzhou	Residential and commercial	–	–	88,990	–	88,990	80
Cloudview Palace	Zhangzhou	Residential and commercial	–	–	–	155,795	155,795	52
Parkview Palace	Zhangzhou	Residential and commercial	–	–	–	60,676	60,676	100
Royal Palace (Dongtou)	Shangrao	Residential and commercial	–	–	218,777	–	218,777	27
Royal Palace	Shangrao	Residential and commercial	–	–	126,088	–	126,088	90
Cloudview Terrace	Shangrao	Residential and commercial	–	–	–	484,060	484,060	96
Parkview Bay	Putian	Residential and commercial	82,855	–	194,460	–	277,315	90
The Royal Bay	Jiujiang	Residential and commercial	–	–	114,277	–	114,277	90

MAJOR PROPERTIES PROFILE

Project	City	Type of Property	Investment Properties (sq.m.)	Completed Projects Held for Sale (sq.m.)	Project under Development (sq.m.)	Projects Held for Future Development (sq.m.)	Total Planned GFA (sq.m.)	Percentage of Interest Attributable to the Group (%)
Guangdong — Hong Kong — Macao Greater Bay Area								
Cloudview Palace	Shenzhen	Residential and commercial	–	–	73,014	–	73,014	95
Royal Terrace	Foshan	Residential and commercial	–	–	–	110,953	110,953	100
Uptown	Huizhou	Residential and commercial	–	–	–	183,009	183,009	96
The Royal Bay	Huizhou	Residential and commercial	–	–	204,073	–	204,073	93
Royal Terrace	Huizhou	Residential and commercial	–	23,669	23,554	–	47,223	95
Sceneway Bay	Huizhou	Residential and commercial	–	–	–	155,507	155,507	48
Unique Mansion	Jiangmen	Residential and commercial	–	–	–	174,039	174,039	49
Funworld	Heyuan	Residential and commercial	–	–	–	545,273	545,273	100
Century Palace	Shanwei	Residential and commercial	–	–	141,570	206,717	348,287	92
Central Western Region								
Cloudview Terrace	Chongqing	Residential and commercial	–	–	241,667	–	241,667	94
The Royal Bay	Chongqing	Residential and commercial	–	22,519	194,109	–	216,628	94
Imperial Terrace	Chongqing	Residential and commercial	–	–	339,071	50,203	389,274	47
Liberty Mountain	Chongqing	Residential and commercial	–	–	178,305	–	178,305	48
Utopia	Chongqing	Residential	–	–	101,481	62,829	164,310	50
Imperial Manor	Chongqing	Residential	–	–	158,208	90,903	249,111	50
Cloudview Pavilion	Zhengzhou	Residential	–	–	–	96,832	96,832	100
Cloud Valley	Kunming	Residential and commercial	–	–	334,396	1,495,725	1,830,121	67
The Royal Bay	Luoyang	Residential	–	–	320,532	–	320,532	80
Mansion Park	Luoyang	Residential	–	–	109,583	–	109,583	70
Royal Terrace	Shangqiu	Residential and commercial	–	7,320	288,206	–	295,526	40
Parkview Palace	Shangqiu	Residential	–	–	65,431	–	65,431	85
Cloudview Terrace	Shangqiu	Residential and commercial	–	–	126,118	110,131	236,249	76
Funworld	Pingdingshan	Residential and commercial	–	–	–	390,761	390,761	100

EXECUTIVE DIRECTORS

Wong Chiu Yeung (**黃朝陽**), aged 54, is one of the founders of the Group and the chairman of the Board and chief executive officer of the Company. Mr. Wong was appointed as an executive Director on 30 November 2007, as well as the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee") and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Wong is responsible for formulating business development strategies for the Group, commercial property management and financial investment management. Since his involvement in the development of the Group's first project in 1996, Mr. Wong has been involved in all of the projects developed by the Group thereafter, and has about 24 years of experience in real estate development. Mr. Wong is the vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), guest professor of Nanchang University, vice chairman of the board of directors of Quanzhou Normal University, chairman of the board of directors of Nan'an Overseas Chinese Middle School (南安華僑中學), permanent honourable chairman of Hong Kong Federation of Fujian Association (香港福建社團聯會). Mr. Wong holds an Executive Master of Business Administration degree of Xiamen University. Mr. Wong is the father of Mr. Wong Lun, an executive Director of the Company.

Chen Yuanlai (**陳元來**), aged 53, is one of the founders of the Group and the vice chairman of the Board of the Company. Mr. Chen was appointed as an executive Director on 12 August 2009 and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Chen is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996, he has been involved in all of the projects developed by the Group thereafter, and has about 24 years of experience in real estate development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all of the projects developed by the Group. Mr. Chen completed the Executive Management course in Business Administration of Commercial Real Estate Development and Funding, a one-year programme offered by the School of Professional and Continuing Education of The University of Hong Kong and Fudan University, Shanghai, in May 2008. Mr. Chen has completed an Executive Master of Business Administration programme in Xiamen University.

Cheng Hiu Lok (**鄭曉樂**), aged 55, is one of the founders of the Group and the vice chairman of the Board of the Company. Mr. Cheng was appointed as an executive Director on 12 August 2009 and is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Cheng is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996, he has been involved in all of the projects developed by the Group thereafter. Mr. Cheng has about 24 years of experience in real estate development. Mr. Cheng also has extensive experience in investment management, project management and construction management through his involvement in the projects developed by the Group. Mr. Cheng completed his college education at Fujian Normal University in 1987.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Huang Youquan (**黃攸權**), aged 51, is an executive Director and an executive president of the Company. Mr. Huang was appointed as an executive Director on 1 May 2011 and was appointed as the chairman of the corporate governance committee (the "Corporate Governance Committee") with effect from 1 January 2017. He is also the director of certain subsidiaries of the Company established in the PRC and Hong Kong. Mr. Huang is responsible for the financial management of the Group. Before joining the Group in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated from the Department of Mathematics of Xiamen University with a Bachelor's degree in Science in 1991. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants. Mr. Huang has completed an Executive Master of Business Administration programme in Xiamen University.

Wong Lun (**黃倫**), aged 32, is an executive Director and an assistant president of the Company. Mr. Wong was appointed as an executive Director of the Company with effect from 1 March 2017. He is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. Mr. Wong is responsible for investor relations and commercial management of the Group. Mr. Wong joined the Group in September 2010. Mr. Wong graduated from the School of Engineering of University of Warwick with a Bachelor's degree of Science in Engineering and Business Studies in 2010. Mr. Wong holds Executive Master of Business Administration programme in China Europe International Business School. Mr. Wong Lun is the son of Mr. Wong Chiu Yeung, an executive Director and chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ting Leung Huel Stephen (**丁良輝**), aged 66, MH, FCCA, FCPA (Practising), CTA (HK), ACA, FHKIoD, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also the chairman of the audit committee of the Company (the "Audit Committee"), a member of the Remuneration Committee and Corporate Governance Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is a partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of six other companies listed on the Hong Kong Stock Exchange, namely Tong Ren Tang Technologies Co. Ltd. (1666), Tongda Group Holdings Limited (0698), New Silkroad Culturaltainment Limited (0472), Computer And Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189).

Lu Hong Te (呂鴻德), aged 59, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also a member of the Audit Committee, Nomination Committee and Corporate Governance Committee. Mr. Lu obtained a Bachelor's degree in Industrial and Information Management from National Cheng Kung University in 1983, and a Master's degree and a Doctoral degree in Marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Mr. Lu is a professor at the Department of Business Administration of Chung Yuan Christian University in Taiwan, specialising in marketing management and corporate competitive strategies. Mr. Lu is an independent non-executive director of Capxon International Electronic Company Limited (0469), China Lilang Limited (1234) and Cosmo Lady (China) Holdings Company Limited (2298), the shares of which are listed on the Hong Kong Stock Exchange. Mr. Lu is an independent director of two companies which are listed on the Taipei Exchange, namely Firich Enterprises Co., Ltd. (8076) and Lanner Electronics Inc. (6245), and an independent director of Uni-President Enterprises Corporation (1216), which is listed on the Taiwan Stock Exchange Corporation. From February 2007 to February 2019, Mr. Lu was an independent non-executive director of ANTA Sports Products Limited (2020), which is listed on the Hong Kong Stock Exchange.

Dai Yiyi (戴亦一), aged 52, was appointed as an independent non-executive Director of the Company on 6 January 2010 and is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Dai is a full-time professor of the Executive Master of Business Administration programme of the School of Management of Xiamen University and the chairman of the Board of the Jin Yuan Research Institute of Xiamen University. Mr. Dai also serves as an adjunct professor for real estate CEO programmes hosted by Tsinghua University and Peking University. Mr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Mr. Dai is the vice dean of the School of Management of Xiamen University between January 2008 and December 2015. Mr. Dai is an independent non-executive director of Cosmo Lady (China) Holdings Company Limited (2298), which is listed on the Hong Kong Stock Exchange and is an independent director of Fujian Septwolves Industry Co., Ltd. (002029) and Xiamen C&D Inc. (600153), which are listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange, respectively. From May 2013 to May 2017, Mr. Dai was an independent director of New Hua Du Supercenter Co., Ltd. (002264), a company which is listed on the Shenzhen Stock Exchange. From October 2009 to September 2018, Mr. Dai was an independent non-executive director of Mingfa Group (International) Company Limited (0846), which is listed on the Hong Kong Stock Exchange. Mr. Dai graduated from Xiamen University with a Bachelor's degree in Economics in 1989, and received a Doctoral degree in Economics from Xiamen University in 1999. Mr. Dai was awarded a certificate as a PRC Certified Property Valuer in 1997.

SENIOR MANAGEMENT

Zheng Quanlou (鄭全樓), aged 48, is an executive president of the Company. He is responsible for operation plan and design management of the Group. Before joining the Group in November 1998, Mr. Zheng was an on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at College of Architecture and Civil Engineering of Fujian (福建省建築高等專科學校) in 1992 and obtained his Bachelor's degree from the Department of Civil Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng has completed an Executive Master of Business Administration programme in Xiamen University.

Wang Meng (王勐), aged 33, is an executive president of the Company. He is responsible for land acquisition and marketing management of the Group. Before joining the Group in March 2015, Mr. Wang was the marketing director of Longfor Properties Co. Ltd. Mr. Wang graduated from North China University of Technology with a Bachelor's degree in Arts in 2009. Mr. Wang is currently attending an Executive Master of Business Administration programme in Peking University.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Tang Xiaojuan (湯筱娟), aged 47, is an assistant president of the Company. She is responsible for managing daily operation of the office of president and information technology management of the Group. Prior to joining the Group in August 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated from the Department of International Trade and Economics in Jiangxi University of Finance and Economics with a Bachelor's degree in Economics in 1994. Ms. Tang has completed an Executive Master of Business Administration programme in Xiamen University.

Ku Weihong (庫衛紅), aged 51, is an assistant president of the Company. She is responsible for legal affairs, administrative and human resources as well as property management of the Group. Prior to joining the Group in November 2010, Ms. Ku served as the chief legal officer of Powerlong Real Estate Holdings Limited. Ms. Ku graduated from the Department of Law of Peking University with a Bachelor's degree in Law in 1990. Ms. Ku holds the lawyer qualification certificate of the PRC and has extensive experience in legal affairs. Ms. Ku has completed an Executive Master of Business Administration programme in Peking University.

Peng Fei (彭飛), aged 37, is an assistant president of the Company and is responsible for the management of the Shanghai, Jiangsu and Zhejiang regions of the Group. Prior to joining the Group in October 2007, Mr. Peng served as a marketing manager of Xiamen Strategic Property Agency Limited (廈門方略地產營銷代理有限公司). Mr. Peng graduated from Beijing Institute of Technology in Business Administration in 2016. Mr. Peng has completed an Executive Master of Business Administration programme in Xiamen University.

Keith Chan (陳堅), aged 47, is the vice chairman and chief executive officer of Funlive rental apartments business. He is responsible for overall strategic direction, business operations and management of Funlive. Prior to joining the Group in April 2018, Mr. Chan was a senior managing director, co-head of China and head of China Real Estate of Macquarie Capital. Mr. Chan has over 20 years of experience in corporate finance, investment banking and principal investments. Mr. Chan graduated from the University of Wisconsin-Madison with a Master degree in Business Administration (Finance and Investment) in 1997. Mr. Chan has also completed a Bachelor of Business Administration degree in Accounting from the same school.

Li Siu Po (李少波), aged 51, is the financial controller and company secretary of the Company. He is responsible for the financial reporting, equity and debt financing and company secretarial work of the Group. Before joining the Group in January 2008, Mr. Li was a manager of one of the international CPA firms. Mr. Li graduated from the Department of Accounting in the Hong Kong Polytechnic University with a Bachelor's degree in Accountancy in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in financial management and auditing.

COMPANY SECRETARY

Li Siu Po (李少波), a member of senior management of the Group, is the financial controller and company secretary of the Company. The biography of Mr. Li is set forth above.

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and its shareholders.

During the year ended 31 December 2019, the Company and the Board had been in compliance with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, save as disclosed in the paragraphs headed "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year under review.

THE BOARD OF DIRECTORS

Board Composition

The members of the Board of the Company during the year ended 31 December 2019 are set out below:

Executive Directors
Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent non-executive Directors
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" in this annual report. Mr. Wong Chiu Yeung is the father of Mr. Wong Lun, both of whom are executive Directors. Save as disclosed above, there is no financial, business, family or other material/relevant relationships between Board members.

Mr. Ting Leung Huel Stephen, one of the independent non-executive Directors, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules which states that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

In accordance with the provision A.1.8 of the CG Code, the Company has arranged appropriate insurance cover for the Directors in respect of any possible legal action against them.

In accordance with Rule 13.92 of the Listing Rules, the Nomination Committee shall have a policy concerning diversity of Board members. In formulating its nomination policy, the Company has created measurable targets in the following areas, including expertise, experience, knowledge, professional skills, education background, independence, age, etc. In doing so, the Company can ensure its Directors reach the eligible level in terms of their expertise, industrial experience, education background, independence, age and other factors, which enable them to make corresponding contributions to the Board whenever necessary and practicable. The Company and the Nomination Committee periodically review the nomination policy and are open to adopt further measurable objectives in the future based on the business needs of the Company and to keep pace with the prevailing regulatory requirements and good corporate governance practice. Please refer to the paragraph headed "Nomination Committee" of this corporate governance report regarding details of the board diversity policy (the "Board Diversity Policy") adopted by the Board and progress on achieving the measurable objectives to implement the Board Diversity Policy.

In accordance with Rule 3.29 of the Listing Rules, for each financial year, the company secretary of an issuer must take no less than 15 hours of relevant professional training. During the year, the Company confirmed that the company secretary of the Company, Mr. Li Siu Po, had participated in proper training programmes for not less than 15 hours to ensure his expertise is in line with all the requirements as applicable to him.

In accordance with the provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all the Directors have complied with the requirement of provision A.6.5 of the CG Code through attending trainings and/or reading materials relevant to the Company's business or to director's duties and responsibilities.

Name of Directors	Trainings on Corporate Governance, Regulatory Development and Other Relevant Topics
Executive Directors	
Mr. Wong Chiu Yeung	✓
Mr. Chen Yuanlai	✓
Mr. Cheng Hiu Lok	✓
Mr. Huang Youquan	✓
Mr. Wong Lun	✓
Independent non-executive Directors	
Mr. Ting Leung Huel Stephen	✓
Mr. Lu Hong Te	✓
Mr. Dai Yiyi	✓

Directors' Responsibilities

The Board is responsible to all shareholders for supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policy and monitoring the performance of the senior management, so as to achieve high efficiency in relevant business of the Company. The senior management is responsible for the daily management and specific operation of the Group.

Directors' Attendance Record at Meetings

Pursuant to the provision A.1.1 of the CG Code, the board of issuers should meet regularly and board meetings should be held at least four times a year. For the year ended 31 December 2019, the Company has held six board meetings, and passed three written resolutions. It is considered that the Directors were well acknowledged to the operation of the Group for the year under review. The attendance of each Director for the board meetings and general meeting of the Company is contained in the following table:

	Number of Attendances/ Number of Board Meetings	Written Resolutions	Number of Attendance/ Total Number of General Meeting
Executive Directors:			
Mr. Wong Chiu Yeung	6/6	3/3	0/1
Mr. Chen Yuanlai	5/5[1]	3/3	0/1
Mr. Cheng Hiu Lok	5/5[1]	3/3	0/1
Mr. Huang Youquan	5/5[1]	3/3	1/1
Mr. Wong Lun	5/5[1]	3/3	1/1
Independent non-executive Directors:			
Mr. Ting Leung Huel Stephen	6/6	3/3	1/1
Mr. Lu Hong Te	6/6	3/3	0/1
Mr. Dai Yiyi	6/6	3/3	0/1

1 Except for chairman of the Company, Mr. Wong Chiu Yeung, all executive Directors were exempted from attending the board meeting held on 21 August 2019 in which the composition, duties and responsibilities of the executive Directors were discussed.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year under review, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

COMPLIANCE OF NON-COMPETITION DEED

The Company entered into a non-competition deed (the "Non-competition Deed") with Mr. Wong Chiu Yeung on 6 January 2010 pursuant to which Mr. Wong Chiu Yeung has undertaken to the Company not to compete with any business of the Group and shall use his best endeavors to procure his affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC. Furthermore, Mr. Wong Chiu Yeung has undertaken to the Company (for itself and for the benefit of the Group) that during the term of the Non-competition Deed to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms of the Non-competition Deed.

The Company has received a confirmation from Mr. Wong Chiu Yeung for his compliance with the terms of the Non-competition Deed during the year ended 31 December 2019 and up to the date of this report. All the independent non-executive Directors have reviewed the matters relating to enforcement of the Non-competition Deed and consider that the terms of the Non-competition Deed have been complied with by Mr. Wong Chiu Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received the written confirmation from each of the independent non-executive Directors, confirming that he has met the independence requirements set out in Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent under these independence requirements.

The independent non-executive Directors play an important role in applying their independent analysis and professional judgments to provide a professional and fair view to the decisions of the Board. This is not only beneficial to the warranty of the scientific element of the decision, but also enhancing the protection of interests of the Company and its shareholders.

Please refer to the paragraph headed "Directors' Service Contracts" in the "Report of the Directors" of this annual report for the term of appointment of independent non-executive Directors.

REMUNERATION COMMITTEE

According to the provisions of the CG Code, the Company established its Remuneration Committee on 6 January 2010. Under Rule 3.25 of the Listing Rules, the remuneration committee of issuers must appoint an independent non-executive director as the chairman, and the majority of the members shall be independent non-executive directors. With effect from 1 April 2012, the Remuneration Committee, comprising of Mr. Wong Chiu Yeung (an executive Director) and Mr. Ting Leung Huel Stephen (an independent non-executive Director), is chaired by Mr. Dai Yiyi (an independent non-executive Director).

The prime duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to assess performance of executive Directors and approve the terms of the service contracts of the executive Directors;

- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and

- to make recommendations to the Board on the remuneration of non-executive Directors.

During the year under review, the Remuneration Committee held one meeting to discuss the 2018 management bonus and 2019 salary under the service contracts for executive Directors. Details of the attendance by members of the Remuneration Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Dai Yiyi	1/1
Mr. Wong Chiu Yeung	1/1
Mr. Ting Leung Huel Stephen	1/1

NOMINATION COMMITTEE

According to the provisions of the CG Code, the Company established the Nomination Committee on 6 January 2010. Under the provision A.5.1 of the CG Code, the majority of the nomination committee of issuers must be independent non-executive directors, and the chairman of the board or an independent non-executive director must be appointed as the chairman of this committee. With effect from 1 April 2012, the Nomination Committee, comprising independent non-executive Directors Mr. Lu Hong Te and Mr. Dai Yiyi, is chaired by Mr. Wong Chiu Yeung, chairman of the Board.

The prime duties of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board based on, amongst others, the Board Diversity Policy and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of the independent non-executive Directors; and

- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, succession planning for Directors in particular the chairman and chief executive officer and the policy concerning the diversity of Board members.

During the year under review, the Nomination Committee held one meeting to discuss the composition of the Board and the terms of reference, the diversity policies for the Board, and other issues. Details of the attendance by members of the Nomination Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Wong Chiu Yeung	1/1
Mr. Lu Hong Te	1/1
Mr. Dai Yiyi	1/1

The Company and the Nomination Committee periodically review the nomination policy and monitor the progress on achieving the following measurable objectives (the "Measurable Objectives") which have been set for implementing diversity on the composition of Board. For the year ended 31 December 2019, under the Board Diversity Policy, the Board has adopted and the Company has fully achieved the following Measurable Objectives:

(a) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(b) To ensure at least 35% of the members of the Board have more than 10 years of experience of real estate development;

(c) To ensure the appropriate proportion of the independent non-executive Directors to the executive Directors in order to maintain the independence of the Board. In particular, at least 35% of the members of the Board shall be independent non-executive Directors;

(d) To ensure at least 60% of the members of the Board shall have attained Bachelor's degree or higher level of education; and

(e) To ensure the age distribution of the members of the Board is such that the Board comprised of people from at least three decades.

AUDIT COMMITTEE

According to the provisions of the CG Code, the Company established the Audit Committee on 6 January 2010. Under Rule 3.21 of the Listing Rules, the audit committee of issuers must comprise of all non-executive directors. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, Mr. Lu Hong Te and Mr. Dai Yiyi as members.

The prime duties of the Audit Committee are:

- responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them; and

- oversight of the Company's financial reporting system, risk management and internal control systems and review the effectiveness of the Company's internal audit function.

During the year under review, the Audit Committee held two meetings to review the 2018 annual report and the 2019 interim report of the Company. Details of the attendance by members of the Audit Committee are set out as below:

	Number of Attendances/ Total Number of Meetings
Mr. Ting Leung Huel Stephen	2/2
Mr. Lu Hong Te	2/2
Mr. Dai Yiyi	2/2

CORPORATE GOVERNANCE COMMITTEE

Pursuant to the provision D.3.1 of the CG Code, the Company established the Corporate Governance Committee on 1 April 2012 to better implement and review the policies and practices on corporate governance. Mr. Huang Youquan, an executive Director, was appointed as chairman of the Corporate Governance Committee and Mr. Ting Leung Huel Stephen and Mr. Lu Hong Te, both independent non-executive Directors, were appointed as members of the Corporate Governance Committee.

The prime duties of the Corporate Governance Committee are:

- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;

- to review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and monitor and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Company;

- to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies, and in particular to monitor the implementation of the Company's plans to maintain high compliance with its own risk management standards;

- to review and monitor the training and continuous professional development of directors and senior management; and

- to review the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual reports.

During the year under review, the Corporate Governance Committee met once to discuss the adoption of the CG Code. Details of the attendance by members of the Corporate Governance Committee are set out as below:

	Number of Attendance/ Total Number of Meeting
Mr. Huang Youquan	1/1
Mr. Ting Leung Huel Stephen	1/1
Mr. Lu Hong Te	1/1

AUDITORS' REMUNERATION

For the year under review, the fees paid to the auditors of the Company, Ernst & Young, in respect of the audit services and non-audit services provided to the Company amounted to approximately RMB4,870,000 and approximately RMB4,701,000, respectively. Non-audit services mainly consisted of advisory and other reporting services.

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the auditors. The Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the Group for the year ending 31 December 2020, subject to the approval of the shareholders at the annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019, and confirm that the financial statements give a true view of the financial positions and results of the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 69 of this annual report.

INTERNAL CONTROLS

The Board is fully responsible for maintaining proper and effective internal controls and for regularly reviewing the operational efficiency of the financial, operational, compliance, risk controls, human resources and other aspects of the system in order to safeguard the independence of the respective duties and powers of the Group which in turn can protect the investment of shareholders and the assets of the Company.

The Internal Audit and Compliance Department of the Company, being the Company's internal audit function, is responsible for regular review and audit of the finance and operation of the Company and its subsidiaries for the purpose of ensuring the internal controls are in place and functioning properly as intended. For weaknesses of internal controls and accounting procedures of the Group which the external auditors have identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

Besides, the Company has also appointed Ernst & Young (China) Advisory Limited to review the internal controls of the selected processes of the selected entities of the Group. The 2019 internal control assessment report revealed that no material control weakness was identified.

During the year under review, the Board has conducted a review of the risk management and internal control systems of the Group and their effectiveness and concluded that the risk management and internal control systems of the Group were adequate and effective during the year.

The Company has the procedures and internal controls for the handling and dissemination of inside information. In practice, employees of the Group who become aware of any events and/or matters which he/she considers potentially inside information, 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 disclosure of which shall be made immediately.

The aforementioned risk management and internal control 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.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Establishing a good relationship with investors plays a vital role in enhancing the operational efficiency of the Company and in protecting interests of the shareholders. The Company insists a transparent, honest and timely disclosure of related information on the business development of the Company through various channels to ensure that the shareholders and investors have an adequate understanding of the operations of the Company.

The Company's website at http://www.sce-re.com provides information such as e-mail address, correspondence address, telephone numbers, etc. for making inquiries to the Company in order to maintain effective communication with its shareholders and investors. In addition, interim and annual reports, circulars and notices of the Company will be despatched to shareholders in compliance with the Listing Rules and the same will also be published on the website of the Company and that of the Hong Kong Stock Exchange.

During the year, the Company has received numerous visits from investors and arranged investors and analysts to visit the Group's property sites at various locations. The Company has also presented to them the development strategies and business operation status of the Company. The Company also participated in various investor conferences and non-deal roadshows to enhance the industry awareness of the Company. The management believes actively seeking face-to-face communication with shareholders and investors is the best way to enhance their confidence in the Company. Particulars of the investors' meetings during the year are set out in the following table:

Date	**Description**	**Place**
9–10 January 2019	UBS Greater China Conference 2019	Shanghai
14–16 January 2019	dbAccess China Conference 2019	Shenzhen
21–29 March 2019	Non Deal Roadshow	Hong Kong/Shenzhen/ Shanghai
2–11 April 2019	Non Deal Roadshow	Singapore/Hong Kong/ Beijing
23 April 2019	Industrial Securities Spring Conference	Shenzhen
25 April 2019	Haitong Securities Spring Conference	Hangzhou
26 April 2019	Barclays China Property Corporate Day	Hong Kong
8–9 May 2019	J.P. Morgan's 15th Global China Summit	Beijing
15–17 May 2019	HSBC 6th Annual China Conference	Shenzhen
21–24 May 2019	10th Annual dbAccess Asia Conference 2019	Singapore
29–31 May 2019	Morgan Stanley Fifth Annual China Summit	Beijing
3 June 2019	Non Deal Roadshow	Frankfurt

Date	Description	Place
5 June 2019	Deutsche Bank 23th Annual European Leveraged Finance Conference	London
6 June 2019	Non Deal Roadshow	London
25 June 2019	CGS-CIMB 2019 China/HK Property Conference	Hong Kong
27–28 June 2019	Citi Asia-Pacific Property Conference 2019	Hong Kong
12 July 2019	Haitong Securities Mid-year Conference	Shanghai
22–23 August 2019	Non Deal Roadshow	Hong Kong
2–6 September 2019	Non Deal Roadshow	Singapore/Shanghai
10–11 September 2019	Bank of America Merrill Lynch 2019 Global Real Estate Conference	New York
10–11 September 2019	HSBC 3rd Annual Asia Credit Conference	Hong Kong
19 September 2019	Non Deal Roadshow	Beijing
22 October 2019	J.P. Morgan Asia Credit Conference	Hong Kong
23 October 2019	Nomura China Property Corporate Day	Hong Kong
28–29 October 2019	Reverse Roadshow	Shanghai/Hangzhou
30 October 2019	Haitong Securities Autumn Conference	Shanghai
7 November 2019	Citi's China Investor Conference	Macau
8 November 2019	Nomura Asian High Yield Corporate Day	Hong Kong
13 November 2019	Industrial Securities 2020 Annual Conference	Shanghai
20–22 November 2019	Morgan Stanley 18th Asia Pacific Summit	Singapore
2 December 2019	Non Deal Roadshow	Frankfurt
3–4 December 2019	UBS Global Real Estate CEO/CFO Conference 2019	London
5 December 2019	Non Deal Roadshow	Paris
9–12 December 2019	Non Deal Roadshow	New York/Boston/ San Francisco
11 December 2019	Everbright Securities 2020 China Conference	Shanghai

The Company's annual general meeting of shareholders is a good opportunity for communication between the Board and shareholders of the Company. Notice of annual general meeting and related documents will be sent to the shareholders pursuant to the requirements of the Listing Rules, and will be published on the website of the Hong Kong Stock Exchange and that of the Company.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 58 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") 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 have the right, by written requisition (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@sce-re.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Board fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, 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.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@sce-re.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@sce-re.com.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the branch share registrar that the request is made by a Shareholder and such request is proper and in order, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an EGM;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an EGM other than by way of a special resolution of the Company.

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, commercial management, property management and long-term rental apartments business in the PRC during the year. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Please refer to the subsections headed "Business Review", "Environmental Policies and Performance", "Compliance with Relevant Laws and Regulations" and "Key Relationships with Employees, Customers and Suppliers" in the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 70 to 194.

An interim dividend of HK10 cents per ordinary share was paid on 4 October 2019. The Directors recommend the payment of a final dividend of HK14 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 30 June 2020 subject to approval by shareholders of the Company in the forthcoming annual general meeting of the Company.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities, perpetual capital instruments and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on pages 195 to 196. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group during the year are set out in note 19 to the financial statements.

COMPLETED PROPERTIES HELD FOR SALE

Details of the completed properties held for sale of the Group during the year are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to approximately RMB1,096,688,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately RMB61,742,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, combined sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. Combined purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the Directors or any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Wong Chiu Yeung
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Huang Youquan
Mr. Wong Lun

Independent non-executive Directors:
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

In accordance with article 84 of the Company's articles of association, at each annual general meeting, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of directors upon reaching any age limit.

Accordingly, Mr. Wong Chiu Yeung, Mr. Wong Lun and Mr. Dai Yiyi will retire as Directors at the forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from all the three independent non-executive Directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 35 to 38 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Chiu Yeung, Mr. Chen Yuanlai and Mr. Cheng Hiu Lok, being executive Directors, has entered into a service contract with the Company for a term of three years commencing from 5 February 2010. Mr. Huang Youquan, being an executive Director, has entered into a service contract with the Company for a term from 1 May 2011 to 4 February 2013. Mr. Wong Lun, being an executive Director, has entered into a service contract with the Company for a term from 1 March 2017 to 29 February 2020. Each of their service contracts is renewable automatically upon the expiry of the then current term of appointment, subject to termination by either party giving not less than three months' written notice.

The Company has issued a letter of appointment to each of Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, being independent non-executive Directors for an initial term of three years commencing from 6 January 2010. Upon expiry of the initial term, the Company has issued a letter of appointment to each of Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, for their appointment as independent non-executive Directors for a term of three years commencing from 6 January 2013 to 5 January 2016, which is renewable automatically thereafter for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, subject to termination by either party giving not less than two months' written notice and the retirement by rotation requirement in accordance with the articles of association of the Company and the Listing Rules.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICIES AND DIRECTORS' REMUNERATION

The Remuneration Committee oversees the overall remuneration policy and structure of the Group. The Group provides employees with competitive remuneration and benefits. The remuneration policy is reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the transactions set out in note 48 to the financial statements and the transaction specified in the paragraph headed "Connected Transaction" in this section, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2019 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance) in accordance with the articles of association of the Company being in force.

The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers arising out of corporate activities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

At 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares (the "Shares") of the Company:

	Interest in Shares			
Name of Director	**Beneficial Owner**	**Interest of Controlled Corporation**	**Total Number of Shares Held or Interested**	**Percentage of the Company's Issued Share Capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	–	2,105,000,000 (Note 1)	2,105,000,000	50.33%
Mr. Chen Yuanlai ("Mr. Chen")	20,000,000	210,230,000 (Note 2)	230,230,000	5.51%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	210,230,000 (Note 3)	210,230,000	5.03%

Long positions in share options of the Company:

Name of Director	Number of Share Options Directly Beneficially Owned	Percentage of the Company's Issued Share Capital
Mr. Chen	20,000,000	0.48%
Mr. Cheng	20,000,000	0.48%
Mr. Huang Youquan	16,000,000	0.38%

Note 1: These 2,105,000,000 Shares were registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong held 100% of the entire issued share capital of Newup and was deemed to be interested in the 2,105,000,000 Shares held by Newup pursuant to the SFO.

Note 2: These 210,230,000 Shares were registered in the name of Rising Trade Holdings Limited ("Rising Trade"). Mr. Chen held 100% of the entire issued share capital of Rising Trade and was deemed to be interested in the 210,230,000 Shares held by Rising Trade pursuant to the SFO.

Note 3: These 210,230,000 Shares were registered in the name of Wealthy Gate Holdings Limited ("Wealthy Gate"). Mr. Cheng held 100% of the entire issued share capital of Wealthy Gate and was deemed to be interested in the 210,230,000 Shares held by Wealthy Gate pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Mr. Chen, Mr. Cheng and Mr. Huang Youquan exercised 20,000,000, 20,000,000 and 16,000,000 share options during the year, details of which are included in the section headed "Report of the Directors — Share Option Scheme" of this annual report.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 January 2010 (the "2010 Scheme") and a new share option scheme on 23 April 2018 (the "2018 Scheme") (together with the 2010 Scheme, collectively, the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The 2010 Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020. The 2018 Scheme became effective on 23 April 2018 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 22 April 2028.

The total number of shares which may be issued upon exercise of all options to be granted under the 2010 Scheme, the 2018 Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at 23 April 2018, being the adoption date of the 2018 Scheme, i.e. 382,384,000 shares (representing approximately 9.14% of the total number of issued shares as at the date of approval of this annual report), unless the Company obtains a fresh approval from shareholders to refresh the 10% limit, provided, inter alia, that the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2010 Scheme, the 2018 Scheme and any other share option schemes of the Company must not exceed 30% of the number of shares in issue from time to time. The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of delivery of the offer letter, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the grant of the share options.

The exercise price of the share options is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Further details of the Scheme as to the value of the share options granted are disclosed in note 37 to the financial statements. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised.

During the year, details of movements in the share options under the 2010 Scheme are as follows:

Category and Name of Grantee	Outstanding at 1 January 2019	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at 31 December 2019	Exercise Price per Share	Date of Grant	Exercise Period	Weighted Average Closing Price Immediately before the Date(s) of Exercise
Employees of the Group	38,550,000	–	38,550,000	–	–	–	HK$2.4	23 December 2016	23 December 2018 to 5 January 2020	HK$2.99

During 2016, the Company granted 284,000,000 share options under the 2010 Scheme to the Group's employees (including Directors). As at 31 December 2019, the Company did not have share options (31 December 2018: 38,550,000 share options) outstanding under the 2010 Scheme.

During the year, details of movements in the share options under the 2018 Scheme are as follows:

Category and Name of Grantee	Outstanding at 1 January 2019	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at 31 December 2019	Exercise Price per Share	Date of Grant	Exercise Period	Weighted Average Closing Price Immediately before the Date(s) of Exercise
Directors										
Mr. Chen	20,000,000	–	20,000,000	–	–	–	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028	HK$3.62
	20,000,000	–	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Mr. Cheng	20,000,000	–	20,000,000	–	–	–	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028	HK$3.62
	20,000,000	–	–	–	–	20,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Mr. Huang Youquan	16,000,000	–	16,000,000	–	–	–	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028	HK$3.62
	16,000,000	–	–	–	–	16,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Sub-total	112,000,000	–	56,000,000	–	–	56,000,000				
Employees of the Group	135,000,000	–	–	–	–	135,000,000	HK$2.78	12 December 2018	1 July 2019 to 11 December 2028	–
	135,000,000	–	–	–	–	135,000,000	HK$2.78	12 December 2018	1 July 2020 to 11 December 2028	–
Sub-total	270,000,000	–	–	–	–	270,000,000				
Total	382,000,000	–	56,000,000	–	–	326,000,000				

During 2018, the Company granted 382,000,000 share options under the 2018 Scheme to the Group's employees (including Directors). As at 31 December 2019, the Company had 326,000,000 share options (31 December 2018: 382,000,000 share options) outstanding under the 2018 Scheme.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor contract of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

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

At 31 December 2019, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	Capacity and Nature of Interest	Number of Shares Held or Interested	Percentage of the Company's Issued Share Capital
Newup (Note 1)	Beneficial owner	2,105,000,000	50.33%
Rising Trade (Note 2)	Beneficial owner	210,230,000	5.03%
Wealthy Gate (Note 3)	Beneficial owner	210,230,000	5.03%

Note 1: Newup was wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong was deemed to be interested in the Shares held by Newup pursuant to the SFO. Mr. Wong was the sole director of Newup.

Note 2: Rising Trade was wholly-owned and controlled by Mr. Chen; accordingly, Mr. Chen was deemed to be interested in the Shares held by Rising Trade pursuant to the SFO. Mr. Chen was the sole director of Rising Trade.

Note 3: Wealthy Gate was wholly-owned and controlled by Mr. Cheng; accordingly, Mr. Cheng was deemed to be interested in the Shares held by Wealthy Gate pursuant to the SFO. Mr. Cheng was the sole director of Wealthy Gate.

Save as disclosed above, as at 31 December 2019, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions that are not exempt from the annual reporting requirement in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Subscription for new shares in the target company

On 25 January 2019, Affluent Way International Limited (the "Subscriber"), a directly wholly owned subsidiary of the Company, Fun Work Group Holdings Limited (the "Target Company"; together with its subsidiaries, the "Target Group") and Mr. Wong To, entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber agreed to subscribe for, and the Target Company agreed to issue, 12,250,000 new ordinary shares of US$1 each in the share capital of the Target Company, representing 25% of the enlarged issued share capital of the Target Company immediately upon completion of the Subscription, for a consideration of RMB200 million (the "Subscription").

The Target Company is an investment holding company wholly owned by Mr. Wong To prior to the Subscription and indirectly holds the entire equity interests in its principal subsidiary Shanghai Woke Business Management Consultation Company Limited* (上海沃客企業管理諮詢有限公司). The Target Group is headquartered in Shanghai and principally engaged in the provision of co-working space to start-ups in the PRC. Immediately upon completion of the Subscription, the Target Company became owned by Mr. Wong To and the Subscriber as to 75% and 25% respectively and became an associate of the Group. With the investment in the Target Group, the Group could tap into the co-working space industry and stands to capture the growing opportunities in the market. The transaction has enabled the Group to be poised to further expand its offerings and is in line with the Group's development strategy of building the "Fun+ Joyous Life Ecosystem" ("Fun+幸福生活生態圈").

Mr. Wong To is a son of Mr. Wong, the chairman of the Board, an executive Director and a controlling Shareholder of the Company who indirectly held approximately 51.02% of the total number of issued Shares as at the date of the Subscription Agreement. As such, Mr. Wong To and the Target Company were each an associate of Mr. Wong and a connected person of the Company, and the Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Sale of a commercial property

On 27 June 2019, Shanghai Junming Real Estate Development Co., Ltd.* (上海駿鳴房地產開發有限公司) (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and Mr. Wong To, entered into a commodity housing pre-sale contract (the "Presale Contract") in relation to the sale of Tianjingyayuan, 299 Panzhong Road, Qingpu District, Shanghai, the PRC* (中國上海青浦區蟠中路299號天璟雅苑) (the "Target Property") by the Vendor to Mr. Wong To for a consideration of RMB38,698,500 (the "Sale"). The Sale has brought to the Group additional revenue and profits.

* for identification purpose only

Mr. Wong To is a son of Mr. Wong, the chairman of the Board, an executive Director and a controlling Shareholder who indirectly held approximately 51.02% of the total number of issued Shares as at the date of the Presale Contract. As such, Mr. Wong To is an associate of Mr. Wong and a connected person of the Company, and the Sale constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save for the aforementioned connected transactions, the Group had the related party transactions disclosed in note 48 to the financial statements, some of which are connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules as specified, and such transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the issue of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE PURSUANT TO RULES 13.18 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 14 March 2018, pursuant to an agreement (the "2018 Facility Agreement") dated 14 March 2018 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK$3,172,100,000 and US$9,000,000 dual tranche term loan facility (the "2018 Facility") to refinance existing financial indebtedness and finance the general corporate funding requirements of the Group.

The 2018 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2018 Facility is made under the 2018 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As disclosed in the announcement of the Company dated 22 October 2018, the Company as borrower accepted the facility letter (the "2018 Bank Facility Letter") issued by a bank offering dated 22 October 2018 for the grant of a term loan (the "2018 Bank Facility") in the amount of up to HK$390,000,000 to finance or partly refinance the existing indebtedness of the Group and to finance the general corporate funding requirement of the Group.

The 2018 Bank Facility is for a term of 36 months commencing from the date of the first drawdown.

As disclosed in the announcement of the Company dated 6 September 2019, pursuant to an agreement (the "2019 Facility Agreement") dated 6 September 2019 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a HK$516,000,000 and US$180,000,000 dual tranche term loan facility (the "2019 Facility") to refinance existing financial indebtedness of the Group and finance the general corporate funding requirements of the Group.

The 2019 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2019 Facility is made under the 2019 Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As disclosed in the announcement of the Company dated 3 January 2020, by an agreement dated 2 January 2020 (the "2020 Facility Agreement") entered into by and among, inter alia, Sleek Time Limited, a non-wholly owned subsidiary of the Company, as borrower, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and The Bank of East Asia, Limited as mandated lead arrangers and original lenders have agreed to grant to the Borrower a term loan facility in an aggregate of the Hong Kong dollar equivalent of RMB560,000,000 (the "2020 Facility").

The 2020 Facility is for a term of three years and six months commencing from the date on which the first utilisation of the 2020 Facility is made under the 2020 Facility Agreement, and is guaranteed by the Company and the Borrower's other shareholders on a several basis.

The 2018 Facility Agreement, 2018 Bank Facility Letter, 2019 Facility Agreement and 2020 Facility Agreement contains a requirement that Mr. Wong, a controlling shareholder of the Company and an executive Director, and his family members (together with Mr. Wong, the "Wong Family"), (a) must remain as the single largest shareholder in the Company; (b) must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control (as defined in the Code on Takeovers and Mergers) the Company; and (c) Mr. Wong or a member of the Wong Family must remain as the chairman of the Board of the Company throughout the respective life of the 2018 Facility, 2018 Bank Facility, 2019 Facility and 2020 Facility. A breach of such requirement will constitute an event of default under the 2018 Facility Agreement, 2018 Bank Facility Letter, 2019 Facility Agreement and 2020 Facility Agreement, and as a result, the 2018 Facility, 2018 Bank Facility, 2019 Facility and 2020 Facility will be liable to be declared immediately due and payable.

As at the date of this annual report, Mr. Wong and his associates jointly own approximately 50.33% of the voting share capital of the Company.

FUTURE DEVELOPMENT OF THE GROUP'S BUSINESS

Please refer to the section headed "Chairman's Statement — Outlook" for an indication of the likely future development in the Group's business.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Wong Chiu Yeung
Chairman

Hong Kong
30 March 2020

EY 安永

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China SCE Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 194, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties The Group has various investment properties in Mainland China. Such investment properties are measured at fair value and the aggregate carrying amount of these investment properties was approximately RMB22.6 billion as at 31 December 2019. Significant estimation and judgement are required by management to determine the fair value of the investment properties. To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period. The accounting policies and disclosures for the estimation of the fair value of investment properties are included in notes 3, 4 and 15 to the consolidated financial statements.	We evaluated the objectivity, independence and competency of the valuer. We also involved our internal valuation specialists to assist us to assess the methodologies and assumptions adopted in the valuation for estimating the fair value of the investment properties, or compared prices of recent transactions of comparable properties to benchmark the value of the investment properties held by the Group on a sampling basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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

- 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.

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.

To the shareholders of China SCE Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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

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 Anthony S.T. Leung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	6	**21,369,802**	17,782,886
Cost of sales		**(15,477,931)**	(11,636,290)
Gross profit		**5,891,871**	6,146,596
Other income and gains	6	**1,155,838**	386,637
Changes in fair value of investment properties, net	15	**1,404,861**	1,082,540
Selling and marketing expenses		**(516,031)**	(398,421)
Administrative expenses		**(1,616,310)**	(1,298,702)
Other expenses		**(92,243)**	–
Finance costs	7	**(528,142)**	(401,686)
Share of profits and losses of:			
Joint ventures		**181,599**	513,275
Associates		**(27,168)**	22,217
PROFIT BEFORE TAX	8	**5,854,275**	6,052,456
Income tax expense	11	**(1,830,809)**	(2,375,633)
PROFIT FOR THE YEAR		**4,023,466**	3,676,823
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of joint ventures		**(97)**	(13,837)
Share of other comprehensive income/(loss) of associates		**8**	(28)
Exchange differences on translation of foreign operations		**(307,848)**	(486,437)
Release of other reserves upon deemed acquisition of subsidiaries		**–**	40,539
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(307,937)**	(459,763)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(307,937)**	(459,763)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,715,529**	3,217,060

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Profit attributable to:			
Owners of the parent		**3,510,045**	3,385,284
Holders of perpetual capital instruments		**35,408**	58,363
Non-controlling interests		**478,013**	233,176
		4,023,466	3,676,823
Total comprehensive income attributable to:			
Owners of the parent		**3,229,686**	3,019,205
Holders of perpetual capital instruments		**35,408**	58,363
Non-controlling interests		**450,435**	139,492
		3,715,529	3,217,060
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**RMB84.9 cents**	RMB87.8 cents
Diluted		**RMB83.4 cents**	RMB86.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**827,422**	680,784
Investment properties	15	**22,631,743**	20,270,300
Prepaid land lease payments	16	**–**	5,028,066
Intangible asset	18	**3,153**	3,319
Properties under development	19	**13,248,794**	2,730,414
Contract in progress	20	**343,244**	326,907
Investments in joint ventures	21	**8,863,038**	5,683,818
Investments in associates	22	**1,036,532**	155,072
Prepayments and other assets	26	**4,969,729**	3,836,906
Deferred tax assets	34	**714,805**	561,628
Total non-current assets		**52,638,460**	39,277,214
CURRENT ASSETS			
Properties under development	19	**49,136,052**	28,101,140
Completed properties held for sale	24	**8,021,749**	3,242,502
Trade receivables	25	**782,142**	401,785
Prepayments, other receivables and other assets	26	**8,449,634**	4,855,783
Financial assets at fair value through profit or loss	28	**665,070**	642,440
Due from related parties	27	**4,379,165**	4,009,493
Prepaid income tax		**1,411,122**	987,603
Restricted cash	29	**4,297,558**	4,409,592
Pledged deposits	29	**450,253**	47,909
Cash and cash equivalents	29	**19,150,849**	15,515,314
Total current assets		**96,743,594**	62,213,561
CURRENT LIABILITIES			
Trade and bills payables	30	**14,959,698**	8,347,133
Other payables and accruals	31	**12,433,555**	9,929,465
Contract liabilities	31	**34,902,065**	21,539,926
Interest-bearing bank and other borrowings	32	**8,858,490**	10,537,381
Derivative financial instruments	23	**–**	26,739
Senior notes and domestic bonds	33	**3,436,692**	–
Due to related parties	27	**7,505,159**	1,246,015
Tax payable		**2,953,045**	2,599,736
Total current liabilities		**85,048,704**	54,226,395

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NET CURRENT ASSETS		**11,694,890**	7,987,166
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,333,350**	47,264,380
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**12,401,766**	9,594,620
Senior notes and domestic bonds	33	**17,380,134**	13,205,644
Lease liabilities	17	**186,421**	–
Deferred tax liabilities	34	**4,026,165**	2,279,297
Provision for major overhauls	35	**52,677**	45,412
Total non-current liabilities		**34,047,163**	25,124,973
Net assets		**30,286,187**	22,139,407
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**361,497**	353,077
Reserves	38	**17,217,513**	15,129,109
		17,579,010	15,482,186
Perpetual capital instruments	39	**–**	700,000
Non-controlling interests		**12,707,177**	5,957,221
Total equity		**30,286,187**	22,139,407

Wong Chiu Yeung
Director

Huang Youquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent														
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Property revaluation reserve RMB'000	Other reserves RMB'000	Share option reserve RMB'000 (note 38(e))	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual capital instruments RMB'000 (note 39)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (as previously reported)	329,804	1,760,214	(274,445)	1,114,988	30	82,872	(24,502)	56,798	(44,811)	42,910	9,464,734	12,508,592	700,000	3,400,505	16,609,097
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,385,284	3,385,284	58,363	233,176	3,676,823
Other comprehensive income/(loss) for the year:															
Release of other reserves upon deemed acquisition of subsidiaries	–	–	–	–	–	–	40,539	–	–	–	–	40,539	–	–	40,539
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(13,837)	–	–	–	–	(13,837)	–	–	(13,837)
Share of other comprehensive loss of associates	–	–	–	–	–	–	(28)	–	–	–	–	(28)	–	–	(28)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(392,753)	–	(392,753)	–	(93,684)	(486,437)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	26,674	–	–	(392,753)	3,385,284	3,019,205	58,363	139,492	3,217,060
Capital reduction of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(44,739)	(44,739)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	1,545,511	1,545,511
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(505,745)	(505,745)
Deemed acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,338,728	1,338,728
Acquisition of subsidiaries that are not a business (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	83,469	83,469
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	(58,363)	–	(58,363)
Deregistration of a subsidiary	–	–	7,470	–	–	–	–	–	–	–	–	7,470	–	–	7,470
Share options exercised	21,728	559,765	–	–	–	–	–	(60,014)	–	–	–	521,479	–	–	521,479
Issue of shares for scrip dividend	1,545	46,335	–	–	–	–	–	–	–	–	–	47,880	–	–	47,880
2017 final dividend	–	(413,984)	–	–	–	–	–	–	–	–	–	(413,984)	–	–	(413,984)
2018 interim dividend	–	(225,993)	–	–	–	–	–	–	–	–	–	(225,993)	–	–	(225,993)
Transfer to statutory surplus reserve	–	–	–	171,944	–	–	–	–	–	–	(171,944)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	–	–	17,537	–	–	–	17,537	–	–	17,537
At 31 December 2018	353,077	1,726,337*	(266,975)*	1,286,932*	30*	82,872*	2,172*	14,321*	(44,811)*	(349,843)*	12,678,074*	15,482,186	700,000	5,957,221	22,139,407

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent														
	Issued capital RMB'000 (note 36)	Share premium account RMB'000	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Property revaluation reserve RMB'000	Other reserves RMB'000	Share option reserve RMB'000 (note 38(e))	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual capital instruments RMB'000 (note 39)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	353,077	1,726,337*	(266,975)*	1,286,932*	30*	82,872*	2,172*	14,321*	(44,811)*	(349,843)*	12,678,074*	15,482,186	700,000	5,957,221	22,139,407
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,510,045	3,510,045	35,408	478,013	4,023,466
Other comprehensive income/(loss) for the year:															
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(97)	–	–	–	–	(97)	–	–	(97)
Share of other comprehensive income of associates	–	–	–	–	–	–	8	–	–	–	–	8	–	–	8
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(280,270)	–	(280,270)	–	(27,578)	(307,848)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	(89)	–	–	(280,270)	3,510,045	3,229,686	35,408	450,435	3,715,529
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	4,275,386	4,275,386
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(205,000)	(205,000)
Acquisition of non-controlling interests	–	–	(540,453)	–	–	–	–	–	–	–	–	(540,453)	–	(472,734)	(1,013,187)
Partial disposal of subsidiaries	–	–	(40,421)	–	–	–	–	–	–	–	–	(40,421)	–	121,288	80,867
Acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	–	912,813	912,813
Deemed acquisition of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,099,376	1,099,376
Acquisition of subsidiaries that are not a business (note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–	568,392	568,392
Redemption of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	(700,000)	–	(700,000)
Distribution to holders of perpetual capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	(35,408)	–	(35,408)
Share options exercised	8,420	240,999	–	–	–	–	–	(24,535)	–	–	–	224,884	–	–	224,884
2018 final dividend	–	(507,878)	–	–	–	–	–	–	–	–	–	(507,878)	–	–	(507,878)
2019 interim dividend	–	(362,770)	–	–	–	–	–	–	–	–	–	(362,770)	–	–	(362,770)
Transfer to statutory surplus reserve	–	–	–	(109,324)	–	–	–	–	–	–	109,324	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	–	–	93,776	–	–	–	93,776	–	–	93,776
At 31 December 2019	361,497	1,096,688*	(847,849)*	1,177,608*	30*	82,872*	2,083*	83,562*	(44,811)*	(630,113)*	16,297,443*	17,579,010	–	12,707,177	30,286,187

* These reserve accounts comprise the consolidated reserves of RMB17,217,513,000 (31 December 2018: RMB15,129,109,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,854,275**	6,052,456
Adjustments for:			
Finance costs	7	**528,142**	401,686
Share of profits and losses of:			
Joint ventures		**(181,599)**	(513,275)
Associates		**27,168**	(22,217)
Interest income		**(325,220)**	(87,924)
Gain on disposal of items of property and equipment, net	6, 8	**(251)**	(11,190)
Gain on bargain purchase	6, 41	**(564,349)**	–
Gain on disposal of subsidiaries, net	6, 43	**(17,217)**	–
Gain on disposal of a joint venture	6	**(14,046)**	–
Loss on deemed acquisition of subsidiaries, net	8, 41	**–**	26,983
Fair value losses/(gains), net:			
Derivative financial instruments — transactions not qualifying as hedges	6, 8	**(26,843)**	(166,338)
Financial assets at fair value through profit or loss	8	**6,088**	39,285
Remeasurement of investment in a joint venture	6, 8	**(47,023)**	–
Remeasurement of investment in an associate	6, 8	**–**	(21,097)
Premium paid on early redemption of senior notes	8	**59,820**	–
Loss on disposal of investment properties, net	8	**–**	11,988
Depreciation of property and equipment	8,14	**47,957**	33,065
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	8	**47,898**	8,281
Changes in fair value of investment properties, net	15	**(1,404,861)**	(1,082,540)
Amortisation of an intangible asset	8,18	**166**	170
Write down to net realisable value of completed properties held for sale	8	**39,035**	–
Impairment of investment in associates	8	**32,423**	–
Equity-settled share option expense		**93,776**	17,537
		4,155,339	4,686,870
Additions to prepaid land lease payments	16	**–**	(6,422,996)
Increase in properties under development		**(34,723,872)**	(9,386,066)
Increase in contract in progress	20	**(16,337)**	(3,882)
Decrease in completed properties held for sale		**15,249,000**	11,298,108
Increase in trade receivables		**(380,357)**	(290,767)
Increase in prepayments, other receivables and other assets		**(2,966,296)**	(3,194,534)
Increase in trade and bills payables		**6,696,429**	4,229,205
Increase in other payables and accruals		**849,362**	1,732,560
Increase in contract liabilities		**7,705,846**	5,206,981
Increase in provision for major overhauls, net	35	**4,893**	4,800
Cash generated from/(used in) operations		**(3,425,993)**	7,860,279
Interest received		**325,220**	87,924
Interest paid		**(2,520,268)**	(2,013,896)
PRC corporate income tax paid		**(798,326)**	(880,220)
PRC land appreciation tax paid		**(668,953)**	(772,475)
Net cash flows from/(used in) operating activities		**(7,088,320)**	4,281,612

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(98,844)**	(619,186)
Proceeds from disposal of items of property and equipment		**5,624**	22,206
Additions to investment properties		**(1,010,024)**	(781,067)
Proceeds from disposal of investment properties		**–**	177,517
Prepayment for acquisition of an associate		**–**	(60,000)
Prepayment for establishment of joint ventures		**–**	(697,371)
Acquisition of subsidiaries	41	**(709,425)**	–
Acquisition of subsidiaries that are not a business	42	**(681,435)**	(717,755)
Deemed acquisition of subsidiaries	41	**526,937**	93,460
Disposal of subsidiaries	43	**384,493**	–
Partial disposal of subsidiaries		**80,867**	–
Investment in joint ventures		**(1,459,138)**	(1,837,968)
Proceeds from disposal of a joint venture		**65,000**	–
Dividend from joint ventures		**5,608**	247,938
Investment in associates		**(521,778)**	(1,600)
Dividend from associates		**24,616**	540
Loans to joint ventures and associates		**(2,815,441)**	(1,227,796)
Purchase of financial assets at fair value through profit or loss		**(20,149)**	(439,532)
Increase in amounts due from related parties		**60,031**	–
Decrease/(increase) in restricted cash		**112,034**	(2,800,234)
Increase in pledged deposits		**(402,344)**	(22,609)
Net cash flows used in investing activities		**(6,453,368)**	(8,663,457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes and domestic bonds		**9,633,385**	3,753,015
Issuance costs of senior notes and domestic bonds		**(102,266)**	(48,546)
Redemption of senior notes		**(2,388,628)**	–
Premium paid on early redemption of senior notes	8	**(59,820)**	–
New bank and other borrowings		**16,422,709**	16,648,534
Repayment of bank and other borrowings		**(14,790,194)**	(9,953,961)
Capital contribution from non-controlling shareholders		**4,275,386**	1,545,511
Capital reduction of subsidiaries		**–**	(44,739)
Advances from non-controlling shareholders		**524,798**	1,546,168
Principal portion of lease payments		**(42,874)**	–
Acquisition of non-controlling interests		**(1,013,187)**	–
Increase/(decrease) in amounts due to related parties, net		**6,259,144**	(1,221,088)
Distribution to holders of perpetual capital instruments		**(35,408)**	(58,363)
Redemption of perpetual capital instruments		**(700,000)**	–
Proceeds from exercise of share options		**224,884**	521,479
Dividends paid		**(870,648)**	(592,097)
Dividends paid to non-controlling shareholders of subsidiaries		**(205,000)**	(505,745)
Net cash flows from financing activities		**17,132,281**	11,590,168

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,590,593**	7,208,323
Cash and cash equivalents at beginning of year		**15,515,314**	8,145,483
Effect of foreign exchange rate changes, net		**44,942**	161,508
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,150,849**	15,515,314
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	29	**19,150,849**	15,515,314

1. CORPORATE AND GROUP INFORMATION

China SCE Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of the principal place of business of the Company in the People's Republic of China (the "PRC") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shenchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and property management in the PRC during the year.

In the opinion of the directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Affluent Way International Limited ø^	BVI	US$1	100	–	Investment holding
South China Group (H.K.) Limited ø^	Hong Kong	HK$100	–	100	Investment holding
Xiamen Zhongjun Industrial Co., Ltd.** ("Xiamen Zhongjun") (廈門中駿集團有限公司#)	China	HK$1,670,000,000	–	100	Investment holding and trading of construction materials
Shanghai Zhongjun Property Co., Ltd.* (上海中駿置業有限公司#)	China	RMB100,000,000	–	100	Investment holding and trading of construction materials
Beijing Zhongjun Commercial Management Co., Ltd.** (北京中駿商業管理有限公司#)	China	RMB100,000,000	–	100	Property investment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fujian Zhongjun Industrial Co., Ltd.* (福建中駿置業有限公司#)	China	RMB1,000,000,000	–	100	Investment holding, property development and property investment
Shanxi Yuanhong Real Estate Development Co., Ltd.* (山西源宏房地產開發有限公司#)	China	RMB100,000,000	–	100	Property development
Fujian Straits West-Coast Investment Co., Ltd.* ("West-Coast Investment") (福建省海峽西岸投資有限公司#)	China	RMB10,000,000	–	58	Property development
Quanzhou Puxi Third Property Co., Ltd.*** (泉州市浦西三號置業有限公司#)	China	RMB900,000,000	–	100	Property development and property investment
South Fujian Gold Coast Resort Co., Ltd. Shishi** (石獅市閩南黃金海岸渡假村有限公司#)	China	RMB400,000,000	–	45	Property development and property investment
Shenzhen Pacific Prestige Real Estate Development Limited** (深圳泛亞房地產開發有限公司#)	China	HK$160,000,000	–	95	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Junyu Real Estate Development Co., Ltd.* (北京駿宇房地產開發有限公司#)	China	RMB400,000,000	–	100	Property development
Tianjin Junkun Real Estate Development Co., Ltd.* (天津駿坤房地產開發有限公司#)	China	RMB300,000,000	–	100	Property development
Nanchang Junda Real Estate Development Co., Ltd.* (南昌駿達房地產開發有限公司#)	China	RMB100,000,000	–	100	Property development
Shanghai Junwo Real Estate Development Co., Ltd.*^ (上海駿沃房地產開發有限公司#)	China	RMB480,000,000	–	100	Property development and property investment
Shanghai Heng Zhi Property Co., Ltd.* (上海衡智房地產有限公司#)	China	RMB100,000,000	–	100	Property development
Shanghai Junbo Real Estate Development Co., Ltd.*^ (上海駿博房地產開發有限公司#)	China	RMB209,000,000	–	100	Property development and property investment
Shanghai Junming Real Estate Development Co., Ltd.*** (上海駿鳴房地產開發有限公司#)	China	RMB1,062,500,000	–	100	Property development and property investment
Nan'an Junhong Real Estate Development Co., Ltd* (南安駿宏房地產開發有限公司#)	China	RMB150,000,000	–	100	Property development
Jinan Junquan Real Estate Development Co., Ltd.*^ (濟南駿泉房地產開發有限公司#)	China	RMB700,000,000	–	45	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hangzhou Junjin Industrial Development Co., Ltd.* (杭州駿錦實業發展有限公司#)	China	RMB363,787,500	–	96	Property development and property investment
Xuzhou Junjia Real Estate Development Co., Ltd*** (徐州駿嘉房地產開發有限公司#)	China	US$94,024,000	–	96	Property development
Shanghai Zhongjun Chuangfu Real Estate Co., Ltd.*** ("Shanghai Zhongjun Chuangfu") (上海中駿創富房地產有限公司#)	China	RMB1,800,000,000	–	61	Property development and property investment
Shangqiu Zhongyu Property Co., Ltd.* (商丘市中裕置業有限公司#)	China	RMB200,000,000	–	40	Property development
Suzhou Junyuan Real Estate Development Co. Ltd.* (蘇州駿源房地產開發有限公司#)	China	RMB21,085,900	–	95	Property development
Nanjing Junyuan Real Estate Development Co., Ltd.* ("Nanjing Junyuan") (南京駿原房地產開發有限公司#)	China	RMB1,999,200,000	–	50	Property development
Chongqing Junhuigongchuang Real Estate Development Co., Ltd.* (重慶駿匯共創房地產開發有限公司#)	China	RMB360,000,000	–	47	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Songming Zhongjiguoye Real Estate Development Co., Ltd.* ("Songming Zhongji") (嵩明中稷國燁房地產開發有限公司#)	China	RMB150,000,000	–	70	Property development
Qingdao Zhong Yutai Property Co., Ltd.*^ (青島眾裕泰置業有限公司#)	China	RMB52,241,100	–	96	Property development
Xiamen Junyou Real Estate Development Co., Ltd.*** ("Xiamen Junyou") (廈門駿佑房地產開發有限公司#)	China	RMB2,000,000,000	–	46	Property development
Tianjin Junyang Real Estate Development Co., Ltd.* (天津駿揚房地產開發有限公司#)	China	RMB693,518,350	–	95	Property development
Tianjin Bijun Real Estate Development Co., Ltd.* (天津碧軍房地產開發有限公司#)	China	RMB30,000,000	–	48	Property development
Suzhou Junda Real Estate Development Co., Ltd.* (蘇州駿達房地產開發有限公司#)	China	RMB1,247,387,740	–	91	Property development
Xuzhou Junxing Real Estate Development Co., Ltd.* (徐州駿興房地產開發有限公司#)	China	RMB1,437,000,000	–	46	Property development
Shangrao Junmao Real Estate Development Co., Ltd.* (上饒市駿茂房地產開發有限公司#)	China	RMB30,000,000	–	96	Property development
Chongqing Sanchengyihui Enterprise Co., Ltd.* ("Chongqing Sanchengyihui") (重慶三城益匯實業有限公司#)	China	RMB1,000,000,000	–	50	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

*	Registered as limited liability companies under the PRC law
**	Registered as wholly-foreign-owned entities under the PRC law
***	Registered as Sino-foreign joint ventures under the PRC law
#	The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.
^	At 31 December 2019, the equity interests of these companies were pledged to secure certain bank and other borrowings of RMB5,649,205,000 (2018: RMB7,668,159,000) granted to the Group (note 32(b)).
ø	As at 31 December 2019, the equity interests of these companies were pledged under share mortgage to the holders of the senior notes of US$500,000,000 at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "2017 Senior Notes"); the senior notes of US$600,000,000 at a coupon rate of 7.45% due 2021 issued in April 2018 (the "2018 Senior Notes"); the senior notes of US$500,000,000 at a coupon rate of 8.75% due 2021 issued in January 2019 (the "2019 January Senior Notes"); the senior notes of US$350,000,000 at a coupon rate of 7.375% due 2024 issued in April 2019 (the "2019 April Senior Notes"); and the senior notes of US$500,000,000 at a coupon rate of 7.25% due 2023 issued in July 2019 (the "2019 July Senior Notes") (note 33).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, other amendments and interpretations are applied for the first time in 2019, but do not have significant financial impact on these financial statements.

The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)–Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)–Int 15 *Operating Leases — Incentives* and HK(SIC)–Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretation.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for leasehold lands and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The current portion of lease liabilities were included in other payables and accruals whereas the non-current portion of lease liabilities were separately disclosed in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date and included in property and equipment and properties under development in the consolidated statement of financial position, as appropriate.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40. For leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB28,760,000 were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 is as follows:

	Increase/ (decrease) RMB'000
Non-current assets	
Property and equipment	49,885
Investment properties	28,760
Prepaid land lease payments	(5,028,066)
Prepayments, other receivables and other assets	(8,955)
Properties under development	5,037,021
Total non-current assets	78,645
Current liabilities	
Other payable and accruals	18,657
Non-current liabilities	
Lease liabilities	59,988
Total liabilities	78,645

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	62,599
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(14,156)
Add: Present value of lease payment in optional extension periods not recognised as at 31 December 2018	41,667
	90,110
Weighted average incremental borrowing rate as at 1 January 2019	8%
Lease liabilities as at 1 January 2019	78,645

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's financial statements.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, contract in progress, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Transportation equipment	10% to 25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Changes in the values of revalued property and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation *(Continued)*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining term of the lease
Buildings	two to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term of the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Properties under development

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

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

When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for properties under development.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

When the right-of-use assets relate to interests in leasehold land held as completed properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for completed properties held for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible asset (other than goodwill)" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of an intangible asset recognised in profit or loss in the period is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset (other than goodwill) *(Continued)*

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above.

When the right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonable certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's current portion of lease liabilities were included in other payables and accruals whereas the non-current portion of lease liabilities were separately disclosed in the consolidated statement of financial position.

(b) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Lease in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. When the Group is an intermediate lessor, a sublesase is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial assets at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, amounts due to related parties, interest-bearing bank and other borrowings and senior notes and domestic bonds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings and domestic bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

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 liability 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 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 liability 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sales of properties*

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained 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.

(b) *Rendering of service*

Revenue from provision of management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Land development*

Revenue from land development is recognised at a point in time, when the customer obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Rental income and facilities rental income is recognised on a time proportion basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfer the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfer control of the related goods or services to the customer).

Contract cost

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract cost *(Continued)*

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Land development contract

The Group has entered into a land development contract (the "Land Development Contract") with the local government of Nan'an City (the "Nan'an Government"), the PRC, to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities on certain land parcels in Nan'an City.

Pursuant to the Supplemental Contract (as defined in note 20), upon completion of the necessary construction and preparation works of each land parcel, the Nan'an Government will pay the Group the construction and other related cost plus a margin. Such amount will be paid by the Nan'an Government upon the related land parcels to be sold by the Nan'an Government through public auction.

Revenue from the Land Development Contract is recognised at a point in time when the Nan'an Government obtains control of the assets and the Group has present right to payment and the collection of the consideration is probable and the amount of revenue can be measured reliably, which occurs upon the completion of related construction and preparation works as well as the sales of the relevant land parcel. The timing of sales of each land parcel by the Nan'an Government is uncertain and out of the control of the Group.

Costs incurred by the Group in connection with the Land Development Contract comprise the aggregate costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such Land Development Contract and are classified as "Contract in progress" before the relevant land parcels are sold.

Contract in progress is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's revenue derived from the construction and preparation work carry out less costs to completion and the costs to be incurred in realising the revenue based on prevailing market conditions.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-Settled Transactions").

The cost of Equity-Settled Transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

Proposed final dividends are disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK$") while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, joint ventures and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as historical transaction, future development plan and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls certain entities, even though it owns less than 50% of the voting rights of these entities, because the Group is entitled to appoint a majority of directors in the board of directors and accordingly, the Group is able to control and direct the financing and operating activities of these entities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

During the years ended 31 December 2019 and 31 December 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers		
Sales of properties	**20,452,820**	17,224,700
Property management fees	**458,066**	336,678
Project management income	**174,313**	90,546
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**17,269**	–
Other lease payments, including fixed payments	**267,334**	130,962
	21,369,802	17,782,886

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

	Sales of properties RMB'000	Property management fees RMB'000	Project management income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	**20,452,820**	**–**	**–**	**20,452,820**
Services transferred over time	**–**	**458,066**	**174,313**	**632,379**
Total revenue from contracts with customers	**20,452,820**	**458,066**	**174,313**	**21,085,199**

For the year ended 31 December 2018

	Sales of properties RMB'000	Property management fees RMB'000	Project management income RMB'000	Total RMB'000
Timing of revenue recognition:				
Goods transferred at a point in time	17,224,700	–	–	17,224,700
Services transferred over time	–	336,678	90,546	427,224
Total revenue from contracts with customers	17,224,700	336,678	90,546	17,651,924

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of properties	**17,024,268**	12,384,485

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

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

Sales of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

Property management fees and Project management income

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

The amount of unsatisfied performance obligation principally comprises the balance of contract liabilities, which are expected to be recognised in one to three years as of 31 December 2019 and 31 December 2018.

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

	Notes	2019 RMB'000	2018 RMB'000
Other income and gains			
Bank interest income		**206,298**	87,924
Interest income on amounts due from joint ventures		**118,922**	–
Forfeiture income on deposits received		**15,522**	6,668
Gain on disposal of items of property and equipment, net		**251**	11,190
Fair value gain of derivative financial instruments — transactions not qualifying as hedges		**26,843**	166,338
Fair value gain on remeasurement of investment in a joint venture		**47,023**	–
Fair value gain on remeasurement of investment in an associate		**–**	21,097
Gain on bargain purchase	41	**564,349**	–
Gain on disposal of subsidiaries, net	43	**17,217**	–
Gain on disposal of a joint venture		**14,046**	–
Others		**145,367**	93,420
		1,155,838	386,637

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings, senior notes and domestic bonds	**2,920,220**	2,133,590
Interest on lease liabilities (note 17(b))	**19,774**	–
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 35)	**2,372**	2,044
Total interest expense on financial liabilities not at fair value through profit or loss	**2,942,366**	2,135,634
Less: Interest capitalised	**(2,414,224)**	(1,733,948)
	528,142	401,686

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of properties sold		**15,249,000**	11,298,108
Cost of services provided		**228,765**	338,012
Depreciation of property and equipment	14	**47,957**	33,065
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)	16,17(b)	**47,898**	8,281
Amortisation of an intangible asset*	18	**166**	170
Provision for major overhauls	35	**5,465**	5,228
Minimum lease payments under operating leases for land and buildings		**–**	37,040
Lease payments not included in the measurement of lease liabilities	17(b)	**4,412**	–
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties		**615**	434
Auditor's remuneration		**4,870**	4,250
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and other staff costs		**1,090,625**	897,123
Equity-settled share option expense		**93,776**	17,537
Pension scheme contributions		**195,395**	143,173
Less: Amount capitalised		**(287,885)**	(429,402)
		1,091,911	628,431
Premium paid on early redemption of senior notes**		**59,820**	–
Foreign exchange differences, net		**16,450**	78,141
Fair value gain of derivative financial instruments — transactions not qualifying as hedges		**(26,843)**	(166,338)
Fair value loss of financial assets at fair value through profit or loss, net		**6,088**	39,285
Fair value gain on remeasurement of investment in a joint venture		**(47,023)**	–
Fair value gain on remeasurement of investment in an associate		**–**	(21,097)
Gain on bargain purchase	41	**(564,349)**	–
Loss on deemed acquisition of subsidiaries, net	41	**–**	26,983
Gain on disposal of subsidiaries, net	43	**(17,217)**	–
Gain on disposal of a joint venture		**(14,046)**	–
Write down to net realisable value of completed properties held for sale		**39,035**	–
Impairment of investment in associates**		**32,423**	–
Loss on disposal of investment properties, net		**–**	11,988
Gain on disposal of items of property and equipment, net		**(251)**	(11,190)

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** These items were included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019	2018
	RMB'000	RMB'000
Fees	**888**	852
Other emoluments:		
Salaries, allowances and benefits in kind	**6,899**	6,656
Discretionary performance related bonuses	**8,177**	7,829
Equity-settled share option expense	**28,258**	3,297
Pension scheme contributions	**108**	99
	43,442	17,881
	44,330	18,733

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019						
Independent non-executive directors:						
Mr. Ting Leung Huel Stephen	**296**	**–**	**–**	**–**	**–**	**296**
Mr. Lu Hong Te	**296**	**–**	**–**	**–**	**–**	**296**
Mr. Dai Yiyi	**296**	**–**	**–**	**–**	**–**	**296**
	888	**–**	**–**	**–**	**–**	**888**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018						
Independent non-executive directors:						
Mr. Ting Leung Huel Stephen	284	–	–	–	–	284
Mr. Lu Hong Te	284	–	–	–	–	284
Mr. Dai Yiyi	284	–	–	–	–	284
	852	–	–	–	–	852

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019						
Executive directors:						
Mr. Wong Chiu Yeung ("Mr. Wong")	**–**	**1,641**	**2,461**	**–**	**16**	**4,118**
Mr. Chen Yuanlai	**–**	**1,334**	**1,556**	**10,092**	**16**	**12,998**
Mr. Cheng Hiu Lok	**–**	**1,334**	**1,556**	**10,092**	**16**	**12,998**
Mr. Huang Youquan	**–**	**1,320**	**1,334**	**8,074**	**44**	**10,772**
Mr. Wong Lun	**–**	**1,270**	**1,270**	**–**	**16**	**2,556**
	–	**6,899**	**8,177**	**28,258**	**108**	**43,442**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018						
Executive directors:						
Mr. Wong	–	1,571	2,356	–	15	3,942
Mr. Chen Yuanlai	–	1,277	1,490	773	15	3,555
Mr. Cheng Hiu Lok	–	1,277	1,490	773	15	3,555
Mr. Huang Youquan	–	1,315	1,277	1,751	39	4,382
Mr. Wong Lun	–	1,216	1,216	–	15	2,447
	–	6,656	7,829	3,297	99	17,881

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2018: three) non-director, highest paid individual for the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	3,247	4,816
Discretionary performance related bonuses	1,200	1,800
Equity-settled share option expense	14,366	5,077
Pension scheme contributions	156	143
	18,969	11,836

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$4,000,001 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	–	2
HK$10,500,001 to HK$11,000,000	2	–
	2	3

11. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

	2019 RMB'000	2018 RMB'000
Current charge for the year:		
PRC corporate income tax ("CIT")	1,215,624	1,294,115
PRC land appreciation tax ("LAT")	387,840	981,564
Under/(over)-provision in prior years, net:		
Mainland China	(6,970)	61,056
	1,596,494	2,336,735
Deferred (note 34)	234,315	38,898
Total tax charge for the year	1,830,809	2,375,633

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	RMB'000
Profit before tax	**5,854,275**	6,052,456
At the statutory/applicable rates of different jurisdictions	**1,557,132**	1,674,725
Lower tax rates for specific cities	**(48,649)**	(60,149)
Adjustments in respect of current tax of previous periods	**(6,970)**	61,056
Profits and losses attributable to joint ventures and associates	**(38,608)**	(133,873)
Income not subject to tax	**(137,491)**	(21,890)
Expenses not deductible for tax	**265,045**	192,339
Tax effect on unrealised profits arising from transactions within the Group	**(50,530)**	(72,748)
LAT	**387,840**	981,564
Tax effect of LAT deductible for PRC CIT	**(96,960)**	(245,391)
Tax charge at the Group's effective rate	**1,830,809**	2,375,633

The share of tax charge for the year ended 31 December 2019 attributable to joint ventures amounted to RMB255,520,000 (2018: RMB213,670,000). The share of tax charge for the year ended 31 December 2019 attributable to associates amounted to RMB1,726,000 (2018: RMB9,606,000). Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

12. DIVIDENDS

	2019	2018
	RMB'000	RMB'000
Interim — HK10 cents (2018: HK7 cents) per ordinary share	**362,770**	225,993
Proposed final — HK14 cents (2018: HK14 cents) per ordinary share	**523,436**	507,878
	886,206	733,871

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 4,134,224,457 (2018: 3,855,128,016) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**3,510,045**	3,385,284

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,134,224,457**	3,855,128,016
Effect of dilution — weighted average number of ordinary shares:		
Share options	**73,602,653**	81,613,520
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**4,207,827,110**	3,936,741,536

14. PROPERTY AND EQUIPMENT

	Property and equipment					Right-of-use assets			
	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Subtotal RMB'000	Leasehold land RMB'000	Buildings RMB'000	Subtotal RMB'000	Total RMB'000
31 December 2019									
At 1 January 2019 (restated):									
Cost	346,787	65,584	106,803	104,456	623,630	250,459	49,885	300,344	923,974
Accumulated depreciation	(10,515)	(42,337)	(47,617)	(90,331)	(190,800)	(2,505)	–	(2,505)	(193,305)
Net carrying value	336,272	23,247	59,186	14,125	432,830	247,954	49,885	297,839	730,669
At 31 December 2018, net of accumulated depreciation	584,226	23,247	59,186	14,125	680,784	–	–	–	680,784
Effect of adoption of HKFRS 16	(247,954)	–	–	–	(247,954)	247,954	49,885	297,839	49,885
At 1 January 2019 (restated)	336,272	23,247	59,186	14,125	432,830	247,954	49,885	297,839	730,669
Additions	12,572	6,828	66,578	12,866	98,844	–	98,338	98,338	197,182
Acquisition of subsidiaries (note 41)	–	–	293	32	325	–	–	–	325
Deemed acquisition of a subsidiary (note 41)	–	–	474	–	474	–	–	–	474
Acquisition of subsidiaries that are not a business (note 42)	–	–	7	–	7	–	–	–	7
Depreciation	(5,861)	(9,354)	(25,352)	(7,390)	(47,957)	(5,009)	(42,889)	(47,898)	(95,855)
Disposals	–	(462)	(4,884)	(27)	(5,373)	–	–	–	(5,373)
Disposal of subsidiaries (note 43)	–	–	(7)	–	(7)	–	–	–	(7)
At 31 December 2019, net of accumulated depreciation	342,983	20,259	96,295	19,606	479,143	242,945	105,334	348,279	827,422
At 31 December 2019:									
Cost	359,359	55,111	164,081	115,642	694,193	250,459	148,223	398,682	1,092,875
Accumulated depreciation	(16,376)	(34,852)	(67,786)	(96,036)	(215,050)	(7,514)	(42,889)	(50,403)	(265,453)
Net carrying value	342,983	20,259	96,295	19,606	479,143	242,945	105,334	348,279	827,422

14. PROPERTY AND EQUIPMENT *(Continued)*

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	49,656	51,407	67,927	100,383	269,373
Accumulated depreciation	(8,428)	(36,148)	(32,928)	(86,975)	(164,479)
Net carrying value	41,228	15,259	34,999	13,408	104,894
At 1 January 2018, net of accumulated depreciation	41,228	15,259	34,999	13,408	104,894
Additions	558,982	15,394	42,260	2,550	619,186
Deemed acquisition of subsidiaries (note 41)	–	–	607	173	780
Acquisition of subsidiaries that are not a business (note 42)	–	–	5	–	5
Depreciation	(6,908)	(6,189)	(18,024)	(1,944)	(33,065)
Disposals	(9,076)	(1,217)	(661)	(62)	(11,016)
At 31 December 2018, net of accumulated depreciation	584,226	23,247	59,186	14,125	680,784
At 31 December 2018:					
Cost	597,246	65,584	106,803	104,456	874,089
Accumulated depreciation	(13,020)	(42,337)	(47,617)	(90,331)	(193,305)
Net carrying value	584,226	23,247	59,186	14,125	680,784

At 31 December 2019, certain of the Group's buildings with an aggregate carrying amount of RMB10,630,000 (2018: RMB19,938,000) were pledged to banks to secure certain bank and other borrowings granted to the Group (note 46).

The Group has lease contracts of land and building used in its operations. Lump sum payments were made upfront to acquire the leased land from the PRC Government with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office buildings generally have lease terms between two and 20 years.

15. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2018	7,347,318	2,904,400	10,251,718
Additions	138,714	642,353	781,067
Disposals	(189,505)	–	(189,505)
Transfer from properties under development	–	2,004,480	2,004,480
Transfer	2,906,321	(2,906,321)	–
Deemed acquisition of subsidiaries (note 41)	6,340,000	–	6,340,000
Net gain from a fair value adjustment	976,152	106,388	1,082,540
Carrying amount at 31 December 2018	**17,519,000**	**2,751,300**	**20,270,300**
Effect of adoption of HKFRS 16	**28,760**	**–**	**28,760**
Carrying amount at 1 January 2019 (restated)	**17,547,760**	**2,751,300**	**20,299,060**
Additions	**394,597**	**728,110**	**1,122,707**
Transfer from properties under development	**–**	**1,461,389**	**1,461,389**
Transfer from completed properties held for sale	**64,726**	**–**	**64,726**
Transfer	**2,144,465**	**(2,144,465)**	**–**
Disposal of subsidiaries (note 43)	**–**	**(1,721,000)**	**(1,721,000)**
Net gain from a fair value adjustment	**798,795**	**606,066**	**1,404,861**
Carrying amount at 31 December 2019	**20,950,343**	**1,681,400**	**22,631,743**

All of the Group's investment properties are situated in Mainland China.

The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Cushman & Wakefield, independent professionally qualified valuers, at RMB22,631,743,000 (2018: RMB20,270,300,000).

At 31 December 2019, the Group's investment properties with an aggregate carrying amount of RMB10,260,000,000 (2018: RMB16,148,278,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

The Group's completed investment properties are leased to third parties and companies controlled by Mr. Wong and his family members (together with Mr. Wong, the "Wong Family") under operating leases, further summary details of which are included in note 17.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

For the years ended 31 December 2019 and 31 December 2018, the fair value measurements of all investment properties of the Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used in their highest and best use.

The following table illustrates the fair value measurement of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2019	2018
	RMB'000	RMB'000
Recurring fair value measurement for:		
Office and commercial properties	**21,554,462**	19,595,917
Car parking spaces	**1,077,281**	674,383
	22,631,743	20,270,300

During the year, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

	Valuation techniques	Significant unobservable inputs	Range (weighted average) 2019	2018
Office and commercial properties	Investment method and direct comparison method (refer below)	Estimated rental value per square metre and per month (RMB)	**35 to 616**	52 to 638
		Capitalisation rate	**1.5% to 6.5%**	4.5% to 6%
		Price per square metre (RMB)	**8,000 to 104,000**	8,500 to 93,500
Car parking spaces	Investment method and direct comparison method (refer below)	Estimated rental value per car parking space and per month (RMB)	**650 to 1,600**	650 to 1,500
		Capitalisation rate	**3.5% to 5%**	3.5% to 5%
		Price per car parking space (RMB)	**100,000 to 500,000**	100,000 to 453,000

The valuations of completed investment properties and investment properties under construction were based on either the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties or the direct comparison method by reference to comparable market transactions.

Significant increases (decreases) in estimated rental value per square metre or per car parking space or price per square metre in isolation would result in a significantly higher (lower) fair value of the investment properties. Significant increases (decreases) in the capitalisation rate in isolation would result in a significantly lower (higher) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square metre and the price per square metre is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

16. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000
Carrying amount at 1 January	5,427,646
Additions	6,422,996
Acquisition of subsidiaries that are not a business (note 42)	1,034,767
Transfer to properties under development	(9,289,086)
Transfer from prepayments and deposits	1,448,979
Recognised during the year (note 8)	(8,281)
Carrying amount at 31 December	5,037,021
Current portion included in prepayments, other receivables and other assets	(8,955)
Non-current portion	5,028,066

At 31 December 2018, certain of the Group's leasehold land with an aggregate carrying amount of RMB2,400,597,000 were pledged to secure certain bank and other borrowings granted to the Group (note 46).

17. LEASES

The Group as a lessee

The Group has lease contracts for properties used in operations. Leases of properties generally have lease terms between two to 20 years.

(a) Lease liabilities

The carrying amount of lease liabilities (included under other payables and accruals) and the movement during the year are as follows:

	Lease liabilities RMB'000
Carrying amount as at 1 January 2019	**78,645**
New leases	**211,021**
Accretion of interest recognised during the year	**19,774**
Payments	**(62,648)**
At 31 December 2019	**246,792**
Analysed into:	
Current portion	**60,371**
Non-current portion	**186,421**

The maturity analysis of lease liabilities is disclosed in note 51 to the financial statements.

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Notes	2019 RMB'000
Interest on lease liabilities	7	**19,774**
Depreciation charge of right-of-use assets	8	**47,898**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	8	**4,412**
Total amount recognised in profit or loss		**72,084**

(c) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 44(c) and 47, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of various office properties, commercial properties and car parking spaces in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB284,603,000 (2018: RMB130,962,000), details of which are included in note 6 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**76,733**	31,424
After one year but within two years	**–**	1,115
After five years	**–**	362
	76,733	32,901

18. INTANGIBLE ASSET

Operating concession

	2019 RMB'000	2018 RMB'000
Cost at 1 January, net of accumulated amortisation	**3,319**	3,489
Amortisation provided during the year (note 8)	**(166)**	(170)
At 31 December	**3,153**	3,319
At 31 December:		
Cost	**4,861**	4,861
Accumulated amortisation	**(1,708)**	(1,542)
Net carrying amount	**3,153**	3,319

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd. ("Straits Sports Centre"), a subsidiary of the Group, entered into an operating right concession agreement (the "Operating Right Agreement") with the Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, Straits Sports Centre is granted with an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specified amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

19. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**49,136,052**	28,101,140
Beyond normal operating cycle included under non-current assets	**13,248,794**	2,730,414
	62,384,846	30,831,554
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	**26,514,105**	13,944,927
After one year	**22,621,947**	14,156,213
	49,136,052	28,101,140

At 31 December 2019, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB31,504,324,000 (2018: RMB18,029,459,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

Lump sum payments were made upfront to acquire the leased land from the PRC Government with lease periods of 40 to 70 years, and no ongoing payments will be made under the terms of these land leases.

20. CONTRACT IN PROGRESS

	2019 RMB'000	2018 RMB'000
At 1 January	**326,907**	340,667
Additions	**16,337**	3,882
Transfer to properties under development	**–**	(17,642)
At 31 December	**343,244**	326,907

20. CONTRACT IN PROGRESS *(Continued)*

On 18 August 2009, the Group entered into the Land Development Contract with the Nan'an Government to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Pursuant to the Land Development Contract, although the Group does not have the ownership title or land use right to such land parcels, when the land parcels are sold by the Nan'an Government through public auction, the Group is entitled to the sales proceeds arising from such land sales.

Contract in progress represents costs incurred by the Group in connection with the construction and preparation work of the relevant land parcels under the Land Development Contract and comprises relocation and demolition work, costs of construction, materials and supplies, capitalised borrowing costs on related borrowed funds during the period of development and other costs directly attributable to the Land Development Contract.

On 22 February 2016, the Group entered into a supplemental Land Development Contract (the "Supplemental Contract") with the Nan'an Government, pursuant to which certain terms and conditions of the Land Development Contract were revised. In accordance with the Supplemental Contract, the Group continues to carry out the construction and preparation work in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Nan'an Government will pay the Group the construction and other related costs plus a margin. Such amount will be determined and paid by the Nan'an Government upon the related land parcels to be sold by the Nan'an Government through public auction.

21. INVESTMENTS IN JOINT VENTURES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**4,042,985**	2,872,986
Due from joint ventures	**4,831,966**	2,822,745
Due to joint ventures	**(11,913)**	(11,913)
	8,863,038	5,683,818

The amounts due from/(to) joint ventures are unsecured, interest-free and repayable on demand. In accordance with the terms of the joint venture agreements, all joint venture partners are required to provide loan capital to the joint ventures in proportion to their shareholdings under equal terms. Repayment of any amount of the loan capital requires unanimous approval from the joint venture partners subject to the sufficiency of assets and retained profits of the joint ventures. Accordingly, the loan capital forms an integral part of the Group's equity investments in the joint ventures.

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Particulars of the Group's material joint ventures are as follows:

Name	Particulars of issued and paid-up capital	Place of incorporation/ registration and business	Percentage of beneficial interest attributable to the Group	Principal activities
Tianjin Meijiang Qiushi Property Co., Ltd.* ("Tianjin Meijiang") (天津梅江秋實置業有限公司#)	RMB200,000,000	China	25	Property development
Foshan Hongsheng Property Development Co., Ltd.* ("Foshan Hongsheng") (佛山泓升置業發展有限公司#)	RMB900,000,000	China	49	Property development
Sure Source International Limited ("Sure Source")	US$118,018,100	BVI	50	Investment holding
Cangluan (Xiamen) Real Estate Co., Ltd.* ("Xiamen Cangluan") (滄鑾 (廈門)置業有限公司#)	RMB1,455,000,000	China	24	Property development

* Registered as limited liability companies under the PRC law

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names are registered.

The above investments are held indirectly by subsidiaries of the Company.

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes:

The following tables illustrate the summarised financial information in respect of Tianjin Meijiang, Foshan Hongsheng, Sure Source and its subsidiaries (collectively, "Sure Source Group"), Xiamen Cangluan, Wuxi Meishangjun Property Development Co., Ltd. ("Wuxi Meishangjun") and Nanjing Junyi Property Development Co., Ltd. ("Nanjing Junyi") adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

(a) Summarised financial information in respect of Tianjin Meijiang, Foshan Hongsheng, Sure Source Group and Xiamen Cangluan

	2019			
	Tianjin Meijiang RMB'000	Foshan Hongsheng RMB'000	Sure Source Group RMB'000	Xiamen Cangluan RMB'000
Cash and cash equivalents	11,715	204,695	85,548	285,925
Other current assets	1,863,047	18,567,134	270,535	3,286,767
Current assets	1,874,762	18,771,829	356,083	3,572,692
Non-current assets	30,109	174	1,292,000	36,082
Other current liabilities	(849,313)	(16,241,744)	(123,878)	(1,240,820)
Current liabilities	(849,313)	(16,241,744)	(123,878)	(1,240,820)
Non-current liabilities	–	(1,309,788)	(463,920)	(920,000)
Net assets	1,055,558	1,220,471	1,060,285	1,447,954
Reconciliation to the Group's directly held interest in the joint venture:				
Proportion of the Group's ownership	25%	49%	50%	24%
Share of net assets	263,890	598,031	530,143	353,301
Carrying amount of the investment	263,890	598,031	530,143	353,301
Revenue	2,521,019	499,468	–	–
Bank interest income	914	1,179	19	1,467
Depreciation	–	(85)	–	–
Tax credit/(expense)	(647,259)	(1,691)	(82,289)	3,514
Profit for the year	707,655	154,454	222,004	73,374
Other comprehensive loss	–	–	(2,258)	–

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(b) Summarised financial information in respect of Wuxi Meishangjun, Xiamen Cangluan and Nanjing Junyi

	2018		
	Wuxi Meishangjun RMB'000	Xiamen Cangluan RMB'000	Nanjing Junyi RMB'000
Cash and cash equivalents	5,632	19,336	30,312
Other current assets	2,267,439	3,192,424	2,338,691
Current assets	2,273,071	3,211,760	2,369,003
Non-current assets	611	14	2,804
Other current liabilities	(1,075,621)	(1,837,194)	(1,882,240)
Current liabilities	(1,075,621)	(1,837,194)	(1,882,240)
Net assets	1,198,061	1,374,580	489,567
Reconciliation to the Group's directly held interest in the joint venture:			
Proportion of the Group's ownership	32%	24%	49%
Share of net assets	386,375	335,398	238,566
Due from joint ventures	203,976	246,270	259,280
Carrying amount of the investment	590,351	581,668	497,846
Bank interest income	32	–	47
Depreciation	–	–	(227)
Tax credit	581	–	1,771
Loss and total comprehensive loss for the year	(1,939)	(80,420)	(8,132)

In the opinion of the directors, Wuxi Meishangjun and Nanjing Junyi are no longer considered as material joint ventures of the Group for the year ended 31 December 2019, and therefore, the summarised financial information of Wuxi Meishangjun and Nanjing Junyi for the year ended 31 December 2019 are not presented in the financial statements.

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit/(loss) for the year, net	**(199,902)**	537,485
Share of the joint ventures' other comprehensive income/(loss)	**1,032**	(13,837)
Share of the joint ventures' total comprehensive income/(loss)	**(198,870)**	523,648
Aggregate carrying amount of the Group's investments in the joint ventures	**7,117,673**	4,013,953

22. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**604,100**	66,734
Due from associates	**464,855**	88,338
Provision for impairment	**(32,423)**	–
	1,036,532	155,072

The amounts due from associates are unsecured, interest-free and repayable on demand. In accordance with the terms of the shareholder agreements, all shareholders of the associates are required to provide loan capital to the associates in proportion to their shareholdings under equal terms. Repayment of any amount of the loan capital requires unanimous approval from the shareholders subject to the sufficiency of assets and retained profits of the associates. Accordingly, the loan capital forms an integral part of the Group's equity investments in the associates.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates' income/(loss) for the year	**(27,168)**	22,217
Share of the associates' other comprehensive income/(loss)	**8**	(28)
Share of the associates' total comprehensive income/(loss)	**(27,160)**	22,189
Aggregate carrying amount of the Group's investments in the associates	**1,036,532**	155,072

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Capped forward cross currency swap contracts classified as:		
Current liabilities	–	26,739

The Group entered into various capped forward cross currency swap contracts with a bank to manage its exchange rate exposures.

These capped forward cross currency swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivatives amounting to RMB26,843,000 were credited to profit or loss during the year (2018: RMB166,338,000).

24. COMPLETED PROPERTIES HELD FOR SALE

All the completed properties held for sale are stated at the lower of cost and net realisable value.

At 31 December 2019, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB2,117,351,000 (2018: RMB304,098,000) were pledged to secure certain bank and other borrowings granted to the Group (note 46).

25. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of the sales of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

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

	2019 **RMB'000**	2018 RMB'000
Current to 90 days	**697,530**	393,387
91 to 180 days	**76,036**	287
181 to 365 days	**123**	9
Over 365 days	**8,453**	8,102
	782,142	401,785

The financial impact of ECLs for trade receivables is insignificant for the years ended 31 December 2019 and 31 December 2018.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments (note (a))	**6,988,361**	5,267,019
Deposits	**1,385,303**	559,556
Other receivables	**4,724,285**	2,656,170
Cost of obtaining contracts	**321,414**	209,944
	13,419,363	8,692,689
Non-current portion	**(4,969,729)**	(3,836,906)
Current portion	**8,449,634**	4,855,783

Note:

(a) The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB4,914,247,000 as at 31 December 2019 (2018: RMB2,235,333,000).

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 31 December 2018, the loss allowance was assessed to be minimal.

27. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	2019 RMB'000	2018 RMB'000
Due from related parties:		
Companies controlled by the Wong Family	–	60,031
Joint ventures	3,923,055	3,882,612
Associates	456,110	66,850
	4,379,165	4,009,493
Due to related parties:		
Companies controlled by the Wong Family	5,052	1,334
Joint ventures	7,430,402	1,198,759
Associates	69,705	45,922
	7,505,159	1,246,015

Except for the amounts due from related parties of RMB1,221,419,000 (2018: Nil) which are non-trade in nature, unsecured, borne interest ranging from 7.6% to 10.0% per annum and repayable on demand, other balances are non-trade in nature, unsecured, interest-free and repayable on demand.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 31 December 2019 and 31 December 2018, the loss allowance was assessed to be minimal.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	34,668	65,053
Other unlisted investments, at fair value	630,402	577,387
	665,070	642,440

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

29. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**23,898,660**	19,972,815
Less: Restricted cash (notes)	**(4,297,558)**	(4,409,592)
Pledged deposits (note (e))	**(450,253)**	(47,909)
Cash and cash equivalents	**19,150,849**	15,515,314

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sales proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects. As at 31 December 2019, such guarantee deposits amounted to RMB1,002,610,000 (2018: RMB2,214,106,000).

(b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. These guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks. As at 31 December 2019, such deposits amounted to RMB820,468,000 (2018: RMB528,296,000).

(c) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, the funds advanced by the Sports Bureau that are deposited in a designated bank account can only be used for payments of construction costs and expenditures incurred for the construction of the Facilities. As at 31 December 2019, such advance amounted to RMB6,000,000 (2018: RMB6,000,000).

(d) In addition to the restrictions as detailed in notes (a), (b) and (c) above, certain subsidiaries of the Group are also required to place certain of their bank deposit amounts as guarantee deposits for public maintenance funds, or there are restrictions as to the use of certain unutilised bank loan proceeds and proceeds from the perpetual capital instruments (note 39) deposited in the subsidiaries' bank accounts. As at 31 December 2019, the aggregate amount of such deposits amounted to RMB2,468,480,000 (2018: RMB1,661,190,000).

(e) The bank deposits were pledged to secure general banking facilities and bills payable granted to the Group (note 46).

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB20,974,502,000 (2018: RMB16,880,927,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

30. TRADE AND BILLS PAYABLES

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

	2019 RMB'000	2018 RMB'000
Within 1 year	**14,702,354**	8,208,575
Over 1 year	**257,344**	138,558
	14,959,698	8,347,133

The trade and bills payables are unsecured and non-interest-bearing and are normally settled based on the progress of construction.

31. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Contract liabilities	(a)	**34,902,065**	21,539,926
Deposits received		**488,802**	362,829
Accruals		**553,802**	391,923
Advances from non-controlling shareholders	(b)	**4,035,500**	3,510,702
Proceeds from securitisation arrangement	(c)	**2,263,084**	1,052,870
Other payables	(d)	**5,031,996**	4,611,141
Lease liabilities	17(a)	**246,792**	–
		47,522,041	31,469,391
Non-current portion – lease liabilities		**(186,421)**	–
Current portion		**47,335,620**	31,469,391
Represented by:			
Contract liabilities		**34,902,065**	21,539,926
Current portion of other payables and accruals		**12,433,555**	9,929,465
		47,335,620	31,469,391

31. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES *(Continued)*

Notes:

(a) Contract liabilities include advances received from buyers in connection with the Group's pre-sales of properties. The net increase in contract liabilities was mainly due to the increase in advances received from customers in relation to the sales of properties at the end of the year, offset by the decrease in advances received from customers upon recognition of revenue in the current year when the purchasers obtained the physical possession or the legal title of the relevant properties.

(b) Advances from non-controlling shareholders are unsecured, interest-free and repayable on demand.

(c) The balance represented proceeds received from a financial institution in the PRC, to which the Group has transferred the right of receipt of the remaining sale proceeds of certain properties to be delivered by the Group. Under an assignment arrangement between the Group and the financial institution, as and when the Group receives the sale proceeds from customers, the Group would remit any cash flows it collects on behalf of the financial institution.

(d) Other payables are non-interest-bearing and are expected to be settled within one year.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Contractual interest rate (%) per annum	**Maturity**	**RMB'000**	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	**3.82–8.70**	**2020**	**5,808,229**	2.85–8.70	2019	8,466,376
Bank loans — unsecured	**5.97**	**2020**	**34,866**	4.02	2019	238,347
Other loans — secured	**5.22–10.90**	**2020**	**3,015,395**	5.70–8.75	2019	1,832,658
			8,858,490			10,537,381
Non-current						
Bank loans — secured	**4.40–7.30**	**2021–2034**	**9,646,567**	4.52–7.84	2020–2033	6,819,304
Bank loans — unsecured	**5.97**	**2022**	**313,794**	–	–	–
Other loans — secured	**6.43–10.80**	**2021–2022**	**2,441,405**	6.43–8.75	2020–2021	2,775,316
			12,401,766			9,594,620
			21,260,256			20,132,001

32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,843,095**	8,704,723
In the second year	**4,768,381**	2,327,463
In the third to fifth years, inclusive	**4,081,871**	4,233,089
Beyond fifth years	**1,110,109**	258,752
	15,803,456	15,524,027
Other borrowings repayable:		
Within one year	**3,015,395**	1,832,658
In the second year	**1,761,405**	650,000
In the third to fifth years, inclusive	**680,000**	2,125,316
	5,456,800	4,607,974
	21,260,256	20,132,001

Notes:

(a) Certain of the Group's bank and other borrowings are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 46 to the financial statements.

(b) As at 31 December 2019, certain of the Group's bank and other borrowings with an aggregate amount of RMB5,649,205,000 (2018: RMB7,668,159,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group, details of which are set out in note 1 to the financial statements.

(c) Except for certain bank and other borrowings of RMB3,351,778,000 (2018: RMB2,737,042,000) and RMB61,710,000 (2018: RMB2,334,776,000) as at 31 December 2019 which were denominated in HK$ and United States dollars ("US$"), respectively, all of the Group's bank and other borrowings were denominated in RMB.

(d) At the end of the reporting period, except for certain bank and other borrowings of RMB5,961,790,000 (2018: RMB5,915,320,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.

(e) As at 31 December 2019, the Group's bank and other borrowings of RMB3,216,807,000 (2018: RMB4,833,471,000) were secured by a specific performance obligation imposed on the Wong Family and pursuant to which (i) the Wong Family must remain the single largest shareholder in the Company; (ii) the Wong Family must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital and/or must directly or indirectly control the Company; and (iii) Mr. Wong or a member of the Wong Family must remain to be the chairman of the Board of the Company.

33. SENIOR NOTES AND DOMESTIC BONDS

	2019				2018			
	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2015 Senior Notes	–	–	–	–	US$350	10.00	2020	2,363,010
2017 Senior Notes	US$500	5.875	2022	3,438,934	US$500	5.875	2022	3,370,234
2018 Senior Notes	US$600	7.45	2021	4,131,251	US$600	7.45	2021	4,043,674
2019 January Senior Notes	US$500	8.75	2021	3,443,581	–	–	–	–
2019 April Senior Notes	US$350	7.375	2024	2,395,960	–	–	–	–
2019 July Senior Notes	US$500	7.25	2023	3,430,408	–	–	–	–
2015 Domestic Bonds	RMB3,444	7.6	2020	3,436,692	RMB3,444	7.6	2020	3,428,726
2019 Domestic Bonds	RMB540	6.95	2023	540,000	–	–	–	–
				20,816,826				13,205,644
Non-current portion				(17,380,134)				(13,205,644)
Current portion				3,436,692				–

	2019 RMB'000	2018 RMB'000
Repayable:		
Within one year	3,436,692	–
In the second year	7,574,832	5,791,736
In the third to fifth years, inclusive	9,805,302	7,413,908
	20,816,826	13,205,644

(a) Senior Notes

The Company, at its option, can redeem all or a portion of the 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes, the 2019 January Senior Notes, the 2019 April Senior Notes and the 2019 July Senior Notes (collectively, the "Senior Notes") at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreements between the Company and the trustees of the Senior Notes.

The Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company (note 1).

In January 2019, the Group issued senior notes at coupon rate of 8.75% due 2021 with aggregate principal amount of US$500,000,000. The Group raised net proceeds of US$494,754,000 (after deduction of underwriting discount and commissions and other expenses).

33. SENIOR NOTES AND DOMESTIC BONDS *(Continued)*

(a) Senior Notes *(Continued)*

In April 2019, the Group issued senior notes at coupon rate of 7.375% due 2024 with aggregate principal amount of US$350,000,000. The Group raised net proceeds of US$345,310,000 (after deduction of underwriting discount and commissions and other expenses).

In July 2019, the Group issued senior notes at coupon rate of 7.25% due 2023 with aggregate principal amount of US$500,000,000 at a price of 99.954% of the principal amount. The Group raised net proceeds of US$494,996,000 (after deduction of underwriting discount and commissions and other expenses).

On 9 August 2019, the Company redeemed in full the outstanding 2015 Senior Notes before maturity at a redemption price of 102.5% of the principal amount of the outstanding 2015 Senior Notes plus accrued and unpaid interest.

The fair values of the early redemption options of the Senior Notes were not significant and therefore were not recognised by the Group on inception and at 31 December 2019.

(b) Domestic Bonds

In August 2019, Xiamen Zhongjun, a wholly-owned subsidiary of the Company issued domestic corporate bonds in the PRC (the "2019 Domestic Bonds") of 6.95% due 2023 with an aggregate principal amount of RMB540,000,000 at 100% of the face value.

At the end of the second year subsequent to the inception date in August 2021, Xiamen Zhongjun as the issuer is entitled to adjust the interest rate. The holders of 2019 Domestic Bonds may at their options to sell back the bonds to Xiamen Zhongjun in whole or in part at their principal amounts at any time prior to the maturity.

The aggregate fair values of the senior notes and domestic bonds as at the end of the reporting period are RMB21,218,161,000 (2018: RMB13,046,001,000).

The fair values of the senior notes and the domestic bonds are based on price quotations from financial institutions at the reporting date.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Notes	**Revaluation of properties** RMB'000
At 1 January 2018		1,286,606
Charged to profit or loss during the year		189,567
Deemed acquisition of subsidiaries	41	828,657
At 31 December 2018 and 1 January 2019		2,304,830
Charged to profit or loss during the year		365,253
Acquisition of subsidiaries	41	1,354,574
Deemed acquisition of a subsidiary	41	50,262
Disposal of subsidiaries	43	(26,654)
At 31 December 2019		4,048,265

34. DEFERRED TAX *(Continued)*

Deferred tax assets

	Notes	Unrealised profits arising from intra-group transactions RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2018 (as previously reported)		29,045	169,150	189,859	388,054
Deemed acquisition of subsidiaries	41	–	–	48,438	48,438
Credited to profit or loss during the year		18,111	123,792	8,766	150,669
At 31 December 2018 and 1 January 2019		47,156	292,942	247,063	587,161
Acquisition of subsidiaries	41	–	–	1,512	1,512
Deemed acquisition of a subsidiary	41	–	–	17,272	17,272
Acquisition of subsidiaries that are not a business	42	–	–	22	22
Credited to profit or loss during the year		12,403	20,874	97,661	130,938
At 31 December 2019		59,559	313,816	363,530	736,905

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**714,805**	561,628
Net deferred tax liabilities recognised in the consolidated statement of financial position	**4,026,165**	2,279,297

34. DEFERRED TAX *(Continued)*

At 31 December 2019, the Group has tax losses arising in Mainland China of RMB1,473,167,000 (2018: RMB1,007,299,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of certain of these losses of RMB19,048,000 (2018: RMB19,048,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB15,141,144,000 at 31 December 2019 (2018: RMB9,761,569,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. PROVISION FOR MAJOR OVERHAULS

As detailed in note 18 to these financial statements, the Group has contractual obligations to fulfil as a condition of the Operating Concession under the Operating Right Agreement. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

35. PROVISION FOR MAJOR OVERHAULS *(Continued)*

The movements in the provision for major overhauls of the Facilities for the year are as follows:

	2019	2018
	RMB'000	RMB'000
At 1 January	**45,412**	38,568
Additional provisions (note 8)	**5,465**	5,228
Increase in a discounted amount arising from the passage of time (note 7)	**2,372**	2,044
Amount utilised during the year	**(572)**	(428)
At 31 December	**52,677**	45,412

36. SHARE CAPITAL

Shares

	2019	2018
	HK$	HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
4,182,133,380 (2018: 4,087,583,380) ordinary shares of HK$0.10 each	**418,213,338**	408,758,338
Equivalent to RMB'000	**361,497**	353,077

36. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of movement in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$
At 1 January 2018		3,823,840,000	382,384,000
Share options exercised	(a)	245,450,000	24,545,000
Issue of shares for scrip dividend	(b)	18,293,380	1,829,338
At 31 December 2018 and 1 January 2019		**4,087,583,380**	**408,758,338**
Share options exercised	(c)	**94,550,000**	**9,455,000**
At 31 December 2019		**4,182,133,380**	**418,213,338**

Notes:

(a) Subscription rights attaching to 245,450,000 share options were exercised at the subscription price of HK$2.4 per share (note 37), resulting in the issue of 245,450,000 shares for a total cash consideration, before expenses, of approximately HK$589,080,000. An amount of approximately RMB60,014,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) During the year ended 31 December 2018, 18,293,380 ordinary shares of HK$0.10 each in the Company were issued at HK$3.10 per shares as scrip dividend.

(c) Subscription rights attaching to 38,550,000 and 56,000,000 share options were exercised at the subscription price of HK$2.4 per share and HK$2.78 per share, respectively (note 37), resulting in the issue of 94,550,000 shares for a total cash consideration, before expenses, of approximately HK$248,200,000. An amount of approximately RMB24,535,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme are included in note 37 to the consolidated financial statements.

37. SHARE OPTION SCHEME

Pursuant to the two option schemes adopted by the Company on 6 January 2010 (the "2010 Scheme") and on 23 April 2018 (the "2018 Scheme") (collectively, the "Scheme"), respectively, the directors may, at its absolute discretion, invite any participant to take up options to subscribe for shares of the Company. A total of 285,320,000 shares is available for issue under the 2010 Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commenced trading on the Hong Kong Stock Exchange. A total of 382,384,000 shares is available for issue under the 2018 Scheme, which represented 10% of the aggregate of the shares in issue on 23 April 2018, the date of the ordinary resolution passed. Each participant is entitled to no more than 1% of the total number of shares in issue in any 12-month period. The options shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The 2010 Scheme and the 2018 Scheme remain in force until 5 January 2020 and 22 April 2028, respectively.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of shares of the Company in issue. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 5 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share option is determinable by the directors, but should not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

37. SHARE OPTION SCHEME *(Continued)*

2010 Scheme

The following share options were outstanding under the 2010 Scheme during the year:

	2019		2018	
	Exercise price HK$	**Number of options '000**	Exercise price HK$	Number of options '000
At beginning of year	**2.4**	**38,550**	2.4	284,000
Exercised during the year	**2.4**	**(38,550)**	2.4	(245,450)
At end of year	**–**	**–**	2.4	38,550

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

2018 Number of options '000	Exercise price HK$	Exercise period
38,550	2.4	23 December 2018 to 5 January 2020

37. SHARE OPTION SCHEME *(Continued)*

2010 Scheme *(Continued)*

The fair value of the share options granted in 2016 was HK$78,448,000 (equivalent to RMB70,281,000) (ranged from HK$0.275 to HK$0.276 each), of which the share option expense was fully recognised in profit or loss in prior years (2018: RMB10,374,000).

The fair value of equity-settled share options granted under 2010 Scheme during the prior year was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2016
Dividend yield (%)	4.33
Expected volatility (%)	25.59
Risk-free interest rate (%)	2.1
Exit rates of the grantees of the options granted under the 2010 Scheme (%)	0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

2018 Scheme

The following share options were outstanding under the 2018 Scheme during the year:

	2019		2018	
	Exercise price HK$	**Number of options '000**	Exercise price HK$	Number of options '000
At beginning of year	**2.78**	**382,000**	–	–
Granted during the year	**–**	**–**	2.78	382,000
Exercised during the year	**2.78**	**(56,000)**	–	–
At end of year	**2.78**	**326,000**	2.78	382,000

37. SHARE OPTION SCHEME *(Continued)*

2018 Scheme *(Continued)*

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

2019 Number of options ’000	Exercise price HK$	Exercise period
135,000	2.78	1 July 2019 to 11 December 2028
191,000	2.78	1 July 2020 to 11 December 2028
326,000		

2018 Number of options ’000	Exercise price HK$	Exercise period
191,000	2.78	1 July 2019 to 11 December 2028
191,000	2.78	1 July 2020 to 11 December 2028
382,000		

The fair value of the share options granted in 2018 was HK$137,017,000 (equivalent to RMB120,397,000) (ranged from HK$0.33 to HK$0.38 each), of which the Group recognised a share option expense of RMB93,776,000 (2018: RMB7,163,000) during the year ended 31 December 2019.

The fair value of equity-settled share options granted under 2018 Scheme in 2018 was estimated as at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted and the following table lists the major inputs used:

	2018
Dividend yield (%)	7.19
Expected volatility (%)	28.63
Risk-free interest rate (%)	2.7
Exit rates of the grantees of the options granted under the 2018 Scheme (%)	0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

37. SHARE OPTION SCHEME *(Continued)*

2018 Scheme *(Continued)*

At the end of the reporting period, the Company had 326,000,000 (2018: 420,550,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 326,000,000 additional ordinary shares of the Company and additional share capital of HK$32,600,000 (equivalent to RMB29,144,000) and share premium of HK$873,680,000 (equivalent to RMB781,070,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 326,000,000 share options outstanding under the Scheme, which represented approximately 7.80% of the Company's shares in issue as at that date.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 74 and 75 of the financial statements.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(c) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

For the entities concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

The merger reserve represents the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the group reorganisation completed in December 2007.

(e) Share option reserve

Share option reserve represents the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

39. PERPETUAL CAPITAL INSTRUMENTS

	RMB'000
Carrying amount at 1 January 2018, 31 December 2018 and 1 January 2019	700,000
Redemption of perpetual capital instruments	(700,000)
Carrying amount at 31 December 2019	–

The perpetual capital instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledge of the shares of the subsidiaries. There are no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual capital instruments.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
West-Coast Investment	**N/A***	42%
Nanjing Junyuan	**50%**	50%
Xiamen Junyou	**54%**	–
Hangzhou Taixin Enterprise Management Co., Ltd. ("Hangzhou Taixin")	**50%**	–
Hangzhou Runyi Aviation Services Co., Ltd. ("Hangzhou Runyi")	**49%**	–

	2019 **RMB'000**	2018 RMB'000
Loss for the year attributable to non-controlling interests:		
West-Coast Investment	**N/A***	(9,801)
Nanjing Junyuan	**(6,334)**	(303)
Xiamen Junyou	**–**	–
Hangzhou Taixin	**(6,116)**	–
Hangzhou Runyi	**(561)**	–
Accumulated balances of non-controlling interests at the reporting dates:		
West-Coast Investment	**N/A***	1,046,654
Nanjing Junyuan	**992,164**	980,481
Xiamen Junyou	**1,099,988**	–
Hangzhou Taixin	**746,252**	–
Hangzhou Runyi	**636,439**	–

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following table illustrates the summarised financial information of Nanjing Junyuan, Xiamen Junyou, Hangzhou Taixin and Hangzhou Runyi. The amounts disclosed are before any inter-company eliminations:

2019	**Nanjing Junyuan RMB'000**	**Xiamen Junyou RMB'000**	**Hangzhou Taixin RMB'000**	**Hangzhou Runyi RMB'000**
Revenue	–	–	–	–
Other income	167	–	497	11
Total expenses	(12,846)	–	(12,690)	(1,155)
Loss for the year	(12,679)	–	(12,193)	(1,144)
Total comprehensive loss for the year	(12,679)	–	(12,193)	(1,144)
Current assets	3,023,452	7,705,090	2,788,628	2,690,342
Non-current assets	4,988	17,746	2,234	287
Current liabilities	(260,524)	(5,633,672)	(693,743)	(1,391,773)
Non-current liabilities	(782,000)	(50,262)	(609,375)	–
Net cash flows used in operating activities	(383,125)	–	(674,355)	(924,161)
Net cash flows used in investing activities	(85)	–	(68,745)	(32)
Net cash flows from financing activities	478,678	–	920,658	1,675,705
Net increase in cash and cash equivalents	95,468	–	177,558	751,512

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following table illustrates the summarised financial information of West-Coast Investment and Nanjing Junyuan. The amounts disclosed are before any inter-company eliminations:

2018	West-Coast Investment RMB'000	Nanjing Junyuan RMB'000
Revenue	196,682	–
Other income	8,580	22
Total expenses	(228,598)	(627)
Loss for the year	(23,336)	(605)
Total comprehensive loss for the year	(23,336)	(605)
Current assets	310,844	508,727
Non-current assets	2,897,920	1,453,175
Current liabilities	(178,607)	(2,508)
Non-current liabilities	(538,123)	–
Net cash flows from/(used in) operating activities	72,437	(1,687,814)
Net cash flows from/(used in) investing activities	38,245	(5)
Net cash flows from/(used in) financing activities	(173,141)	1,689,227
Net increase/(decrease) in cash and cash equivalents	(62,459)	1,408

* In the opinion of the directors, West-Coast Investment is no longer considered as a partly-owned subsidiary with material non-controlling interests of the Group for the year ended 31 December 2019, and therefore, the summarised financial information of West-Coast Investment for the year ended 31 December 2019 is not presented in the financial statements.

41. BUSINESS COMBINATION

Year ended 31 December 2019

Acquisition of subsidiaries

On 11 November 2016, the Group entered into agreements in relation to the acquisition of the entire equity interests in Best Century (Worldwide) Limited ("Best Century") and 40% equity interests in Taiwan Commodity Trading Center (Kunshan) Co., Ltd. ("Taiwan Commodity"). Best Century and its subsidiaries and Taiwan Commodity are engaged in property development in the Jiangsu province in the PRC. The purchase consideration for the acquisition was in the form of cash of RMB1,361,522,000.

On 7 December 2018, the Group entered into an agreement in relation to the acquisition of 51% of the equity interests in Hong Hui Development Company Limited ("Hong Hui"). Hong Hui and its subsidiaries are engaged in property development in the Jiangsu province in the PRC. The purchase consideration for the acquisition was in the form of cash of RMB628,728,000.

The acquisitions of Best Century, Taiwan Commodity and Hong Hui were completed in 2019 and consequently, Best Century, Taiwan Commodity and Hong Hui and their respective subsidiaries became non-wholly-owned subsidiaries of the Group.

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

	Notes	RMB'000
Property and equipment	14	**325**
Investment in an associate		**67,364**
Properties under development		**4,649,300**
Completed properties held for sale		**490,900**
Other current assets		**62,315**
Cash and cash equivalents		**1,266**
Trade and bills payables		**(2,573)**
Contract liabilities		**(108,636)**
Other current liabilities		**(331,921)**
Tax payable		**(7,866)**
Deferred tax liabilities	34	**(1,353,062)**
Non-controlling interests		**(912,813)**
Total identifiable net assets at fair value		**2,554,599**
Gain on bargain purchase	6, 8	**(564,349)**
		1,990,250
Satisfied by:		
Cash		**1,990,250**

41. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2019 *(Continued)*

Acquisition of subsidiaries *(Continued)*

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

	RMB'000
Cash consideration	(1,990,250)
Cash and cash equivalents acquired	1,266
Outstanding consideration at the end of the reporting period	375,360
Consideration prepaid in prior year	904,199
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(709,425)

The results of the Best Century, Taiwan Commodity, Hong Hui and their respective subsidiaries acquired during the year had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2019.

The gain on bargain purchase is attributable to the market condition at the time of acquisition and the Group's ability in negotiating the agreed terms of the transaction with the vendor.

41. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2019 *(Continued)*

Deemed acquisition of a subsidiary

On 19 December 2019, the Group reached a resolution (the "Resolution") with the joint venture partners of Xiamen Junyou, pursuant to which the Group is entitled to appoint three of the five directors in the board of directors of Xiamen Junyou. Xiamen Junyou was previously a 50%-owned joint venture, and as a result of the Resolution, the Group obtained control of Xiamen Junyou. Xiamen Junyou is principally engaged in the business of property development in Xiamen.

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

	Notes	Xiamen Junyou RMB'000
Property and equipment	14	**474**
Properties under development		**4,425,000**
Other current assets		**2,545,862**
Prepaid income tax		**207,291**
Cash and cash equivalents		**526,937**
Trade and bills payables		**(83,415)**
Contract liabilities		**(5,547,657)**
Other current liabilities		**(2,600)**
Deferred tax liabilities	34	**(32,990)**
Non-controlling interests		**(1,099,376)**
Total identifiable net assets at fair value		**939,526**
Reclassification of investment in a joint venture		**(939,526)**
Gain on deemed acquisition of a subsidiary		**–**

41. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2019 *(Continued)*

Deemed acquisition of a subsidiary *(Continued)*

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

	RMB'000
Cash and cash equivalents acquired	526,937
Net inflow of cash and cash equivalents in respect of deemed acquisition of a subsidiary	526,937

The result of the Xiamen Junyou acquired during the year had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2019.

Year ended 31 December 2018

Deemed acquisition of subsidiaries

On 13 June 2018, the Group reached a resolution (the "Resolution") with the joint venture partner of Cheer Rich Investments Limited ("Cheer Rich"), pursuant to which the Group is entitled to appoint three of the five directors in the board of directors of Cheer Rich. Cheer Rich was previously a 44.5%-owned joint venture, and as a result of the Resolution, the Group obtained control of Cheer Rich. Cheer Rich and its subsidiaries (the "Cheer Rich Group") are principally engaged in the business of property development and property investment in Shanghai.

41. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2018 *(Continued)*

Deemed acquisition of subsidiaries *(Continued)*

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

	Notes	Cheer Rich Group RMB'000	Others RMB'000	Total RMB'000
Property and equipment	14	534	246	780
Investment properties	15	6,340,000	–	6,340,000
Properties under development		–	644,000	644,000
Completed properties held for sale		73,600	–	73,600
Trade receivables		53,384	–	53,384
Prepaid income tax		–	15,234	15,234
Restricted cash		24,815	113,201	138,016
Cash and cash equivalents		16,999	76,461	93,460
Other current assets		2,196,685	247,121	2,443,806
Trade and bills payables		(941,646)	(24,079)	(965,725)
Contract liabilities		(44,541)	(677,572)	(722,113)
Tax payable		(129,347)	–	(129,347)
Other current liabilities		(2,481,677)	(237,263)	(2,718,940)
Interest-bearing bank and other borrowings		(544,000)	–	(544,000)
Deferred tax liabilities	34	(779,714)	(505)	(780,219)
Non-controlling interests		(1,244,621)	(94,107)	(1,338,728)
Total identifiable net assets at fair value		2,540,471	62,737	2,603,208
Reclassification of investments in joint venture and associate		(2,537,289)	(92,902)	(2,630,191)
Gain/(loss) on deemed acquisition of subsidiaries		3,182	(30,165)	(26,983)

41. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2018 *(Continued)*

Deemed acquisition of subsidiaries *(Continued)*

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

	RMB'000
Cash and cash equivalents acquired	93,460
Net inflow of cash and cash equivalents in respect of deemed acquisition of subsidiaries	93,460

Since the acquisition, Cheer Rich Group contributed RMB61,247,000 to the Group's revenue and RMB277,929,000 to the Group's profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the prior year, the revenue and the profit of the Group for the prior year would have been RMB18,090,689,000 and RMB4,183,679,000, respectively.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

Year ended 31 December 2019

In May 2019, the Group entered into an equity transfer agreement with an independent third party for the acquisition of a 51% equity interest in Chongqing Sanchengyihui at a consideration of RMB510,000,000. The acquisition was completed in May 2019, and Chongqing Sanchengyihui became a non-wholly-owned subsidiary of the Group.

In June 2019, the Group entered into an equity transfer agreement with two independent third parties for the acquisition of 100% equity interest in Sky Peace Holdings Limited ("Sky Peace"), which wholly owned each of Shanwei Dongweiya Development Property Co., Ltd. and Shanwei Xinji Development Property Co., Ltd. (collectively, "Sky Peace Group"), at a consideration of RMB458,010,000. The acquisition was completed in June 2019, and Sky Peace Group became wholly-owned subsidiaries of the Group.

Save as disclosed above, the Group acquired certain property development companies with an aggregate consideration of RMB155,750,000 during the year.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2019 *(Continued)*

The net assets acquired by the Group in the above transactions are as follows:

	Notes	Chongqing Sanchengyihui RMB'000	Sky Peace Group RMB'000	Others RMB'000	Total RMB'000
Net assets acquired:					
Property and equipment	14	–	7	–	7
Properties under development		565,001	607,087	243,239	1,415,327
Deferred tax assets	34	–	22	–	22
Other current assets		691,650	95	308	692,053
Cash and cash equivalents		6,846	279	180,000	187,125
Trade and bills payable		(514)	(223)	(8)	(745)
Other current liabilities		(263,841)	(149,257)	(188,539)	(601,637)
Non-controlling interests		(489,142)	–	(79,250)	(568,392)
		510,000	458,010	155,750	1,123,760
Satisfied by:					
Cash		510,000	458,010	155,750	1,123,760

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

	RMB'000
Cash consideration	(1,123,760)
Consideration payable	255,200
Cash and cash equivalents acquired	187,125
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries that are not a business	(681,435)

Prior to completion of the respective acquisitions, these subsidiaries had not carried on any significant business activities. These acquisitions were accounted for by the Group as acquisition of assets, as the operations of these subsidiaries do not constitute a business.

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2018

On 24 July 2018, the Group entered into an equity transfer agreement with an independent third party for the acquisition of a 70% equity interest in Songming Zhongji at a consideration of RMB640,866,000. The acquisition was completed on 24 July 2018 and Songming Zhongji became a non-wholly-owned subsidiary of the Group.

On 10 August 2018, the Group entered into an equity transfer agreement with nine independent third parties for the acquisition of a 80% equity interest in Quanzhou Xinzhongrui Real Estate Development Co., Ltd. ("Quanzhou Xinzhongrui") at a consideration of RMB130,760,000. The acquisition was completed on 10 August 2018 and Quanzhou Xinzhongrui became a non-wholly-owned subsidiary of the Group.

Save as disclosed above, the Group also acquired certain property development companies at a total consideration of RMB130,742,000 during the prior year.

The net assets acquired by the Group in the above transactions are as follows:

	Notes	Songming Zhongji RMB'000	Quanzhou Xinzhongrui RMB'000	Others RMB'000	Total RMB'000
Net assets acquired:					
Property and equipment	14	5	–	–	5
Properties under development		868	–	96	964
Prepaid land lease payments	16	647,075	163,450	224,242	1,034,767
Other current assets		29,714	–	12,956	42,670
Cash and cash equivalents		8,147	–	533	8,680
Other current liabilities		(67)	(113,450)	(163,665)	(277,182)
Non-controlling interests		(44,876)	(10,000)	(28,593)	(83,469)
		640,866	40,000	45,569	726,435
Satisfied by:					
Cash		640,866	130,760	130,742	902,368
Shareholders' loans		–	(90,760)	(85,173)	(175,933)
		640,866	40,000	45,569	726,435

42. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2018 *(Continued)*

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

	RMB'000
Cash consideration	(726,435)
Cash and cash equivalents acquired	8,680
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries that are not a business	(717,755)

Prior to completion of the respective acquisitions, these subsidiaries had not carried on any significant business activities. These acquisitions were accounted for by the Group as acquisition of assets, as the operations of these subsidiaries do not constitute a business.

43. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2019

Details of the net assets of the subsidiaries disposed during the year and the financial impacts were as follows:

	Notes	Sure Source Group RMB'000	Million Thrive International Limited and its subsidiaries RMB'000	Total RMB'000
Net assets disposal of:				
Property and equipment	14	–	7	7
Investment properties	15	1,083,000	638,000	1,721,000
Other current assets		293,987	12,799	306,786
Cash and cash equivalents		5,999	58,656	64,655
Trade and bills payables		(10,241)	(160,356)	(170,597)
Interest-bearing bank and other borrowings		(371,000)	(227,000)	(598,000)
Other current liabilities		(286,538)	(53,811)	(340,349)
Deferred tax liabilities	34	–	(26,654)	(26,654)
		715,207	241,641	956,848
Gain/(loss) on disposal of subsidiaries	6, 8	39,890	(22,673)	17,217
Reclassification to investments in joint ventures at fair value at date of disposal		(357,604)	(120,820)	(478,424)
		397,493	98,148	495,641
Satisfied by:				
Cash		397,493	98,148	495,641

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

	RMB'000
Cash and cash equivalents deconsolidated	(64,655)
Cash consideration	495,641
Cash consideration receivable	(46,493)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	384,493

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had deemed acquisitions of subsidiaries with a total identifiable net assets fair value of RMB939,526,000 (2018: RMB2,603,208,000). Further details are set out in note 41 to these financial statements.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB211,021,000 and RMB211,021,000 respectively, in respect of lease arrangements for building.

(b) Changes in liabilities arising from financing activities

	Notes	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000	Senior notes and domestic bonds RMB'000
At 1 January 2018		–	12,631,455	8,891,625
Changes from financing cash flows		–	6,694,573	3,704,469
Foreign exchange movement		–	233,179	572,517
Interest expense		–	28,794	37,033
Deemed acquisition of subsidiaries	41	–	544,000	–
At 31 December 2018		**–**	**20,132,001**	**13,205,644**
Effect of adoption of HKFRS 16		**78,645**	**–**	**–**
At 1 January 2019 (restated)		**78,645**	**20,132,001**	**13,205,644**
Changes from financing cash flows		**(42,874)**	**1,632,515**	**7,142,491**
New leases		**211,021**	**–**	**–**
Foreign exchange movement		**–**	**65,062**	**391,883**
Interest expense		**19,774**	**28,678**	**76,808**
Interest paid classified as operating cash flows		**(19,774)**	**–**	**–**
Disposal of subsidiaries	43	**–**	**(598,000)**	**–**
At 31 December 2019		**246,792**	**21,260,256**	**20,816,826**

(c) Total cash outflow for leases

	2019 RMB'000
Within operating activities	**24,186**
Within financing activities	**42,874**
	67,060

45. FINANCIAL GUARANTEES

The Group does not hold any collateral or other credit enhancements over the guarantees. The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor. The amount initially recognised represents the fair value at initial recognition of the financial guarantees.

(a) At the end of the reporting period, the Group had financial guarantees which are not provided for in the financial statements as follows:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	**20,307,223**	15,912,024

Notes:

(i) As at 31 December 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

In addition, the Group's share of the joint ventures and associates' own financial guarantees, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the joint ventures and associates' properties	**2,652,313**	1,097,021

45. FINANCIAL GUARANTEES *(Continued)*

(b) At the end of the reporting period, financial guarantee given to banks in connection with loan facilities granted to joint ventures and associates are not provided for in the financial statements is as follows:

	2019 **RMB'000**	2018 RMB'000
Guarantees given to banks in connection with loan facilities granted to joint ventures and associates	**7,935,790**	2,414,790

In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant.

46. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secure certain bank and other borrowings granted to the Group:

	Notes	**2019** **RMB'000**	2018 RMB'000
Bank deposits	29	**450,253**	47,909
Property and equipment	14	**10,630**	19,938
Investment properties	15	**10,260,000**	16,148,278
Prepaid land lease payments	16	**–**	2,400,597
Properties under development	19	**31,504,324**	18,029,459
Completed properties held for sale	24	**2,117,351**	304,098
		44,342,558	36,950,279

47. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment properties in Mainland China	**18,951,500**	15,245,582

In addition, the Group's share of the joint ventures and associates' own capital commitments, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Capital expenditure for joint ventures and associates' properties under development and construction of investment properties in Mainland China	**3,737,499**	2,803,668

(b) Operating lease commitments as at 31 December 2018

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

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

	2018 RMB'000
Within one year	35,818
In the second to fifth years, inclusive	26,781
	62,599

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in note 27 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2019 RMB'000	2018 RMB'000
Property rental income from companies controlled by the Wong Family	(i)	**5,531**	8,393
Property rental income from associates controlled by the Wong Family	(i)	**2,823**	–
Property management fees received from companies controlled by the Wong Family	(i)	**1,070**	3,803
Property management fees received from associates controlled by the Wong Family	(i)	**4,836**	–
Property rental expenses paid to associates controlled by the Wong Family	(i)	**15,162**	–
Aircraft leasing expense paid to a company controlled by Mr. Wong	(ii)	**4,102**	3,926
Project management income received from joint ventures	(iii)	**174,313**	90,546
Interest income on amounts due from joint ventures	(iv)	**150,358**	–
Consultancy service income received from joint ventures and associates	(v)	**47,071**	–
Purchase of a property from a joint venture	(vi)	**–**	543,418
Subscription of shares in a company controlled by the Wong Family	(vii)	**200,000**	–
Sales of a property to the Wong Family	(viii)	**38,699**	–

Notes:

(i) The transactions were based on terms mutually agreed between the Group and the related parties.

(ii) The leasing expense was charged at US$50,000 (2018: US$50,000) per month.

(iii) The project management income was charged with reference to the contracted sales amount and certain costs incurred on property development projects.

(iv) Interest was charged at rates ranging from 7.6% to 10.0% per annum.

(v) The consultancy service income was charged with reference to the consultancy service agreements entered into between the Group and related companies.

(vi) The purchase price of the property was agreed between the Group and the joint venture by negotiation.

(vii) On 25 January 2019, the Group subscribed for 25% equity interests in Fun Work Group Holdings Limited ("Fun Work") at a consideration of RMB200,000,000 and Fun Work and its subsidiaries became associates of the Group.

(viii) The property was sold at prices mutually agreed by both parties.

48. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the financial statements.

Transactions of items (a)(i), (a)(ii), (a)(vii) and (a)(viii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

49. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the derivative financial instruments and financial assets at fair value through profit or loss, which are measured at fair value, other financial assets and liabilities of the Group as at 31 December 2019 and 2018 were financial assets and financial liabilities stated at amortised cost, respectively.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than derivative financial instruments, financial assets at fair value through profit or loss and senior notes and domestic bonds, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, current portion of interest-bearing bank and other borrowings, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 and 31 December 2018 was assessed to be insignificant.

Derivative financial instruments, the capped forward cross currency swap contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of capped forward cross currency swap contracts are the same as their fair values as at 31 December 2018.

The fair values of listed equity investments are based on quoted market prices.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of unlisted equity investments as at 31 December 2019 and 31 December 2018 are based on price quotation from the respective fund manager or estimates based on enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple for similar companies adjusted to reflect the specific circumstances of the investments.

Below is a summary of significant unobservable inputs to the valuation of financial assets at fair value through profit or loss together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
As at 31 December 2019				
Unlisted equity investments at fair value through profit or loss	Valuation multiples	Average EV/EBITDA multiple of peers rate	9.13	5% increase/(decrease) in multiple would have no material impact on the fair value
		Discount for lack of marketability	25%	5% increase/(decrease) in discount would have no material impact on the fair value
As at 31 December 2018				
Unlisted equity investments at fair value through profit or loss	Valuation multiples	Average EV/EBITDA multiple of peers rate	11.92	5% increase/(decrease) in multiple would have no material impact on the fair value
		Discount for lack of marketability	25%	5% increase/(decrease) in discount would have no material impact on the fair value

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**34,668**	**–**	**630,402**	**665,070**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	65,053	–	577,387	642,440

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	26,739	–	26,739

During the year, there was no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3 for both financial assets and financial liabilities (2018: Nil).

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, senior notes and domestic bonds, amounts due from/to related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group also entered into derivative transactions such as capped forward cross currency swap contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The Group's accounting policies related to derivatives are set out in note 3 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same savings rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	**150**	**(181,276)**
HK$	**150**	**(50,277)**
US$	**150**	**(926)**
RMB	**(150)**	**181,276**
HK$	**(150)**	**50,277**
US$	**(150)**	**926**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2018		
RMB	150	(140,748)
HK$	150	(41,056)
US$	150	(31,446)
RMB	(150)	140,748
HK$	(150)	41,056
US$	(150)	31,446

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

All the revenue-generating operations of the Group are transacted in RMB. The majority of the Group's assets and liabilities are denominated in RMB except for the Company and certain investment holding companies within the Group operating in Hong Kong, in which bank and other borrowings and senior notes were denominated either in HK$ or US$. The fluctuation of exchange rate of RMB against other foreign currencies will not have material adverse effect on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against HK$, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2019		
If HK$ weakens against RMB	**3%**	**12,768**
If HK$ strengthens against RMB	**(3%)**	**(12,768)**

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax RMB'000
2018		
If HK$ weakens against RMB	3%	14,500
If HK$ strengthens against RMB	(3%)	(14,500)

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 45(a).

The credit risk of the Group's trade receivables and other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Financial assets measured at amortised cost are all classified under stage 1 for measurement of ECLs except for trade receivables which apply simplified approach in calculating ECLs. The loss allowance provision for restricted cash, pledged deposits, cash and cash equivalents, trade receivables, financial assets included in prepayment, other receivables and other assets and due from related parties were not significant as at 31 December 2019 and 31 December 2018.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operation needs and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

			2019		
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	9,834,808	7,145,394	5,132,961	1,359,089	23,472,252
Senior notes and domestic bonds	4,951,727	8,381,691	10,400,729	–	23,734,147
Trade and bills payables	14,702,354	241,433	15,911	–	14,959,698
Financial liabilities included in other payables and accruals (excluding lease liabilities)	12,373,184	–	–	–	12,373,184
Lease liabilities	64,786	49,148	82,607	154,954	351,495
Due to related parties	7,505,159	–	–	–	7,505,159
	49,432,018	15,817,666	15,632,208	1,514,043	82,395,935
Financial guarantees issued: Maximum amount guaranteed	28,243,013	–	–	–	28,243,013

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	2018				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Over five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	11,591,819	3,490,463	6,675,911	347,438	22,105,631
Senior notes and domestic bonds	742,158	6,666,584	7,931,422	–	15,340,164
Trade and bills payables	8,208,575	120,770	17,788	–	8,347,133
Financial liabilities included in other payables and accruals	9,929,465	–	–	–	9,929,465
Due to related parties	1,246,015	–	–	–	1,246,015
	31,718,032	10,277,817	14,625,121	347,438	56,968,408
Financial guarantees issued: Maximum amount guaranteed	18,326,814	–	–	–	18,326,814

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt includes total interest-bearing bank and other borrowings, senior notes and domestic bonds (as shown in the consolidated statement of financial position) less cash and bank balances (including restricted cash, time deposits and pledged deposits). Capital comprises all components of equity (i.e., share capital, non-controlling interests, perpetual capital instruments and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The net gearing ratios as at 31 December 2019 and 31 December 2018 were as follows:

	Notes	**2019** **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings	32	**21,260,256**	20,132,001
Senior notes and domestic bonds	33	**20,816,826**	13,205,644
Less: Cash and bank balances	29	**(23,898,660)**	(19,972,815)
Net debt		**18,178,422**	13,364,830
Total equity		**30,286,187**	22,139,407
Net gearing ratio		**60%**	60%

52. EVENTS AFTER THE REPORTING PERIOD

In January 2020, the Group issued additional senior notes at coupon rate of 7.375% due 2024 with aggregate principal amount of US$150,000,000 at a price of 103.181% of the principal amount. The additional senior notes have been consolidated and formed a single class with the 2019 April Senior Notes.

53. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Prepayments	44,482	–
Investment in a subsidiary	–	–
Due from subsidiaries	2,449,128	2,407,213
Total non-current assets	2,493,610	2,407,213
CURRENT ASSETS		
Prepayments	475	976
Due from subsidiaries	12,957,470	9,299,552
Cash and cash equivalents	198,865	795,612
Total current assets	13,156,810	10,096,140
CURRENT LIABILITIES		
Other payables and accruals	424,174	125,013
Derivative financial instruments	–	26,739
Interest-bearing bank and other borrowings	948,583	2,491,593
Total current liabilities	1,372,757	2,643,345
NET CURRENT ASSETS	11,784,053	7,452,795
TOTAL ASSETS LESS CURRENT LIABILITIES	14,277,663	9,860,008
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,464,904	2,797,225
Senior notes	16,840,134	9,776,918
Total non-current liabilities	19,305,038	12,574,143
Net liabilities	(5,027,375)	(2,714,135)
EQUITY		
Issued capital	361,497	353,077
Reserves (note)	(5,388,872)	(3,067,212)
Total equity	(5,027,375)	(2,714,135)

Wong Chiu Yeung
Director

Huang Youquan
Director

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018		1,760,214	(133,770)	56,798	(3,668,643)	(1,985,401)
Total comprehensive loss for the year		–	(187,374)	–	(818,083)	(1,005,457)
Share options exercised		559,765	–	(60,014)	–	499,751
Issue of shares for scrip dividend		46,335	–	–	–	46,335
2017 final dividend		(413,984)	–	–	–	(413,984)
2018 interim dividend	12	(225,993)	–	–	–	(225,993)
Equity-settled share option arrangements	37	–	–	17,537	–	17,537
At 31 December 2018 and 1 January 2019		1,726,337	(321,144)	14,321	(4,486,726)	(3,067,212)
Total comprehensive loss for the year		–	(87,487)	–	(1,673,765)	(1,761,252)
Share options exercised		240,999	–	(24,535)	–	216,464
2018 final dividend	12	(507,878)	–	–	–	(507,878)
2019 interim dividend	12	(362,770)	–	–	–	(362,770)
Equity-settled share option arrangements	37	–	–	93,776	–	93,776
At 31 December 2019		1,096,688	(408,631)	83,562	(6,160,491)	(5,388,872)

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

A summary of the results and of the assets, liabilities, perpetual capital instruments and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out as below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**21,369,802**	17,782,886	16,105,245	12,480,683	10,690,080
Cost of sales	**(15,477,931)**	(11,636,290)	(10,620,061)	(9,354,990)	(7,679,498)
Gross profit	**5,891,871**	6,146,596	5,485,184	3,125,693	3,010,582
Other income and gains	**1,155,838**	386,637	122,812	341,472	80,165
Changes in fair value of investment properties, net	**1,404,861**	1,082,540	1,262,744	548,382	398,022
Selling and marketing expenses	**(516,031)**	(398,421)	(530,538)	(407,116)	(300,828)
Administrative expenses	**(1,616,310)**	(1,298,702)	(963,431)	(471,771)	(398,479)
Other expenses	**(92,243)**	–	(332,561)	(129,454)	(53,107)
Finance costs	**(528,142)**	(401,686)	(392,048)	(316,894)	(269,041)
Exchange differences arising from retranslation of senior notes, net	**–**	–	–	–	(27,918)
Share of profits and losses of:					
Joint ventures	**181,599**	513,275	814,542	803,593	110,080
Associates	**(27,168)**	22,217	(6,062)	(120)	(497)
PROFIT BEFORE TAX	**5,854,275**	6,052,456	5,460,642	3,493,785	2,548,979
Income tax expense	**(1,830,809)**	(2,375,633)	(2,012,091)	(1,053,334)	(980,435)
PROFIT FOR THE YEAR	**4,023,466**	3,676,823	3,448,551	2,440,451	1,568,544
Attributable to:					
Owners of the parent	**3,510,045**	3,385,284	2,840,035	2,072,284	918,660
Holders of perpetual capital instruments	**35,408**	58,363	51,975	49,967	248,756
Non-controlling interests	**478,013**	233,176	556,541	318,200	401,128
	4,023,466	3,676,823	3,448,551	2,440,451	1,568,544

ASSETS, LIABILITIES, PERPETUAL CAPITAL INSTRUMENTS AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**149,382,054**	101,490,775	66,175,008	50,834,872	40,276,238
TOTAL LIABILITIES	**(119,095,867)**	(79,351,368)	(49,617,138)	(38,763,041)	(28,677,637)
PERPETUAL CAPITAL INSTRUMENTS	**–**	(700,000)	(700,000)	(900,000)	(1,200,000)
NON-CONTROLLING INTERESTS	**(12,707,177)**	(5,957,221)	(3,399,744)	(2,764,014)	(3,471,171)
	17,579,010	15,482,186	12,458,126	8,407,817	6,927,430

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