中梁控股集团
ZHONGLIANG HOLDINGS GROUP

ZHONGLIANG HOLDINGS GROUP COMPANY LIMITED
中梁控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2772)

Annual Report 2019


Contents

Corporate Profile

ABOUT ZHONGLIANG

Zhongliang Holdings Group Company Limited was listed on the Main Board of Stock Exchange (Stock Code: 2772.HK) on 16 July 2019, which marked an important milestone in the development of the Company. Zhongliang is principally engaged in real estate development in the PRC, headquartered in Shanghai with a national footprint.

The Group strives to develop quality residential properties targeting first-time home purchasers, first-time home upgraders and second-time home upgraders. It is also engaged in the development, operation and management of commercial properties and hold a portion of such commercial properties for investment purpose. The Group adopts a high-asset turnover development model and standardised real estate development process for developing the projects in the second-, third- and fourth-tier cities. The Group has strived to establish the "Zhongliang" brand name nationwide and was ranked as a Top 20 Real Estate Developer in China by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center in 2019.

As at 31 December 2019, the Group has achieved a nationwide operating coverage and a strong presence in 142 cities in 23 provinces and municipalities across five strategic economic areas, namely, the Yangtze River Delta, the Midwest China Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Zone and the Pearl River Delta. As at 31 December 2019, the Group's subsidiaries, joint ventures and associates had 458 property projects, at various development stages. As at 31 December 2019, the Group's subsidiaries, joint ventures and associates had a total land bank with GFA of approximately 57.0 million sq.m.

Looking forward, Zhongliang will continue its expansion strategies nationwide and strives to become a leading comprehensive real estate developer in China.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jian *(Chairman)*
Mr. Huang Chunlei *(Chief Executive Officer)*
Mr. Chen Hongliang
(appointed on 23 December 2019)
Mr. Li Heli *(appointed on 23 December 2019)*
Mr. Yau Sze Ka (Albert)
(appointed on 23 December 2019)
Mr. Xu Liangqiong *(resigned on 23 December 2019)*
Mr. Ling Xinyu *(resigned on 23 December 2019)*

Independent non-executive Directors

Mr. Wang Kaiguo
Mr. Wu Xiaobo
Mr. Au Yeung Po Fung

AUDIT COMMITTEE

Mr. Au Yeung Po Fung *(Chairman)*
Mr. Wang Kaiguo
Mr. Wu Xiaobo

REMUNERATION COMMITTEE

Mr. Wu Xiaobo *(Chairman)*
Mr. Yang Jian
Mr. Au Yeung Po Fung

NOMINATION COMMITTEE

Mr. Yang Jian *(Chairman)*
Mr. Wang Kaiguo
Mr. Wu Xiaobo

COMPANY SECRETARY

Mr. Yeung Tak Yip

AUTHORISED REPRESENTATIVES

Mr. Yau Sze Ka (Albert)
(appointed on 23 December 2019)
Mr. Yeung Tak Yip
Mr. Xu Liangqiong *(resigned on 23 December 2019)*

AUDITOR

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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

LEGAL ADVISER

Sidley Austin

REGISTERED OFFICE

Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

HEAD OFFICE IN THE PRC

20/F, No.3 Shanghai Convention & Exhibition Center
of International Sourcing
235 Yunling East Road
Putuo District, Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1506, ICBC Tower
3 Garden Road, Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1-9008
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

China Minsheng Bank Corp., Ltd., Wenzhou Branch
Ping An Bank Co., Ltd., Ningbo Branch
China Minsheng Bank Corp., Ltd., Ningbo Branch
China Minsheng Bank Corp., Ltd., Suzhou Branch
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.zldcgroup.com

STOCK CODE

2772

Major Events of 2019

July

On 16 July 2019, Zhongliang was successfully listed on the Stock Exchange (Stock Code: 2772) in Hong Kong, with net fund raised of approximately HK$2.8 billion, marking another key milestone in the development of the Group. Share trading was active on the first trading day, with the highest share price of HK$6.22 and closing price of HK$5.95, up 7.2% from the offer price of HK$5.550. Zhongliang's market value reached approximately HK$21 billion. The total trading volume of the shares was approximately 62.9 million shares and the total turnover was approximately HK$367 million. In the future, Zhongliang will strive for its best, leveraging the advantages of capital market, to reward the trust of investors with more outstanding achievements, and continue to create greater value for the society.

August

On 8 August 2019, Zhongliang received issuer credit ratings from three international rating agencies, Fitch, Moody's and Standard & Poor's, at B+, B1 and B+ respectively, all with a "stable" outlook. The three rating agencies agreed that Zhongliang had a good sales record in the Yangtze River Delta, which demonstrated its strong sales execution and cash collection ability, as well as good liquidity. Standard & Poor's expected that in the future, contract sales and revenue of Zhongliang would continue to grow, its financing channels and costs would be improved, and a stable leverage ratio would be maintained. Moody's believed that there was a strong demand for residential property in the Yangtze River Delta. In 2018, the Company's contracted sales in the Yangtze River Delta accounted for 59.4% of its total contracted sales. In addition, the liquidity of Zhongliang was in good condition. At the end of 2018, the cash balance was RMB23.1 billion, representing 1.6 times of its short-term debt. Fitch believed that the rating of Zhongliang was based on its contracted sales scale, which was comparable to that of "BB" rating companies. The 353 construction projects in Zhongliang were located in five core economic zones of China, which helped to mitigate the potential regional economic policy risks.

Zhongliang won prizes such as ranking the 9th of the Top 100 Private Enterprises on the lists like "2019 Shanghai Top 100 Private Enterprises" released on 19 August 2019, which gave highly recognition for its strength.

Zhongliang ranked the 280th with an operating income of RMB30.42 billion on the list of the “2019 China Top 500 Private Enterprises” released by All-China Federation of Industry & Commerce on 22 August 2019, which was the first time it entered the list. In addition, it was also on the list of the “China Top 100 Private Service Enterprises” released at the same time, ranking the 78th.

On 22 August 2019, Zhongliang announced its 2019 interim results shortly after the completion of its listing, with its contracted sales amount of full coverage reaching RMB63.673 billion, representing an increase of 26.8% over the same period of last year. During the period, it recognised revenue of RMB20.557 billion, representing an increase of 111.2% year-on-year; and core net profit attributable to the owners of the Company of RMB1.232 billion, representing an increase of 88.4% year-on-year. While achieving growth in both revenue and profit, Zhongliang has further optimised its financial structure, and its net gearing ratio has dropped to 43.5%. At the same time, it declared a dividend of HK15.3 cents per share, fulfilling the commitment to pay dividends upon Listing.

On 28 August 2019, Mr. Yang Jian, Chairman of Zhongliang, and a group of leaders and representatives of the Zhejiang Chamber of Commerce, Shanghai went to Wenzhou to inspect and exchange ideas with each other, and met with the leaders such as Mr. Chen Weijun, member of the Standing Committee of Zhejiang Provincial Party Committee and Secretary of Wenzhou Municipal Party Committee, and Mr. Yao Gaoyuan, Deputy Secretary of Wenzhou Municipal Committee and Mayor of Wenzhou, as well as Mr. Ge Yiping, Director of the Standing Committee of Wenzhou Municipal People’s Congress, and signed a strategic cooperation agreement for investment promotion. As a company that started and grew up in Wenzhou, Zhongliang has been actively investing in its hometown. Adhering to the spirit of Wenzhou businessmen of “Be Active and Aggressive and Be Grateful and Responsible”, Zhongliang has never forgotten its original intention and has always insisted on thoroughly developing its hometown while making itself bigger and stronger. Currently, it has developed more than 80 projects in Wenzhou, including the benchmark for urban quality “The One of Wenzhou (鹿城壹號)” and the popular project “Majestic Mansion (鹿城中心)”, etc., which has accumulated a good reputation in the market.

September

On 20 September 2019, Zhongliang completed its first issuance of 11.5% USD offshore bonds that are due 2021, which comprise notes with an aggregate principal amount of US$400 million. These bonds were oversubscribed by nearly 2.5 times, which fully reflected the capital market’s recognition and confidence of the credibility and development prospect of the Group.

October

On 16 October 2019, the 4th members' meeting of the Industrial and Urban Development Association under the Zhejiang Chamber of Commerce, Shanghai and the Urban Development Summit themed with "City-Industry Integration Promotes Energy and Upgrading" was grandly held in Shanghai. Mr. Yang Jian, Chairman of the Group, was elected as the new chairman of the chamber and Mr. Huang Chunlei, Chief Executive Officer of the Group, was elected as the executive president.

On 31 October 2019, the Group held the "Zhongliang Book Reading" charity activity in Qinglong county, a state-level poverty-stricken county in Qianxi prefecture, Guizhou province, and launched the donation project at the Sanbao Children's Library. The donation ceremony was witnessed by Mr. Yu Minan, Director of the Guidance Center of China Glory Society of the United Front Work Department of CPC Central Committee, Mr. Zhang Yifan, Chief of China News Service Guizhou Branch, Mr. Yuan Jianlin, Secretary of the County Committee of Qinglong county, Mr. Feng Zijian, County Magistrate of Qinglong county, Mr. Zhang Dongdong, Major Secretary of Sanbao district community in Qinglong county of the United Front Work Department of CPC Central Committee and other leaders. So far, the "Zhongliang Book Reading" charity activity has been launched at over 60 schools in more than 10 provinces and autonomous regions including Zhejiang, Qinghai, Tibet, Anhui, Shanghai, Yunnan, Fujian, Jiangsu, Xinjiang, Hebei, Hubei, Hunan and Guizhou, promoting the healthy development of our country in the future. Since this year, Zhongliang has launched and successfully completed the "Zhongliang Book Reading" CHD children screening and treatment charity project in Shigatse, continuing to deepen the connotation of public welfare.

November

On 8 November 2019, the Company was selected as a constituent of the Hang Seng Composite Large Cap & Mid Cap Index and its shares were able to be traded under the Shanghai-Hong Kong Stock Connect scheme. In the same month, Shanghai Zhongliang, a subsidiary of the Company, was assigned an "AA+" corporate credit rating with a stable outlook by United Credit Ratings Co., Ltd. (聯合信用評級有限公司), which reflected the recognition of the capital market on Zhongliang.

During the period from 24 to 27 November 2019, the first official reverse road show was held after the listing of the Company, where the analysts of securities dealers were arranged for site visits in Wenzhou and Lishui, and to meet and communicate with the chairman and senior management at the headquarters in Shanghai.

On 5 November 2019, the Group, as a long-term strategic cooperative partner of China Minsheng Bank, was invited to attend the Annual Conference for Real Estate Finance of China 2019 where it was awarded the "Strategic Private Corporate Client" by China Minsheng Bank. Zhongliang has established a strategic cooperation with China Minsheng Bank since 2012 and continued to expand their cooperation fields and scope.

December

On 4 December 2019, Zhongliang was awarded the "Top 100 Employers in China for Year 2019" and is widely recognised for its excellent employer brand image and efficient organization and management ability. In order to better practice the core values of Zhongliang and help the struggling strivers of Zhongliang and their families, Zhongliang sets up the "Staff Caring Fund" which provides a warm and loving protection for all strivers of the company in the cold winter. Zhongliang recognises that staff is the most valuable asset of the company. In the future, Zhongliang will continue to strengthen the "striver-first" concept to provide staff larger space for development and more humanistic care and continuously share the development results with all strivers.

On 9 December 2019, mainland investors could buy and sell shares of Zhongliang through the Shanghai-Hong Kong Stock Connect officially, which further expanded the channel through which domestic and foreign investors could now also invest in Zhongliang. As a result, this has contributed to the increase of the trading volume of Zhongliang and broaden the quality investor base.

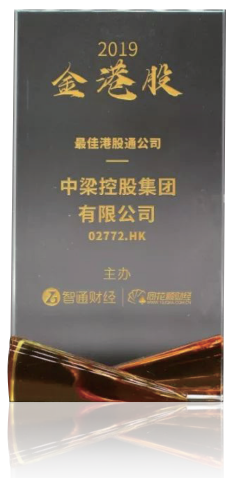
On 10 December 2019, the China Real Estate Chamber of Commerce (CRECC) 2019 Annual Conference themed "following the general trend and enhancing confidence" was grandly held in Beijing. Zhongliang, as the vice president of the association, was invited to attend the conference where the awarding ceremony of a newly-appointed vice president was held and Mr. Yang Jian, Chairman of the Group, was elected as the vice president of CRECC.

On 31 December 2019, with quality products and increasingly stronger product innovation competence, Zhongliang was awarded the title of "Annual Kinpan Innovating Enterprise in Property Product" and received 15 Kinpan awards in the general selection around the country, making it ranked 7th on the general selection list of Kinpan awards. Looking ahead, Zhongliang will be still committed to shaping classic products for cities with its increasingly improved competence on product to advance the upgrading of regional value and make contribution to city development and better life.

2020

January

On 9 January 2020, with its outstanding performance in various fields over the past year, including results growth, industry ranking, corporate governance, business model, market influence and capital market, Zhongliang was awarded the "Best Hong Kong Stock Connect Company".



February

On 28 February 2020, Zhongliang obtained 'BB' Issuer Rating by Lianhe Global with a stable outlook. Lianhe Global recognised Zhongliang's strong market position and urban upgrade with primarily focuses on the Yangtze River Delta. Zhongliang Holdings has been increasing its land investments in second-tier cities as well as balancing its geographical coverage. Lianhe Global expects Zhongliang's land bank is sufficient to support its operations for the next two to three years and believes the Company's future average selling prices will increase due to its land bank shifting to higher tiers cities. Lianhe Global believes that Zhongliang would prudently expand its operating scale for its long-term and healthy development. Lianhe Global expects the Company to gradually reduce its trust loans and short-term debt ratio, so as to optimise its capital structure.

March

On 18 March 2020, according to the "2020 Research Report on Top 500 Chinese Property Developers" co-published by China Real Estate Research Association, Shanghai E-house China R&D Institute and China Real Estate Appraisal, Zhongliang, with its outstanding performance in various sectors over the past year, remained its ranking of top 20 in the property development industry in terms of comprehensive strength and was awarded No.1 among the Top 10 Enterprises with Development Potential, which demonstrate the wide recognition of the Company's comprehensive strength and sustainable development capability.

Glossary and Definition

"2020 AGM"	the annual general meeting of the Company to be held on 5 June 2020
"Articles"	the amended and restated articles of association of the Company adopted on 19 June 2019
"ASP"	average selling price
"bank balances and cash"	bank balances and cash comprises restricted cash, pledged deposits and cash and cash equivalents
"Board"	The board of Directors
"China" or "PRC"	the People's Republic of China
"contracted sales"	the total contractual value of properties that are contracted for pre-sale and sale in a given period, which is not equivalent to the revenue in the relevant period and shall not be deemed as an indication for the revenue to be recognised in any future period. Contracted sales data is unaudited, provided for investors' for reference only and may be subject to various uncertainties during the process of collating such sales information
"Controlling Shareholder(s)"	the group of controlling shareholders (having the meaning ascribed thereto under the Listing Rules) of the Company, namely, Mr. Yang, Ms. Xu, Liangzhong, Liangyi and Liangtai
"Cooperative Framework Agreement"	the cooperation framework agreement, pursuant to which Shanghai Zhongliang Quanzhu Group has agreed to provide design, decoration and outfitting services (including materials procurement) to the Group for a period commencing from 12 December 2019 and ending on 31 December 2021
"core net profit margin"	core net profit attributable to the owners of the Company for the year divided by revenue for the year and multiplied by 100%
"core net profit"	profit for the year excluding changes of fair value of investment properties and financial assets at fair value through profit or loss and listing and other non-recurring expenses, net of deferred tax
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Deed of Non-competition"	the deed of non-competition dated 24 June 24 2019 and entered into by the Controlling Shareholders in favor of the Company, further information of which is set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus
"Directors"	director(s) of the Company
"GFA"	gross floor area

Glossary and Definition

"gross profit margin"	gross profit for the year divided by revenue for the year and multiplied by 100%
"Group"	the Company and its subsidiaries
"Liangtai"	Liangtai International Co., Ltd. (梁泰國際有限公司), a limited company incorporated in the BVI and wholly-owned by Ms. Xu, and one of the Group's Controlling Shareholders
"Liangyi"	Liangyi International Co., Ltd. (梁益國際有限公司), a limited company incorporated in the BVI and wholly-owned by Mr. Yang, and one of the Group's Controlling Shareholders
"Liangzhong"	Liangzhong International Co., Ltd. (梁中國際有限公司), a limited company incorporated in the BVI and wholly-owned by Mr. Yang, and one of the Group's Controlling Shareholders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing"	the listing of the Shares on the main board of the Stock Exchange on 16 July 2019
"Listing Date"	16 July 2019, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yang"	Mr. Yang Jian (楊劍), one of the executive Directors, the chairperson of the Group, and one of the Group's Controlling Shareholders
"Ms. Xu"	Ms. Xu Xiaoqun (徐曉群), the spouse of Mr. Yang, and one of the Group's Controlling Shareholders
"net gearing ratio"	the total indebtedness less bank balances and cash divided by the total equity at the end of the year multiplied by 100%
"Pre-Delivery Property Management Services Framework Agreement"	the pre-delivery property management services framework agreement entered into between the Group and Zhongliang Property Group, pursuant to which Shanghai Zhongliang Property Group agreed to provide pre-delivery property management services including but not limited to security, repair, maintenance and operation of common area and shared facilities from 1 January 2019 to 31 December 2021
"Prospectus"	the prospectus of the Company dated 27 June 2019 being issued in connection with the Listing
"Register of Members"	the register of members of the Company
"Sales Management Services Framework Agreement"	the sales management services framework agreement entered into between the Group and Zhongliang Property Group, pursuant to which Shanghai Zhongliang Property Group agreed to provide sales management services including but not limited to crowd-controlling, cleaning, car-parking, security and utilities services in showrooms, display units and sales offices from 1 January 2019 to 31 December 2021

Glossary and Definition

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Zhongliang Enterprise Development"	Shanghai Zhongliang Enterprise Development Limited* (上海中梁企業發展有限公司)
"Shanghai Zhongliang Property Group"	Shanghai Zhongliang Property Development Co., Ltd (上海中梁物業發展有限公司) and its subsidiaries. Shanghai Zhongliang Property Development Co., Ltd is a limited company established in the PRC and indirectly controlled by Mr. Yang
"Shanghai Zhongliang Quanzhu Group"	Shanghai Zhongliang Quanzhu Residential Technology Co., Ltd. (上海中梁全築住宅科技有限公司) and its subsidiaries. Shanghai Zhongliang Quanzhu Residential Technology Co., Ltd is a limited company established in the PRC and indirectly controlled by Mr. Yang.
"Shanghai Zhongliang Real Estate"	Shanghai Zhongliang Real Estate Group Co., Ltd.* (上海中梁地產集團有限公司)
"Share Option Scheme"	the post-IPO share option scheme adopted on 19 June 2019
"Share(s)"	ordinary share(s) in the capital of the Company with the nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Huacheng"	Suzhou Industrial Park Huacheng Real Estate Development Limited (蘇州工業園區華成房地產開發有限公司)
"total indebtedness"	total interest-bearing bank and other borrowings and senior notes
"weighted average cost of indebtedness"	the weighted average of interest costs of all indebtedness outstanding as at the end of each year
"Zhejiang Tianjian"	Zhejiang Tianjian Real Estate Co., Ltd. (浙江天劍置業有限公司)
"Zhongliang" or "Company"	Zhongliang Holdings Group Company Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2772)

The site area information for an entire project is based on the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. If more than one document is available, such information is based on the most recent document available.

The figures for GFA are based on figures provided in or estimates based on the relevant governmental documents, such as the property ownership certificate, the construction work planning permit, the pre-sale permit, the construction land planning permit or the land use rights certificate.

Chairman's Statement

Dear Shareholders,

I am hereby pleased to present to you the business review of the Group for the year ended 31 December 2019 (the "Relevant Year") and its outlook for 2020.

FINAL DIVIDEND

The Board recommends the payment of a final dividend for 2019 of HK32.8 cents per Share (equivalent to RMB29.8 cents per Share) (the "2019 Proposed Final Dividend") in the form of cash. The 2019 Proposed Final Dividend shall be declared and payable in Hong Kong dollars. The Company declared and paid an interim dividend of HK15.3 cents per Share (equivalent to RMB13.8 cents per Share) in respect of the first six months of 2019.

Based on the total issued shares of the Company as at the date of this report, the 2019 Proposed Final Dividend together with the interim dividend for 2019 amounted to approximately RMB1,561.7 million, representing a payout ratio of approximately 40% of the core net profit attributable to the equity owners of the Company.

FINAL RESULTS

The contracted sales of the Group for 2019 amounted to RMB152.5 billion, representing an increase of approximately 50.2% from RMB101.5 billion in 2018. The contracted sales achieved in 2019 had exceeded the contracted sales target of the Group of RMB130 billion by approximately 17.3%.

In 2019, the Group's revenue amounted to RMB56,639.6 million, representing a significant increase of approximately 87.5% from RMB30,214.7 million in 2018. The Group's core net profit attributable to equity owners in 2019 increased massively by approximately 102.3% to RMB3,901.4 million in 2019 from RMB1,928.7 million in 2018.

2019 REVIEW

Market review

In early 2019, instabilities and uncertainties were on the rise in light of complex and profound changes in the global political and economic environment. In the meantime, China's economy is at a turning point in terms of structural optimisation and transition, and has been experiencing downward pressure due to structural, institutional and cyclical issues.

In spite of the unfavorable atmosphere, the real estate industry remains as the foundational pillar of China's economy while stability is the key to the industry. The real estate industry has maintained its steady growth under various control measures introduced by the Chinese government last year. Meanwhile, the Group strived for the principles of "Embracing challenges, optimising business model, opening up capital markets and improving steadily" since the beginning of 2019. Aligning with government policies and industry trend, the Group's operations continued to grow steadily with the annual contracted sales surpassing RMB150 billion in 2019 and was ranked one of the Top 20 China Real Estate Developers.

Chairman's Statement

Steady growth by vertical penetration and horizontal expansion, enhancing exposure in higher-tier cities

The Group placed strong emphasis on industry trends and continued to increase its land bank during the year. Land investments made by the Group's subsidiaries, joint ventures and associates in 2019 amounted to RMB76.4 billion, with a total of 139 land acquisitions. In 2019, the Group achieved a remarkable land-banking result focusing on second-tier cities, of which investments in second-tier cities accounted for over 50% of the total land investments in 2019. In 2019, the Group purchased land parcels in different strategic economic areas, among which over 60% of the land purchase by amount was in the Yangtze River Delta, approximately 20% was in the Midwest China, approximately 8% was in the Western Taiwan Straits, approximately 8% was in the Pan-Bohai Rim and approximately 1% was in the Pearl River Delta. During the year, the Group tapped into 20 new cities and enhanced its exposure in higher-tier cities by acquiring lands through public channels and private mergers and acquisitions as part of its structural strategy to expand its land bank nationwide. As at 31 December 2019, the Group had a presence in more than 140 cities across 23 provinces and municipalities.

Capital markets breakthrough

2019 was a breakthrough year for the Group's capital market development. As one of the largest newly listed real estate companies in recent years, Zhongliang had raised approximately HK$3.2 billion (approximately US$410 million) from listing on the Main Board of the Stock Exchange in July 2019.

In August 2019, the Company obtained international issuer credit ratings of "B+" (stable outlook) from Fitch Ratings, "B1" (stable outlook) from Moody's Investors Services and "B+" (stable outlook) from S&P Global Ratings. In September 2019, the Company successfully issued its debut US dollar bonds. In November 2019, the Company's wholly-owned subsidiary, Shanghai Zhongliang Real Estate Group Company Limited, obtained an onshore corporate credit rating of AA+ (stable outlook) from United Credit Ratings Co., Ltd. The Company has been included as one of the constituents of the "Hang Seng Composite LargeCap & MidCap Index" and "Hang Seng Stock Connect Hong Kong Index" since November 2019, and has been formally included in the trading list of Hong Kong Stock Connect since December 2019.

Optimising organisational structure and capabilities

During the Relevant Year, the Group realigned its organisational structure, streamlined its headquarters operations and devised decision-making framework and mechanisms for decentralised regional operations, in order to lay a strong foundation for the next stage of the Group's sustainable development. The new organisational structure effectively supports regional business groups to integrate resources with a view to reducing management costs and improving efficiency and profitability, as is in line with Zhongliang's long-sought goals of scale expansion, operation enhancement and organisational optimisation.

Under the current tightening operating environment of the industry, we push forward the construction of digital intelligence business system, improve our information system, optimise our capital allocation model, and require our organisations of all levels to enhance their accountability, improve investment returns and accelerate asset turnover.

Branding and corporate responsibilities

While Zhongliang's branding and corporate influence continued to increase in light of its business expansion, the Group endeavours to keep improving its corporate responsibilities and contribution to society.

"Zhongliang Book Reading" is a charity project launched by the Group in 2017 in response to the national policy to promote youth education and children reading. The Group plans to establish libraries in 100 schools in remote or impoverished townships in five years to provide children with more reading opportunities to broaden their horizons, enrich their knowledge and drive their growth. In 2019, the Group expanded the coverage of "Zhongliang Book Reading" project to more than 10 cities including Yuyao in Zhejiang Province, Xiangxi in Hunan Province and Qinglong County in Guizhou Province and established charity libraries for children.

Chairman's Statement

To help fight against the COVID-19 epidemic in China, the Group had made monetary and surgical masks donation to Wuhan Charity Foundation in January 2020 to support the medical frontline in Wuhan.

OUTLOOK FOR 2020

While the world economy seems to be readjusting under the influence of global decelerating growth amid trade disputes, technological revolution and urbanisation nevertheless have brought new opportunities to the development of China. The main development opportunity of the Chinese economy lies in "fulfilling the growing needs for better lives of the people and resolving the problem of uneven development". China's development goals are changing from high-speed growth to high-quality development and industrial upgrades.

In the next few years, the real estate industry in the PRC remains promising. Amid rapid urbanisation and industrialisation, the improvement in living standards of people in China has led to upgrades in consumption and driven growth in housing demand. In terms of overall trends of the real estate industry, government's tone on maintaining industry stability had not shifted, with major governmental policies steering towards stabilising land prices, housing prices and home purchasers' expectation and maintaining steady growth in sales volume in the longer run. Monetary policies are expected to be moderate with supportive or suppressive measures depending on the cycle of growth. The growth in China's real estate development is expected to continue.

2020 is an important juncture for China's real estate developers to improve its capabilities and to strengthen its market position. The Group is dedicated to developing nationwide coverage strategically with a full structured land bank and an emphasis on small and medium-sized development projects in order to effectively diversify region-specific economic and policy risks. Based on the existing land bank, the Group's subsidiaries, joint ventures and associated companies have more than RMB 260.0 billion of saleable resources in 2019. The Group also strictly adheres to its stringent liquidity and cash flow management, enabling the Group to attain a debt level below industry average and improve debt structure.

Affected by the COVID-19 epidemic, property sales are expected to be delayed in early 2020 until the epidemic fades. However, the Group is confident that the delay in housing demand will only be temporary and expects that the real estate industry will benefit from economic stimulus measures and favourable home purchase policies to be launched by the government. When the epidemic is under control and economic activities resume, China's real estate sales are expected to rebound strongly. The Group expects sufficient, stable and geographically dispersed supply of saleable resources throughout 2020. Based on the current market environment, the Group has set a contracted sales target for the full year of 2020 at RMB168 billion, representing an increase of approximate 10% from the contracted sales of 2019. The Group believes that it is well positioned to capture the recovery in housing sales in the near future, and 2020 will be another milestone year for Zhongliang to transform into an outstanding real estate enterprise.

APPRECIATION

It was our dedicated team that supported us to achieve such a good result in 2019. On behalf of the Board, I would like to express our sincere appreciation to all employees for their dedication and hard work, and to our Shareholders, business and financial partners for their supports in the past year.

Looking ahead to 2020 as the beginning of a new decade, we will strive to offer best products and services that meet the needs of our customers, to fulfil career goals of our endeavouring employees, and to maximise the value for our Shareholders and other investors.

YANG Jian
Chairman

Management Discussion and Analysis

PERFORMANCE HIGHLIGHTS

	Year ended 31 December		Change in
	2019	2018	**percentage**
Contracted sales			
Contracted sales (RMB billion)	**152.5**	101.5	+50.2%
Contracted GFA sold (sq.m.)	**14,851,000**	10,146,000	+46.4%
Contracted ASP (RMB/sq.m.)	**10,300**	10,000	+3.0%
Selected financial information			
Revenue (RMB million)	**56,639.6**	30,214.7	+87.5%
Gross profit (RMB million)	**13,182.3**	6,910.8	+90.7%
Profit attributable to owners of the Company (RMB million)	**3,833.7**	1,931.3	+98.5%
Core net profit attributable to owners of the Company (RMB million)	**3,901.4**	1,928.7	+102.3%
Gross profit margin (%)	**23.3**	22.9	
Core net profit margin (%)	**6.9**	6.4	
Earnings per share (basic) (RMB cents)	**117**	65	
Core earnings per share (basic) (RMB cents)	**119**	64	

	As at 31 December		Change in
	2019	2018	**percentage**
Total assets (RMB million)	**224,520.0**	168,074.6	+33.6%
Bank balances and cash (RMB million)	**26,495.3**	23,080.4	+14.8%
Total indebtedness (RMB million)	**40,181.2**	27,004.9	+48.8%
Total equity (RMB million)	**20,871.6**	6,754.2	+209.0%
Equity attributable to owners of the Company (RMB million)	**8,728.1**	2,578.7	+238.5%
Net gearing ratio	**65.6**	58.1	
Weighted average costs of indebtedness (%)	**9.4**	9.9	

Management Discussion and Analysis

NON-GAAP FINANCIAL MEASURE

To supplement the consolidated financial statements which are presented in accordance with IFRS, the Company also presented the core net profit as non-GAAP measures used by the management of the Group to provide additional information on the its operating performance. Core net profit eliminates the impact of fair value of investment properties and financial assets at fair value through profit or loss and listing and other non-recurring expenses, net of deferred tax, which are not indicative for evaluating the actual performance of the Group's business. Core net profit is not a standard measure under IFRS. We believe that such non-GAAP measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as the management of the Group.

The core net profit (2019: approximate RMB6,301.5 million; 2018: approximate RMB2,501.5 million) represents the profit for the year (2019: approximate RMB6,255.9 million; 2018: approximate RMB2,526.3 million) excluding 1) fair value gains on investment properties (2019: approximate RMB49.9 million; 2018: approximate RMB72.0 million); 2) fair value losses on financial assets at fair value through profit or loss (2019: approximate RMB6.9 million; 2018: approximate RMB 4.0 million); 3) listing and other non-recurring expenses (2019: approximate RMB103.8 million; 2018: approximate RMB34.8 million), and 4) deferred tax impact (2019: deferred tax credit approximate RMB15.2 million; 2018: deferred tax charge approximate RMB8.4 million).

The core net profit attributable to owner of the Company (2019: approximate RMB3,901.4 million; 2018: approximate RMB1,928.7 million) represents the profit attributable to owners of the Company (2019: approximate RMB 3,833.7 million; 2018: approximate RMB 1,931.3 million) excluding 1) fair value gain on investment properties attributable to owners of the Company (2019: approximate RMB20.4 million; 2018: approximate RMB42.4 million); 2) fair value losses on financial assets at fair value through profit or loss attributable to owners of the Company (2019: approximate RMB6.9 million; 2018: approximate RMB 4.0 million); 3) listing and other non-recurring expenses attributable to owners of the Company (2019: approximate RMB103.8 million; 2018: approximate RMB34.8 million), and 4) deferred tax impact attributable to owners of the Company (2019: deferred tax credit approximate RMB22.6 million; 2018: deferred tax charge approximate RMB1.0 million).

The definitions of core net profits should not be considered in isolation or be construed as an alternative to profit for the year or any other standard measure under IFRS or as an indicator of operating performance. Core net profit of the Group may not be comparable to similarly titled measures used by other companies.

Management Discussion and Analysis

PROPERTY DEVELOPMENT

Contracted sales

During the year ended 31 December 2019, the Group achieved contracted sales of approximately RMB152.5 billion, of which approximately RMB93.2 billion was contributed by its subsidiaries and approximately RMB59.3 billion was contributed by its joint ventures and associates. The Group's contracted sales increased by approximately 50.2% from approximately RMB101.5 billion for the year ended 31 December 2018, which was primarily due to the Group's abundant and diversified saleable resources across different regions.

For the year ended 31 December 2019, the Group achieved contracted sales of approximately 14,851,000 sq.m. in GFA, representing an increase of 46.4% from approximately 10,146,000 sq.m. for the year ended 31 December 2018. The Group's contracted ASP in 2019 was RMB10,270 per sq.m., representing an increase from RMB10,002 per sq.m. in 2018.

The following table sets forth a summary of contracted sales by city for the Relevant Year:

City	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Wenzhou	26,502,182	17.4	1,609,721	16,464
Jinhua	9,052,969	5.9	537,864	16,831
Taizhou	5,659,938	3.7	367,327	15,408
Lishui	5,652,193	3.7	312,164	18,106
Hangzhou	4,530,590	3.0	192,937	23,482
Wuxi	4,175,162	2.8	276,600	15,095
Changzhou	3,713,398	2.5	323,606	11,475
Yancheng	2,833,788	1.9	306,644	9,241
Chongqing	2,797,076	1.8	391,142	7,151
Hefei	2,673,776	1.8	210,134	12,724
Ningbo	2,493,081	1.6	191,390	13,026
Huzhou	2,478,529	1.6	171,971	14,412
Suqian	2,439,493	1.6	284,977	8,560
Xuzhou	2,339,001	1.6	275,391	8,493
Pingxiang	1,786,573	1.2	260,612	6,855
Jiaxing	1,661,679	1.1	102,417	16,225
Fuzhou	1,647,666	1.1	197,488	8,343
Nanyang	1,645,942	1.1	215,747	7,629
Laiwu	1,642,525	1.1	221,303	7,422
Ningde	1,608,930	1.1	197,019	8,166
Anqing	1,591,790	1.0	160,574	9,913
Xuchang	1,568,315	1.0	232,516	6,745
Zhaotong	1,509,102	1.0	204,825	7,368
Yiyang	1,480,443	1.0	231,673	6,390
Yulin	1,478,420	1.0	159,733	9,256

Management Discussion and Analysis

City	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Qingdao	1,403,153	0.9	183,952	7,628
Nantong	1,391,513	0.9	175,750	7,918
Sanming	1,388,139	0.9	150,710	9,211
Ganzhou	1,377,669	0.9	177,313	7,770
Taizhou	1,365,166	0.9	118,727	11,498
Quanzhou	1,314,112	0.9	146,912	8,945
Suzhou (蘇州)	1,295,628	0.8	88,731	14,602
Kunming	1,293,436	0.8	132,968	9,727
Luoyang	1,251,826	0.8	101,901	12,285
Shangrao	1,251,220	0.8	188,476	6,639
Guigang	1,173,582	0.8	197,175	5,952
Chifeng	1,085,085	0.7	139,667	7,769
Wuhu	1,050,240	0.7	134,130	7,830
Changsha	1,049,849	0.7	143,539	7,314
Zhoushan	1,026,983	0.7	67,048	15,317
Zhangzhou	1,018,121	0.7	70,041	14,536
Ezhou	953,532	0.6	115,151	8,281
Lu'an	943,460	0.6	98,161	9,611
Dali	905,211	0.6	65,452	13,830
Shangqiu	890,813	0.6	135,915	6,554
Fuyang	875,246	0.6	101,950	8,585
Maoming	869,421	0.6	109,027	7,974
Chengdu	847,214	0.6	46,719	18,134
Zibo	839,632	0.6	119,766	7,011
Baotou	833,961	0.5	114,481	7,285
Yantai	815,114	0.5	122,484	6,655
Xuancheng	811,190	0.5	108,382	7,485
Baoshan	798,617	0.5	127,678	6,255
Zaozhuang	780,196	0.5	116,884	6,675
Xi'an	770,789	0.5	75,923	10,152
Liaocheng	758,206	0.5	71,587	10,591
Jining	716,313	0.5	90,469	7,918
Yangzhou	713,830	0.5	64,608	11,049
Hohhot	709,441	0.5	70,803	10,020
Linfen	698,900	0.5	125,165	5,584
Pu'er	692,372	0.5	67,834	10,207
Nanchang	681,906	0.5	77,240	8,828
Tangshan	674,985	0.4	81,807	8,251
Changde	663,077	0.4	108,864	6,091
Chizhou	658,966	0.4	77,332	8,521
Mianyang	626,252	0.4	125,102	5,006

Management Discussion and Analysis

City	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Nanning	617,530	0.4	91,700	6,734
Jiangmen	593,017	0.4	61,574	9,631
Cangzhou	572,160	0.4	55,781	10,257
Lianyungang	531,498	0.3	75,921	7,001
Bozhou	522,122	0.3	80,455	6,490
Zhuzhou	516,711	0.3	81,474	6,342
Yinchuan	516,505	0.3	79,889	6,465
Ji'an	504,911	0.3	64,130	7,873
Tongchuan	497,352	0.3	79,911	6,224
Liuzhou	490,120	0.3	50,054	9,792
Qinzhou	478,372	0.3	96,549	4,955
Shenyang	475,484	0.3	38,488	12,354
Pingdingshan	474,703	0.3	85,953	5,523
Tianshui	465,200	0.3	68,008	6,840
Wuhan	461,831	0.3	46,809	9,866
Enshi	445,749	0.3	79,286	5,622
Chaozhou	420,340	0.3	75,413	5,574
Chenzhou	412,482	0.3	77,468	5,325
Foshan	381,902	0.3	48,365	7,896
Ankang	373,804	0.3	46,305	8,073
Puyang	344,791	0.2	57,750	5,970
Tianjin	344,221	0.2	31,482	10,934
Dezhou	335,590	0.2	38,760	8,658
Longyan	334,539	0.2	40,983	8,163
Linyi	332,278	0.2	23,159	14,348
Suizhou	331,184	0.2	54,622	6,063
Huaibei	326,443	0.2	54,312	6,011
Loudi	317,981	0.2	53,424	5,952
Zhaoqing	308,173	0.2	35,168	8,763
Jiyuan	298,542	0.2	38,628	7,729
Bijie	280,301	0.2	45,551	6,154
Heyuan	268,622	0.2	27,981	9,600
Shaoyang	258,897	0.2	55,257	4,685
Chuxiong	256,583	0.2	50,276	5,103
Dalian	245,856	0.2	29,185	8,424
Suining	244,384	0.2	30,633	7,978
Tongling	241,677	0.2	41,429	5,834
Xinyang	225,873	0.1	27,308	8,271
Yichang	219,030	0.1	30,844	7,101
Shaoguan	212,040	0.1	38,241	5,545
Yueyang	211,503	0.1	39,921	5,298

Management Discussion and Analysis

City	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Jiaozuo	205,406	0.1	38,018	5,403
Weifang	199,330	0.1	24,638	8,090
Shaoxing	190,293	0.1	17,362	10,960
Pingliang	187,158	0.1	25,645	7,298
Jieyang	178,270	0.1	22,078	8,075
Xinxiang	173,575	0.1	30,354	5,718
Xiangyang	169,885	0.1	21,895	7,759
Binzhou	166,384	0.1	22,254	7,477
Dazhou	159,892	0.1	30,989	5,160
Nanchong	145,577	0.1	13,419	10,849
Meishan	143,484	0.1	25,120	5,712
Jiujiang	91,748	0.1	9,874	9,292
Suzhou (宿州)	90,461	0.1	18,009	5,023
Nanjing	87,761	0.1	3,788	23,168
Weihai	79,283	0.1	10,366	7,648
Yuxi	67,494	*	3,849	17,535
Quzhou	59,000	*	3,708	15,912
Fuzhou	58,565	*	8,700	6,732
Hengyang	53,010	*	7,648	6,931
Jingdezhen	47,714	*	5,471	8,721
Zigong	37,384	*	7,430	5,031
Total	152,508,902	100.0	14,850,661	10,270

* *Less than 0.1%*

Management Discussion and Analysis

The following table sets forth a summary of contracted sales by region for the Relevant Year:

Region	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Yangtze River Delta	89,986,138	59.0	6,652,304	13,527
Midwest China	35,805,549	23.5	4,901,961	7,304
Pan-bohai Rim	10,373,617	6.8	1,282,181	8,091
Western Taiwan Straits	13,111,812	8.6	1,596,369	8,214
Pearl River Delta	3,231,786	2.1	417,846	7,734
Total	152,508,902	100.0	14,850,661	10,270

The following table sets forth a summary of contracted sales by tier of city for the Relevant Year:

City tier	Contracted sales (RMB'000)	% of total contracted sales (%)	Contracted GFA (sq.m.)	Contracted ASP (RMB/sq.m.)
Second-tier cities(1)	53,712,284	35.2	3,982,694	13,486
Third-tier cities(2)	80,221,940	52.6	8,187,291	9,798
Fourth-tier cities(3)	18,574,678	12.2	2,680,676	6,929
Total	152,508,902	100.0	14,850,661	10,270

Notes:

(1) Second-tier cities include Wenzhou, Ningbo, Hangzhou, Wuxi, Suzhou, Nanjing, Hefei, Nanchang, Fuzhou, Shamen, Qingdao, Jinan, Zhengzhou, Changsha, Wuhan, Nanning, Kunming, Chengdou, Chongqing, Xi'an, Guiyang, Taiyuan, Shenyang, Dalian and Tianjin.

(2) Third-tier cities include Jinhua, Lishui, Taizhou, Quzhou, Zhoushan, Huzhou, Jiaxing, Shaoxing, Yangzhou, Taizhou, Changzhou, Xuzhou, Lianyungang, Xiuqian, Yancheng, Nantong, Huai'an, Xuancheng, Lu'an, Tongling, Bozhou, Wuhu, Anqing, Ganzhou, Fuzhou, Quanzhou, Ningde, Sanming, Zhangzhou, Longyan, Binzhou, Zibo, Dezhou, Tai'an, Linyi, Yantai, Liaocheng, Zaozhuang, Jining, Weihai, Weifang, Xinyang, Xuchang, Shangqiu, Nanyang, Luoyang, Changde, Hengyang, Zhuzhou, Yueyang, Yiyang, Loudi, Chenzhou, Huanggang, Xiangyang, Yichang, Qinzhou, Liuzhou, Yuxi, Chuxiong, Dazhou, Nanchong, Mianyang, Meishan, Suining, Yinchuan, Yulin, Zunyi, Baotou, Huhehaote, Chifeng, Tangshan, Cangzhou, Foshan, Jiangmen, Shaoguan, Zhaoqing and Maoming.

(3) Fourth-tier cities include Chuzhou, Bengbu, Huaibei, Chizhou, Xiuzhou, Fuyang, Jiujiang, Ji'an, Jingdezhen, Shangrao, Pingxiang, Jiaozuo, Pingdingshan, Jiyuan, Puyang, Xinxiang, Shaoyang, Enshi, Suizhou, Ezhou, Huangshi, Guigang, Beihai, Baoshan, Dali, Zhaotong, Puer, Zigong, Yibin, Ankang, Tongchuan, Bijie, Linfen, Pingliang, Tianshui, Heyuan, Jieyang, Chaozhou and Qingyuan.

Management Discussion and Analysis

Completed properties held for sale

Completed properties held for sale represents completed GFA remaining unrecognised at the end of each reporting period and are stated at the lower of cost and net realisable value. Cost of the completed properties held for sale refers to the related costs incurred attributable to the unsold properties. All completed properties held for sale are located in the PRC.

As at 31 December 2019, the Group had 61 completed property projects and completed properties held for sale amounted to RMB4,140.7 million, representing an increase of 15.1% from RMB3,596.4 million as at 31 December 2018.

Projects under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost, which comprises land costs, construction costs, capitalised interests and other costs directly attributable to such properties incurred during the development period, and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2019, the Group had 254 property projects under development with properties under development amounted to RMB128,779.9 million, representing an increase of approximately 29.5% from RMB99,481.4 million as at 31 December 2018.

Land bank

During the Relevant Year, the Group acquired 139 land parcels with a total planned GFA of 16.6 million sq.m.. The average cost of land parcels acquired (excluding carparks) was approximately RMB4,607 per sq.m. The following table sets forth the details of the land parcels acquired by the Group during the Relevant Year:

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
1	Weifang	Land parcel No.2018-089 in Qingzhou City, Weifang	25,651	51,276	30,781,200	600
2	Jinhua	A parcel of land located at the northeastern side of the intersection of Shangfo Road and Sitong Road in Shangxi Town, Yiwu City	24,424	53,733	220,800,000	4,109
3	Mianyang	Land parcel No.15 located at Ming Yue New City in Jiangyou City	63,171	189,513	151,611,200	800
4	Quanzhou	Land parcel No.06 located at Yuzhou Commercial Area in Nanxing District, Huian City	26,195	68,107	158,000,000	2,320
5	Nanyang	Land parcel No.2018-32 located at the western side of Qifeng Avenue, Fangcheng	49,990	124,975	114,730,000	918

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
6	Hangzhou	A parcel of residential land located at YH02 southern area of Future Science and Technology City	26,094	28,703	391,090,000	13,625
7	Nanning	Land parcel No.GC2018-137 located at Yongning District, Nanning City	25,091	75,272	205,492,915	2,730
8	Taizhou	Land parcel No.BXE036-0613 located at Yuhuan New City	70,000	105,000	512,000,000	4,876
9	Dalian	Land parcel No.0408 located at Jinzhou Bay of Jinzhou District, Dalian	67,287	91,510	226,200,000	2,472
10	Lu'an	Land parcel No.2019-3 located at the west of Liuan City	58,177	104,719	164,400,000	1,570
11	Nanchang	A parcel of land with an area of 77.8mu located at the western side of Xuefu Road in the new city district of Anyi County, Nanchang	51,893	103,786	291,300,000	2,807
12	Suqian	Land parcel No. 2018 (Jin) D Suyu 08 in Suqian	61,047	152,617	392,050,766	2,569
13	Changsha	Land parcel No.[2019]001 in Changsha County, Changsha City	87,316	165,900	337,080,000	2,032
14	Tianjin	Land parcel No.2018-017 located at Dazhang Village, Beichen District, Tianjin	62,087	103,133	445,760,000	4,322
15	Tianjin	Land parcel No.2018-018 located at Dazhang Village, Beichen District, Tianjin	54,988	89,311	345,000,000	3,863
16	Suining	A parcel of land with an area of 24mu located at the Jingkai South District, Suining	16,006	35,214	97,480,600	2,768
17	Suzhou	A parcel of land located at the east of Xiangcheng Avenue and the south of Kangyuan Road in Suzhou	47,434	104,355	1,411,900,000	13,530
18	Taizhou	A parcel of land located at the southern side of Wangjiang Road in Binjiang New City, Jingjiang	73,286	131,915	598,000,000	4,533

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
19	Hefei	Land parcel No.CF201901 located at Gangji Village, Changfeng County	69,271	124,687	675,415,000	5,417
20	Xi'an	A project with an area of 153mu located at Liguang Street in Qinhan New City, Xixian New Area	102,289	173,892	610,000,000	3,508
21	Qingdao	A parcel of land located at the east of Qingdao Road, Laixi City	35,097	98,851	93,676,800	948
22	Chenzhou	A parcel of land (Chen Tu Gua Gao Zi [2019] No.012) in Beihu District, Chenzhou City	70,075	185,698	200,000,000	1,077
23	Cangzhou	Land parcel No.GTP-2017-11 in High-tech Zone, Cangzhou City	69,928	153,841	590,000,000	3,835
24	Hangzhou	A parcel of land located at Kun Sheng Xiao Bang in Jiubao, Hangzhou	5,851	16,382	347,300,000	21,200
25	Hefei	Land parcel No.E1903 in Yaohai District, Hefei	59,233	118,466	928,478,686	7,838
26	Chongqing	Land parcel No.C-14-2/03 located at Zone C of Lijiatuo Division in Ba'nan District, Chongqing City	7,391	14,782	89,500,000	6,055
27	Nanjing	Land parcel No.2018G66 located at Shangfa Town in Jiangning District, Nanjing City	24,217	60,544	730,000,000	12,057
28	Changzhou	A parcel of land located at the northern side of Laodong Middle Road and the western side of Youyi Road in Tianning District, Changzhou City	61,134	134,495	1,080,000,000	8,030
29	Yiyang	A parcel of land (Yi Tu Wang Pai Zi [2019] No.07) in High-tech Zone, Yiyang City	36,605	102,494	206,730,000	2,017
30	Guigang	Land parcel No.2018G-109 in Qintang District, Guigang City	46,461	92,921	83,880,000	903
31	Yantai	A redevelopment project located at Beishangfang of Zhifu District, Yantai	66,667	114,300	256,630,200	2,245

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
32	Jinhua	A parcel of land located at the northern side of Xixi New City, Lanxi City	40,850	81,700	287,580,000	3,520
33	Fuzhou	A parcel of land located at Meixi New City, Minqing	60,467	120,309	423,000,000	3,516
34	Chuxiong	Land parcel No.2019-G-4-1&2 with an area of 112.96mu located at Dongnan New City, Chuxiong City	75,309	263,582	301,989,090	1,146
35	Guiyang	Land parcel No.G(19)014 located at Sanma Area of Yunyan District, Guiyang City	27,663	69,158	493,041,000	7,129
36	Wenzhou	A parcel of land (Yong Zhong YB-08-D15) in Yongqiang North Area, Longwan	50,068	90,122	994,000,000	11,029
37	Fuyang	Land parcel No.[2019]-7 in Yingquan District, Fuyang City	198,625	407,659	1,101,512,400	2,702
38	Wenzhou	Land parcel No.B-c1-2 in Binhai New Area, Yueqing City	31,677	63,354	520,500,000	8,216
39	Chizhou	Land parcel No. [2019]1 in Guichi District, Chizhou City	99,532	159,251	495,000,000	3,108
40	Xinxiang	Land parcel No.(2019)03-2 in Weihui, Xinxiang City	33,016	82,374	91,680,000	1,113
41	Anqing	Land parcel No.1901 located in the new city at the eastern part of Anqing City	107,731	236,900	1,137,000,000	4,799
42	Fuzhou	Land parcel No.2019 Pai-04 at the north of Fuqing City	33,948	101,844	312,000,000	3,064
43	Fuzhou	A parcel of land (Rong Gao Xin No. 2019-04) in High-tech Zone, Fuzhou City	60,357	116,393	650,000,000	5,585
44	Wenzhou	Land parcel No.C-c25 located at the central district of Yueqing City	12,605	31,513	309,000,000	9,806
45	Hangzhou	A parcel of land located at Xin An Jiang Street in Jiangde City, Hangzhou with a theatre erected thereon	15,462	26,595	340,000,000	12,784
46	Quanzhou	Land parcel No.P2018-38 located at the south of Chidian Town, Jinjiang City	34,205	85,513	502,000,000	5,870

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
47	Nanchang	Land parcel No.DAFJ2019005 located at the Hitech Zone in Qingshan Lake District, Nanchang City	102,269	204,538	1,185,810,000	5,798
48	Sanming	Land parcel No.2019P002 in Guixiyang Area, Sanming	45,119	103,700	438,000,000	4,224
49	Xuancheng	A parcel of land located at the southern side of Baida Shopping Centre in Chengnan Area, Guangde County	69,872	125,770	388,808,000	3,091
50	Zigong	Land parcel No.C-250-1 in Jianshe Road of Gongjing District, Zigong City	26,634	39,951	63,919,300	1,600
51	Pu'er	Land parcel No.P01138 in Simao District, Pu'er	17,342	31,215	73,728,000	2,362
52	Xi'an	Land parcel No.XXKG-DZ01-44 located at Konggang New City in Xixian, Xi'an City	39,375	78,750	165,380,000	2,100
53	Weihai	A parcel of land (Rong Zi Jing Gua Zi [2019] No.5) located in Rongcheng, Weihai City	19,240	61,588	125,536,525	2,038
54	Loudi	A parcel of land (Lou Tu Wang Gao Zi [2019] No.5) located in Louxing District, Loudi City	38,989	136,461	181,180,000	1,328
55	Quanzhou	Land parcel No. 2018-22 in Jinjiang, Quanzhou	126,062	317,298	487,000,000	1,535
56	Wuxi	Project No. 2 located at Zhang Village in Huishan New City of Huishan District, Wuxi	78,576	133,250	1,379,090,000	10,350
57	Shaoxing	A parcel of land located at Daojiupan in City West, Shengzhou	33,205	49,808	194,000,000	3,895
58	Jinhua	Land parcel No.2 located at Jiangwan Organic Renewal Area in Economic and Technological Development Zone, Yiwu	61,839	80,390	1,284,050,000	15,973

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
59	Wenzhou	Land parcels No. 02-41, 03-05, 03-06, 03-10 and 03-11 located at Phase 2, Nanbinjiang, Jiangnan New District, Ruian City	114,285	300,329	793,370,000	2,642
60	Beihai	A parcel of land located at the northern side of Cultural and Sports Centre No.1 Road of Lianzhou Town, Hepu County, Beihai City	39,312	137,592	152,000,000	1,105
61	Lishui	A parcel of land located at the northwestern side of the intersection of Dongdi Road and Haoxi Road in City North Area, Lishui	144,691	347,258	2,452,000,000	7,061
62	Jiyuan	A parcel of land located at the east of Qinyuan Road and the northern side of Binhe North Street in Hi-tech Zone of Jiyuan City	29,758	59,336	188,814,500	3,182
63	Suzhou	A parcel of land located at Gutang Street, Taicang City District	11,131	20,036	188,270,000	9,397
64	Xuancheng	A parcel of land in Old City District of Ningguo City with an old factory of Sierte erected thereon	70,000	126,000	246,749,580	1,958
65	Jiujiang	A parcel of land next to Liangxinjiayuan, Luliangxi Avenue, Liangtang New District, Xiushui County, Jiujiang City	31,736	63,472	137,575,300	2,167
66	Yibin	Land parcel No.TD-A-05-03 in Linjiang New District, Yibin City	40,816	101,632	410,609,000	4,040
67	Huangshi	Land parcel No.G18062 in Daye	38,605	96,513	105,900,000	1,097
68	Huangshi	Land parcel No.WG(2019)14 in Huangshigang District, Huangshi City	64,740	213,642	648,900,000	3,037
69	Cangzhou	Land parcel No.65 in Huanghua Development Zone under the public transfer 2018	48,224	96,448	290,000,000	3,007
70	Ezhou	Land parcel No.WP(2019)003 in Gedian, Ezhou	39,962	103,901	480,610,000	4,626

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
71	Ningbo	Land parcel No. CC13-01-13-1 in the south of Sun Lake in Jiangbei District, Ningbo	73,067	94,837	617,416,100	6,510
72	Ji'an	Land parcel No. DDA2019023 in City South Area, Jizhou District, Ji'an City	25,064	55,141	171,061,800	3,102
73	Taizhou	A parcel of land located at the east side of Jindai Road and the north side of Fuyuan East Road, Huangyan District, Taizhou	21,389	22,050	182,900,000	8,295
74	Xinxiang	Land parcel No.[2019]016 in the new north side of Economic Development Zone, Xinxiang City	58,420	145,758	210,308,688	1,443
75	Weifang	Land parcel Central Palace in Kuiwen District, Weifang City	62,669	94,004	406,094,900	4,320
76	Chongqing	Land parcel No. X-C07-06/04 in North New District of Yunyang County, Chongqing	44,906	89,811	203,873,200	2,270
77	Zunyi	Land parcel at the second branch of Dongjiu Factory at the west side of Huichuan Avenue in Zunyi	46,522	111,653	164,000,000	1,469
78	Wenzhou	Land parcel No. 01-26 at Shuang'ao Village, Ruixiang New District, Ruian City	58,930	174,433	2,101,770,000	12,049
79	Wuxi	Land parcel in north of Yingtian River, Chengjiang Street, Jiangyin	65,517	131,034	1,083,720,000	8,271
80	Binzhou	Land parcel to south of Nongjin Garden, Xincheng District, Boxing County, Binzhou	45,923	91,846	175,660,000	1,913
81	Kunming	Songming County + County Area + SMS2018-12	37,289	93,223	87,529,700	939
82	Wenzhou	Land parcel No. G-09-01 in the area of Binjiang Center, Aojiang Town, Pingyang County	38,084	91,402	197,830,000	2,164
83	Hefei	Land parcel No. XZQTD235 in Xinzhan District, Hefei City	67,834	135,669	905,587,200	6,675
84	Hefei	Land parcel No. CF201915 in the area of Shuangfeng Development Zone, Changfeng County	47,926	95,851	751,250,500	7,838

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
85	Chengdu	Land parcel No. 2019-023 at the north side of Chengluo Road, Chenghua District, Chengdu	38,770	96,925	1,327,872,500	13,700
86	Chaohu	Land parcel No. 2019-21 in the area of West City in Chaohu City	47,335	94,670	401,172,600	4,238
87	Qingdao	Land parcel in the Supply and Marketing Cooperative in Huangdao District, Qingdao	6,667	20,667	248,000,000	12,000
88	Changzhou	Land parcel located on the east side of Longjiang Middle Road and on the south side of Zhuxiashu Road, Zhonglou District, Changzhou City,	83,642	184,012	1,330,000,000	7,228
89	Changzhou	Land parcel located at the west side of Shuntong Road and to the south side of Feng'an River, at Henglin Town, Economic Development Zone, Changzhou	67,402	148,284	589,000,000	3,972
90	Huzhou	Land parcel No. AJ2019J-42 in Chengbei in Anji County	65,378	98,067	458,600,000	4,676
91	Huzhou	Land parcel No. AJ2019J-43 in Chengbei in Anji County	10,261	15,392	70,150,000	4,558
92	Xuzhou	Land parcel No. C at Hanshan, Quanshan District, Xuzhou	64,322	141,509	1,724,000,000	12,183
93	Hangzhou	Land parcel No. BJ1705-11/12/13 at the Olympic Sports Expo Center in Hangzhou	45,932	137,796	4,152,460,000	30,135
94	Shaoxing	Land parcel located in the Jinjishan Beiyuan Thermal Power Plant at Chengzhong in Zhuji City	64,135	83,376	540,180,000	6,479
95	Wuxi	Land parcel located at Wangpo Village, Yicheng Street, Yixing	56,266	123,785	808,000,000	6,527
96	Chifeng	Block D-13 in Hongshan District, Chifeng City	44,179	88,358	331,000,000	3,746
97	Taizhou	Land parcel No. DB200603 in East New District of Wenling City	48,331	96,662	183,000,000	1,893
98	Chongqing	Land parcel No. B12-2/02, Xincheng Core Area, Tongliang District, Chongqing	71,618	143,236	230,970,000	1,613
99	Wuxi	Land parcel located in Xiangshan Road in Xinwu District, Wuxi	23,115	62,411	515,764,600	8,264

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
100	Wenzhou	Land parcel No. T05-14a at the Taohuadao Area, Binjiang Business District, Wenzhou	39,608	134,667	1,741,000,000	12,928
101	Guigang	Land parcel No. 2018G-99 in Gangbei District, Guigang City	16,789	50,366	75,590,000	1,501
102	Wenzhou	A resettlement land of Nanyang Village, Shencheng Street, Ruian City	22,106	52,809	528,853,700	10,015
103	Nanyang	Land parcel No. G2019-53 in Demonstration Zone in Nanyang City	56,600	141,499	595,000,000	4,205
104	Chongqing	Land parcel No. A8-4-1/01, Zone A, Xinglong Lake Area, Yongchuan District, Chongqing	74,406	171,134	364,316,800	2,129
105	Wenzhou	Land parcel No. 43-5-B in Taishang Township, Cangnan County, Wenzhou City	16,580	32,060	219,400,000	6,843
106	Luoyang	Land parcel No. LYTD-2019-27, Zimei Street, Luolong District, Luoyang	60,288	210,655	876,284,642	4,160
107	Luoyang	Land parcel No. LYTD-2019-28, Lotian Street, Luolong District, Luoyang	60,103	210,017	884,421,561	4,211
108	Luoyang	Land parcel No. LYTD-2019-26, Tank Road, Jianxi District, Luoyang	95,525	286,057	1,013,044,300	3,541
109	Wuhu	Land parcel No. FT1911 at the Old Town, Fanchang County	76,785	153,570	274,200,000	1,786
110	Bengbu	Land parcel No. Benggua (2019) 50 in Huaishang District, Bengbu City	56,469	112,938	232,940,000	2,063
111	Ankang	Land parcel No. 081 in High-tech Zone, Ankang City	116,733	245,139	494,300,000	2,016
112	Chongqing	Land parcel No. L02-02/02 at the southern side of Chang'an Avenue, Dianjiang County, Chongqing City	164,816	296,669	326,330,000	1,100
113	Taiyuan	Land parcel No. SG-1961 in Xiaodian District, Taiyuan City	13,901	69,504	205,800,000	2,961

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
114	Yiwu	Land parcel No.2 located at Phase 1 of Laojie Organic Renewal Area, Niansanli Street, Yiwu	49,097	147,290	987,200,000	6,702
115	Ningbo	Land parcel No. HS17-03-09 in Haishu District, Ningbo City	51,215	148,524	2,581,340,000	17,380
116	Dalian	Land parcel at Phase 2 of No. 1 Shuishiying, Lvshunkou District, Dalian City	61,894	107,445	367,270,000	3,418
117	Jining	Land parcel No. E of Lukang North Plant	37,431	82,348	245,400,000	2,980
118	Tianmen	Land parcel No. P (2019) 126 in West Lake Road, Chengxi District, Tianmen City	46,483	120,856	106,480,000	881
119	Wuhan	Land parcel No. P (2019) 137 in Dongxi Lake District, Wuhan City	51,270	143,556	924,600,000	6,441
120	Xuzhou	Land parcel at the southern of Xueyuan Road and eastern of Qingfeng Road, Chengdong Area, Yunlong District, Xuzhou City	132,534	376,533	897,000,000	2,382
121	Shenyang	Land parcel No. 9 in Wanghua Village in the city, Dadong District, Shenyang City	65,911	131,823	804,120,000	6,100
122	Shaoxing	Land parcel at the eastern side of Lou Gong River in Yuecheng District, Shaoxing City	79,629	154,316	1,238,000,000	8,022
123	Ganzhou	Land parcel No.1 at the west of Longzhu North Road, Ruijin Center District, Ganzhou City	59,749	119,498	258,000,000	2,159
124	Taizhou	Land parcel No. XC-02-05-05 (Shiyan Village) in Dahutang New District, Sanmen County	28,833	76,407	282,500,000	3,697
125	Nantong	Land parcel at the southern side of Huaihe Road, Rudong New District	51,814	93,265	390,677,700	4,189
126	Weifang	Land parcel No. 2019-F05 in Fangzi District, Weifang City	62,534	125,068	243,880,000	1,950
127	Nanjing	Land parcel No. G74 at the southeast side of Liuhemo Lake	101,697	162,715	1,030,000,000	6,330

Management Discussion and Analysis

No.	City	Project	Site area (sq.m.)	Planned GFA (excluding car parks) (sq.m.)	Total consideration (RMB)	Average land cost (excluding car parks) (RMB/sq.m.)
128	Suqian	Land Land parcel No. 2019 (Jing) D Sucheng 10 in Sucheng New District, Suqian City	78,459	196,148	648,071,300	3,304
129	Taizhou	Land parcel No. ZG110203 in Zeguo Town, Wenling City	40,628	89,382	278,000,000	3,110
130	Maoming	Land parcel No. 015 at the southern of Gaozhou Zhanqian Road, Maoming City	25,141	87,992	203,105,000	2,308
131	Xiamen	Land parcel No. 2019JP05 in Wenjiao District, Jimei New Town, Xiamen City	17,228	49,960	1,000,000,000	20,016
132	Jinan	Land parcels No. A1, A2, and A3 in Yaoshan West Area, Tianqiao District, Jinan City	66,029	138,980	990,400,000	7,126
133	Chongqing	Land parcels No. FT01-201A, FT01-202 in Fengtai Area, Kaizhou City Northern New District, Chongqing City	99,685	219,307	572,000,000	2,608
134	Nanyang	Land parcel No. G2019-68 in Demonstration Zone, Nanyang City	50,518	111,139	450,000,000	4,049
135	Shaoyang	A parcel of land (Shao Gong Zi Tu Wang Pai Gao Zi (2019) No. 228) in Beita District, Shaoyang City	17,005	59,516	76,560,000	1,286
136	Wenzhou	Land parcel No. ZX-9c-1 in Center District, Leqing City	45,758	91,516	726,000,000	7,933
137	Qingyuan	Land parcel No. E24 in Henghe Street, Qingcheng District, Qingyuan City	19,576	48,939	132,150,000	2,700
138	Nanchang	Land parcel No. DAM2019037 in Xincheng District, Anyi County, Nanchang	34,075	68,151	165,500,000	2,428
139	Yinchuan	Land parcel No. Yindi (G) (2019) -59 in Jinfeng District, Yinchuan City	89,412	178,824	843,776,000	4,718
			7,522,859	16,593,976	76,447,572,853	4,607

As at 31 December 2019, the total land bank attributable to the Group, taking into account the total land bank of projects developed by its subsidiaries, joint ventures and associates, was 45.7 million sq.m., among which, 2.8 million sq.m. were completed properties available for sale/leasable and 42.9 million sq.m. were under development or for future development.

Management Discussion and Analysis

The following table sets forth a breakdown of the total land bank attributable to the Group developed by the Group's subsidiaries by geographical location as at 31 December 2019:

	Number of projects	Completed GFA available for sale/leasable[(1)] (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group[(2)] (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank[(3)] (sq.m.)
Zhejiang Province	82	750,130	5,159,014	1,445,727	7,354,871	16.1	7,354,871
Jiangsu Province	41	439,197	4,062,637	1,325,314	5,827,148	12.8	5,827,148
Anhui Province	25	27,335	2,219,892	107,326	2,354,553	5.2	2,354,553
Yangtze River Delta	**148**	**1,216,662**	**11,441,543**	**2,878,367**	**15,536,572**	**34.1**	**15,536,572**
Henan Province	22	–	2,750,385	541,779	3,292,164	7.2	3,292,164
Hunan Province	16	487,608	1,508,644	857,745	2,853,997	6.2	2,853,997
Hubei Province	10	30,758	1,445,910	334,203	1,810,871	3.9	1,810,871
Yunnan Province	10	3,201	1,511,327	–	1,514,528	3.3	1,514,528
Inner Mongolia Autonomous Region	4	–	747,611	747,611	1,495,222	3.3	1,495,222
Sichuan Province	11	–	1,028,180	281,418	1,309,598	2.9	1,309,598
Shaanxi Province	7	–	827,809	283,330	1,111,139	2.4	1,111,139
Guangxi Zhuang Autonomous Region	8	83,994	872,424	87,263	1,043,681	2.3	1,043,681
Chongqing	5	–	450,023	395,427	845,450	1.9	845,450
Ningxia Hui Autonomous Region	2	–	166,813	221,349	388,162	0.9	388,162
Shanxi Province	2	–	276,839	–	276,839	0.6	276,839
Guizhou Province	3	–	267,535	–	267,535	0.6	267,535
Gansu Province	2	–	194,166	–	194,166	0.4	194,166
Midwest China	**102**	**605,561**	**12,047,666**	**3,750,125**	**16,403,352**	**35.9**	**16,403,352**
Liaoning Province	23	–	2,194,427	654,391	2,848,818	6.2	2,848,818
Hebei Province	3	–	355,535	147,037	502,572	1.1	502,572
Shandong Province	4	–	150,214	316,744	466,958	1.0	466,958
Tianjin	2	–	252,796	–	252,796	0.6	252,796
Pan-Bohai Rim	**32**	**–**	**2,952,972**	**1,118,172**	**4,071,144**	**8.9**	**4,071,144**
Jiangxi Province	30	508,079	1,618,328	219,715	2,346,122	5.1	2,346,122
Fujian Province	8	21,290	713,076	–	734,366	1.6	734,366
Western Taiwan Straits	**38**	**529,369**	**2,331,404**	**219,715**	**3,080,488**	**6.7**	**3,080,488**
Guangdong Province	10	–	1,074,296	275,744	1,350,040	3.0	1,350,040
Pearl River Delta	**10**	**–**	**1,074,296**	**275,744**	**1,350,040**	**3.0**	**1,350,040**
Subtotal	330	2,351,592	29,847,881	8,242,123	40,441,596	88.6	40,441,596

Management Discussion and Analysis

The following table sets forth a breakdown of the total land bank attributable to the Group developed by the Group's joint ventures and associates in terms of geographical location as at 31 December 2019:

	Number of projects	Completed GFA available for sale/leasable[(1)] (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group[(2)] (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank[(3)] (sq.m.)
Zhejiang Province	59	80,285	1,475,611	38,425	1,594,321	3.5	5,248,560
Jiangsu Province	23	219,630	1,002,806	118,586	1,341,022	2.9	3,727,941
Anhui Province	9	–	379,387	34,975	414,362	0.9	1,742,012
Yangtze River Delta	**91**	**299,915**	**2,857,804**	**191,986**	**3,349,705**	**7.3**	**10,718,513**
Chongqing	6	35,830	262,332	101,684	399,846	0.9	1,082,646
Henan Province	4	–	144,881	245,724	390,605	0.9	1,050,610
Hunan Province	3	31,837	107,447	–	139,284	0.3	381,419
Yunnan Province	3	–	84,003	–	84,003	0.2	188,231
Guangxi Zhuang Autonomous Region	1	–	15,289	–	15,289	0.0	52,720
Midwest China	**17**	**67,667**	**613,952**	**347,408**	**1,029,027**	**2.3**	**2,755,626**
Shandong Province	4	5,290	124,468	–	129,758	0.3	577,081
Liaoning Province	1	–	17,262	–	17,262	0.0	33,848
Pan-Bohai Economic Rim	**5**	**5,290**	**141,730**	**–**	**147,020**	**0.3**	**610,929**
Jiangxi Province	5	33,959	300,658	–	334,617	0.7	1,155,271
Fujian Province	9	26,197	208,341	63,510	298,048	0.7	1,189,756
Western Taiwan Straits	**14**	**60,156**	**508,999**	**63,510**	**632,665**	**1.4**	**2,345,027**
Guangdong Province	1	–	48,600	–	48,600	0.1	162,000
Pearl River Delta	**1**	**–**	**48,600**	**–**	**48,600**	**0.1**	**162,000**
Subtotal	128	433,028	4,171,085	602,904	5,207,017	11.4	16,592,095
Total	458	2,784,620	34,018,966	8,845,027	45,648,613	100.0	57,033,691

Management Discussion and Analysis

The following table sets forth a breakdown of the total land bank attributable to the Group developed by the Group's subsidiaries, joint ventures and associate in terms of geographical location as at 31 December 2019:

	Number of projects	Completed GFA available for sale/leasable GFA(1) (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group(2) (sq.m.)	% of total land bank attributable to the Group (%)	Total land bank(3) (sq.m.)
By City tiers							
Second-tier cities	145	529,036	7,764,866	1,867,414	10,161,316	22.3	14,928,679
Third-tier cities	247	1,791,035	19,597,029	6,045,277	27,433,341	60.1	33,018,299
Forth-tier cities	66	464,549	6,657,071	932,336	8,053,956	17.6	9,086,713
Total	458	2,784,620	34,018,966	8,845,027	45,648,613	100.0	57,033,691
By Region							
Yangtze River Delta	239	1,516,577	14,299,347	3,070,353	18,886,277	41.4	26,255,085
Midwest China	119	673,228	12,661,618	4,097,533	17,432,379	38.2	19,158,978
Pan-Bohai Rim	37	5,290	3,094,702	1,118,172	4,218,164	9.2	4,682,073
Western Taiwan Straits	52	589,525	2,840,403	283,225	3,713,153	8.1	5,425,515
Pearl River Delta	11	—	1,122,896	275,744	1,398,640	3.1	1,512,040
Total	458	2,784,620	34,018,966	8,845,027	45,648,613	100.0	57,033,691

Notes:

(1) Completed GFA available for sale/leasable GFA include saleable GFA remaining unsold, leasable GFA and completed GFA that have been pre-sold but yet delivered.

(2) Total land bank attributable to the Group equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development, adjusted by the equity interest held by the Group in respect of the projects held by the Group's joint ventures and associates.

(3) Total land bank equals to the sum of (i) total completed GFA available for sale/leasable GFA; (ii) total planned GFA for properties under development; and (iii) total estimated GFA for properties held for future development without adjusting the equity interest held by the Group in respect of the projects held by the Group's joint ventures or associates.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Relevant Year, the Group derived its revenue from three business lines, namely (i) sales of properties; (ii) management consulting services; and (iii) rental income from property lease. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the details of the Group's revenue recognised by business line for the years indicated:

	For the year ended 31 December		
	2019	2018	Change in
	RMB'000	RMB'000	percentage
	(Unaudited)	(Audited)	
Revenue			
Revenue from contracts with customers			
Sales of properties	**56,383,676**	29,992,092	+88.0%
Management consulting services	**244,044**	211,845	+15.2%
Property management services	**–**	6,321	–100.0%
Revenue from other sources			
Rental income	**11,876**	4,430	+168.1%
Total	**56,639,596**	30,214,688	+87.5%

The Group's revenue increased tremendously by approximately 87.5% from RMB30,214.7 million for the year ended 31 December 2018 to RMB56,639.6 million for the year ended 31 December 2019. This increase was mainly attributable to:

(i) the increase in the total recognised GFA by approximately 108.4% from 2,696,799 sq.m. for the year ended 31 December 2018 to 5,621,427 sq.m. for the year ended 31 December 2019, leading to an increase in revenue from sales of properties by approximately 88.0% from RMB29,992.1 million for the year ended 31 December 2018 to RMB56,383.7 million for the year ended 31 December 2019;

(ii) the increase in revenue from management consulting services by approximately 15.2% from RMB211.8 million for the year ended 31 December 2018 to RMB244.0 million for the year ended 31 December 2019; and

(iii) the increase in rental income from the leasing properties from RMB4.4 million for the year ended 31 December 2018 to RMB11.9 million for the year ended 31 December 2019. The rental income in 2019 was mainly contributed by the Group's investment properties located in Wenzhou.

Such increase was partially offset by (i) the decrease in the recognised ASP of properties delivered by the Group by approximately 9.8% from RMB11,121 per sq.m. for the year ended 31 December 2018 to RMB10,030 per sq.m. for the year ended 31 December 2019 due to the decrease in proportion of recognised revenue contributed by Yangtze River Delta Economic Region where property projects generally had higher ASP; and (ii) the decrease in revenue from property management services, which was an ancillary business of the Group, from RMB6.3 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019 as a result of the disposal of such ancillary business by the Group upon reorganisation in the process of the Listing.

Management Discussion and Analysis

Revenue recognised from sales of properties

Revenue generated from the sales of properties amounted to RMB56,383.7 million for the year ended 31 December 2019. The following table sets forth the details of the revenue generated from the sales of properties, the total recognised GFA and recognised ASP for the Group's projects by geographical location for the year ended 31 December 2019:

	For the year ended 31 December 2019			
	Revenue RMB'000	% to total revenue %	Recognised GFA sq.m.	Recognised ASP RMB/sq.m.
Yangtze River Delta				
Lishui	5,225,398	9.3	363,280	14,384
Taizhou	4,163,593	7.4	270,288	15,404
Wuhu	4,452,677	7.9	435,365	10,227
Jiaxing	3,844,408	6.8	312,665	12,296
Ningbo	2,756,617	4.9	205,981	13,383
Wenzhou	2,661,814	4.7	186,360	14,283
Xuancheng	2,324,173	4.1	257,356	9,031
Yancheng	1,882,245	3.3	200,815	9,373
Others	13,750,233	24.4	1,345,608	10,219
Subtotal	41,061,158	72.8	3,577,718	11,477
Midwest China				
Yuxi	1,236,956	2.2	141,038	8,770
Kunming	740,483	1.3	82,484	8,977
Changsha	712,965	1.3	132,727	5,372
Yulin	557,010	1.0	77,309	7,205
Guigang	353,085	0.6	67,388	5,240
Others	1,706,018	3.0	242,731	7,028
Subtotal	5,306,517	9.4	743,677	7,136
Pan-Bohai Rim				
Zibo	342,649	0.6	37,308	9,184
Taian	220,592	0.4	30,981	7,120
Laiwu	90,308	0.2	11,517	7,841
Others	270,106	0.5	33,235	8,127
Subtotal	923,655	1.7	113,041	8,171
Western Taiwan Straits				
Ganzhou	3,133,819	5.6	441,039	7,106
Jiujiang	1,785,399	3.2	206,445	8,648
Gian	1,549,551	2.7	226,404	6,844
Jingdezhen	1,091,983	1.9	128,747	8,482
Others	1,414,787	2.5	170,404	8,303
Subtotal	8,975,539	15.9	1,173,039	7,652
Pearl River Delta				
Jiangmen	42,349	0.1	4,339	9,760
Maoming	24,738	*	2,981	8,299
Shaoguan	15,946	*	2,497	6,386
Others	33,774	0.1	4,135	8,168
Subtotal	116,807	0.2	13,952	8,372
Total	56,383,676	100.0	5,621,427	10,030

Management Discussion and Analysis

	For the year ended 31 December 2018			
	Revenue RMB'000	% to total revenue %	Recognised GFA sq.m.	Recognised ASP RMB/sq.m.
Yangtze River Delta				
Wenzhou	6,885,900	23.0	446,907	15,408
Ningbo	4,664,561	15.6	328,662	14,193
Suzhou	2,239,635	7.5	154,105	14,533
Shaoxing	1,939,010	6.5	238,374	8,134
Taizhou	1,593,645	5.3	138,303	11,523
Hangzhou	818,672	2.7	77,582	10,552
Others	10,311,341	34.3	1,102,278	9,355
Subtotal	28,452,764	94.9	2,486,211	11,444
Midwest China				
Dazhou	144,186	0.5	21,525	6,699
Xuchang	75,993	0.3	10,139	7,495
Kunming	56,788	0.2	7,626	7,447
Changsha	19,192	0.1	3,772	5,279
Others	285,264	0.8	40,420	7,057
Subtotal	582,143	1.9	83,482	6,973
Pan-Bohai Rim				
Yantai	93,450	0.3	15,981	5,848
Linyi	21,802	0.1	2,583	8,441
Others	58,353	0.2	7,029	8,302
Subtotal	173,605	0.6	25,593	6,783
Western Taiwan Straits				
Ganzhou	281,785	0.9	35,391	7,962
Ningde	146,372	0.5	20,674	7,080
Jiujang	110,291	0.4	12,748	8,652
Others	244,748	0.8	32,640	7,498
Subtotal	783,196	2.6	101,453	7,720
Pearl River Delta				
Shaoguan	384	*	60	6,400
Total	29,992,092	100.0	2,696,799	11,121

* *Less than 0.1%*

Management Discussion and Analysis

Cost of sales

The Group's cost of sales increased by approximately 86.5% from RMB23,303.8 million for the year ended 31 December 2018 to RMB43,457.3 million for the year ended 31 December 2019. This increase was generally in line with the increase in the Group's total revenue.

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 90.7% from RMB6,910.8 million for the year ended 31 December 2018 to RMB13,182.3 million for the year ended 31 December 2019.

The Group's gross profit margin increased from 22.9% for the year ended 31 December 2018 to 23.3% for the year ended 31 December 2019, primarily because of the higher profitability of the projects delivered during the year.

Finance income

The Group's finance income (mainly represents bank interest income) increased by approximately 45.8% from RMB353.7 million for the year ended 31 December 2018 to RMB515.6 million for the year ended 31 December 2019, primarily due to the increase in bank balances and cash.

Other income and gains

The Group's other income and gains primarily include (i) gain on disposal of subsidiaries; (ii) net foreign exchange difference; (iii) forfeiture of deposits; (iv) government grants; (v) changes in provision for financial guarantee contracts; and (vi) others, which mainly include sundry income. The Group's other income increased by approximately 146.2% from RMB95.0 million for the year ended 31 December 2018 to RMB233.9 million for the year ended 31 December 2019.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 52.2% from RMB1,333.9 million for the year ended 31 December 2018 to RMB2,030.1 million for the year ended 31 December 2019, primarily due to the increase in marketing expenses incurred for the promotion of property projects available for pre-sale during the year.

Administrative expenses

The Group's administrative expenses increased by approximately 54.7% from RMB1,648.3 million for the year ended 31 December 2018 to RMB2,549.7 million for the year ended 31 December 2019, primarily due to the increase in administrative and staff costs as a result of the Group's business expansion during the year.

Other expenses

The Group's other expenses increased by approximately 29.0% from RMB197.8 million for the year ended 31 December 2018 to RMB255.2 million for the year ended 31 December 2019.

Management Discussion and Analysis

Fair value gains on investment properties

The Group's fair value gains on investment properties decreased by approximately 30.7% from RMB72.0 million for the year ended 31 December 2018 to RMB49.9 million for the year ended 31 December 2019.

Fair value losses on financial assets at fair value through profit or loss

The Group's fair value losses on financial assets at fair value through profit or loss increased by approximately 72.5% from RMB4.0 million for the year ended 31 December 2018 to RMB6.9 million for the year ended 31 December 2019.

Finance costs

The Group's finance costs increased by approximately 7.6% from RMB433.5 million for the year ended 31 December 2018 to RMB466.5 million for the year ended 31 December 2019, primarily due to the increase in interest on the Group's bank and other borrowings and senior notes as a result of the increase in amount of borrowings and interest rates, partially offset by the increase in interest capitalised in properties under development.

The Group's total finance costs expensed and capitalised for the year ended 31 December 2019 was RMB4,521.6 million, representing an increase of approximately 49.4% from RMB3,027.5 million for the year ended 31 December 2018. The increase was due to the increase in bank borrowings and interest rates.

The Group's weighted average effective cost of indebtedness for the year was approximately 9.4% (31 December 2018: approximately 9.9%).

Share of profit/losses of joint ventures

The Group recorded share of losses of joint ventures of RMB82.2 million for the year ended 31 December 2018 and share of profits of joint ventures of RMB979.4 million for the year ended 31 December 2019. Such change was primarily due to the delivery of property projects held by the Group's joint ventures which generated profit during the Relevant Year.

Share of profits of associates

The Group's share of profits of associates decreased by approximately 64.4% from RMB717.5 million for the year ended 31 December 2018 to RMB255.4 million for the year ended 31 December 2019, primarily due to the decrease in delivery of property projects held by the Group's associates for the year ended 31 December 2019.

Profit before tax

As a result of the aforementioned changes of the Group's financials, the Group's profit before tax increased by approximately 123.0% from RMB4,438.5 million for the year ended 31 December 2018 to RMB9,898.1 million for the year ended 31 December 2019.

Management Discussion and Analysis

Income tax expense

The Group's income tax expense comprises provisions made for corporate income tax and LAT in the PRC less deferred tax during the year. The Group's income tax expense increased by approximately 90.5% from RMB1,912.2 million for the year ended 31 December 2018 to RMB3,642.2 million for the year ended 31 December 2019.

Profit and core net profit for the year attributable to the owners of the Company

As a result of the aforementioned changes of the Group's financials, the Group's profit for the year attributable to owners of the Company increased by approximately 98.5% from RMB1,931.3 million for the year ended 31 December 2018 to RMB3,833.7 million for the year ended 31 December 2019. The Group's core net profit for the year attributable to the owners of the Company increased by approximately 102.3% from RMB1,928.7 million for the year ended 31 December 2018 to RMB3,901.4 million for the year ended 31 December 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the Listing and cash generated from operations including proceeds from sale and pre-sale of properties, bank loans, which include entrusted bank loans provided by ultimate third-party lenders through commercial banks as an intermediary, loans from independent third parties (excluding from financial institutions and private placement asset management plans), trust financing and asset management arrangements, capital contribution from non-controlling Shareholders, issuance of senior notes and other financings. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loans.

Net current assets

As at 31 December 2019, the Group's net current assets amounted to RMB26,112.3 million (31 December 2018: RMB11,945.2 million). Specifically, the Group's total current assets increased by approximately 31.0% from RMB160,394.2 million as at 31 December 2018 to RMB210,130.8 million as at 31 December 2019. The Group's total current liabilities increased by approximately 24.0% from RMB148,449.0 million as at 31 December 2018 to RMB184,018.5 million as at 31 December 2019. The increase in the Group's total current assets was primarily attributable to (i) the increase in properties under development; and (ii) the increase in prepayments and other receivables as at 31 December 2019.

Cash position

The Group's cash and cash equivalents, pledged deposits and restricted cash amounted to approximately RMB26,495.3 million in total as at 31 December 2019 (2018: approximately RMB23,080.4 million), representing an increase of approximately 14.8% as compared with the end of 2018.

Indebtedness

As at 31 December 2019, the Group had total outstanding indebtedness of RMB40,181.2 million (31 December 2018: RMB27,004.9 million), of which RMB31,994.1 million (31 December 2018: RMB20,259.4 million) was carried at fixed rates. Except for the senior notes of RMB4,195.4 million which were denominated in USD, all of the other borrowings of the Group were denominated in RMB.

Management Discussion and Analysis

The following table sets forth Group's total indebtedness as at the dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current		
Bank loans		
— secured	**2,193,310**	490,000
— unsecured	**—**	232,000
Other loans		
— secured	**10,378,095**	5,854,621
— unsecured	**890,550**	673,201
Current portion of long-term bank loans		
— secured	**4,786,982**	4,593,900
Current portion of long-term other loans		
— secured	**1,876,376**	2,624,950
Senior notes	**1,378,045**	—
Total current indebtedness	**21,503,358**	14,468,672
Non-current		
Bank loans		
— secured	**11,991,707**	5,211,318
— unsecured	**1,150,000**	820,000
Other loans		
— secured	**2,718,849**	4,844,927
— unsecured	**—**	1,660,000
Senior notes	**2,817,326**	—
Total non-current indebtedness	**18,677,882**	12,536,245
Total indebtedness	**40,181,240**	27,004,917
Secured	**38,140,690**	23,619,716
Unsecured	**2,040,550**	3,385,201
Total indebtedness	**40,181,240**	27,004,917

Management Discussion and Analysis

The following table sets forth the maturity profiles of the Group's total indebtedness as at the dates indicated:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank loans repayable:		
— Within one year or on demand	**6,980,292**	5,315,900
— In the second year	**11,251,174**	3,979,318
— In the third to fifth year, inclusive	**1,890,533**	2,052,000
	20,121,999	11,347,218
Other borrowings repayable:		
— Within one year or on demand	**13,145,021**	9,152,772
— In the second year	**2,718,849**	6,104,927
— In the third to fifth year, inclusive	**—**	400,000
	15,863,870	15,657,699
Senior notes repayable:		
— Within one year	**1,378,045**	—
— In the second year	**2,817,326**	—
	4,195,371	—
Total	**40,181,240**	27,004,917

Pledge of assets

As at 31 December 2019, the Group's borrowings were secured by the Group's assets of RMB60,039.6 million (31 December 2018: RMB43,669.7 million) which includes (i) investment properties; (ii) properties under development; (iii) pledged deposits; and (iv) restricted cash.

Financial risks

The Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management and did not use any derivatives or other instruments for hedging purposes during the Relevant Year.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group has not used derivative financial instruments to hedge any interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

Management Discussion and Analysis

Foreign currency risk

The Group has transactional currency exposures arising from transactions by the group entities in currencies other than their respective functional currencies. In addition, the Group has foreign currency exposures from its cash and cash equivalents and senior notes.

As at 31 December 2019, the Group had bank balances and cash denominated in United States dollars and Hong Kong dollars of RMB421.7 million and of RMB27.5 million, respectively, and senior notes denominated in United States dollars of RMB4,195.4 million, which are subject to fluctuations in exchange rates. The Group has not entered into any foreign currency hedging arrangement. However, the Group will closely monitor its exposure to exchange rates in order to best preserve the Group's cash value.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control of the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and senior notes. Cash flows are closely monitored on an ongoing basis.

CONTINGENT LIABILITIES

Mortgage guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under such arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon 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.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The total outstanding guarantee amounts provided by the Group to banks amounted to RMB51,717.8 million as at 31 December 2019 (31 December 2018: RMB28,897.3 million).

The Group did not incur any material losses during the Relevant Year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Management Discussion and Analysis

Financial guarantees

As at 31 December 2019, the Group guaranteed certain of the bank and other borrowings made to its related companies up to RMB10,228.9 million (31 December 2018: RMB6,594.2 million).

Legal contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results.

COMMITMENTS

As at 31 December 2019, the Group's property development expenditures, acquisition of land use rights and capital contributions payable to joint ventures and associates that had contracted but yet provided for were RMB75,218.3 million (31 December 2018: RMB44,047.4 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 31 December 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in notes 20, 35 and 36 to the consolidated financial statements on page 162 and pages 177 to 183 in this report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the Listing (including the partial exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the Listing which the Company received amounted to approximately HK$3,050.7 million (equivalent to approximately RMB2,732.8 million). Up to the date of this report, the net proceeds received from the Listing have been used, and will continue to be used, in a manner consistent with the proposed allocations in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing date up to 31 December 2019 is set out below:

	Planned use of net proceeds as stated in the Prospectus RMB million	**Actual use of net proceeds up to 31 December 2019** RMB million	**Unutilised net proceeds as at 31 December 2019** RMB million
Construction costs for the development of the Group's existing property projects	1,675.2	751.2	924.0
Repayment of trust loans	784.3	779.8	4.5
General working capital	273.3	273.3	—
Total	2,732.8	1,804.3	928.5

The remaining unutilised net proceeds will be used to settle construction payments or trust loan in accordance with the progress of construction or repayment terms of trust loans in the following years.

EMPLOYEE, REMUNERATION POLICY AND TRAINING

Human resource has always been the most valuable resource of the Group. As at 31 December 2019, the Group employed a total of 13,693 full-time employees (31 December 2018: 12,525). For the Relevant Year, the staff cost recognised as expenses of the Group amounted to RMB1,627.3 million (31 December 2018: RMB1,019.2 million). The Group offers its employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses, so as to attract and retain quality staff.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) On 18 February 2020, the Company issued senior notes with a principal amount of US$250,000,000 due in 2021. The senior notes bear interest at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 February 2021. At any time prior to maturity, the Company may at its option redeem the senior notes, at a predetermined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

(2) Since early 2020, the epidemic of COVID-19 has spread across China and other countries and it has affected the business and economic activities of the Group to some extent. The Board has assessed that the Group's contracted sales, rental income and construction progress of development projects in 2020 could be affected by the restrictions imposed by the government and the economic slowdown due to COVID-19 outbreak, which could negatively impact the recognised revenue of the Group in 2020. The overall financial effect of the above cannot be reliably estimated as of the date of this report. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

Biographies of Director and Senior Management

DIRECTORS

Executive Directors

Mr. YANG Jian (楊劍), aged 48, is the founder of the Group and was appointed as the executive Director and the chairman of the Board in March 2018. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Yang is principally responsible for the overall management and business operations of the Group, including coordinating board affairs, formulating strategies and operational plans, and making major business decisions. Since the establishment of the Group's PRC principal operating subsidiary Shanghai Zhongliang Real Estate in 2009 until October 2019, Mr. Yang has been the chairman of the board at Shanghai Zhongliang Real Estate, and has been in charge of coordinating board affairs, overseeing the company's development strategies and managing its daily operations, and Mr. Yang has been a director of Shanghai Zhongliang Real Estate since October 2019. Mr. Yang has also taken various roles at Shanghai Zhongliang Enterprise Development since its establishment in August 2016 to September 2019, including executive director, chairman of the board and managing director.

Mr. Yang has more than 26 years of experience in the PRC real estate industry. In August 1993, he joined Wenzhou Xinhua Real Estate Development Company (溫州市欣華房地產開發公司), the predecessor of Zhejiang Tianjian, which engaged in property development in the PRC and became the legal representative and chairman of Zhejiang Tianjian in November 1997. From August 2000 to June 2018, he had been the majority shareholder and controller of Zhejiang Tianjian who was in charge of its overall management and business operations. Mr. Yang received the Executive Education Program Certificate from Cheung Kong Graduate School of Business (長江商學院), the PRC, in May 2016 after completing a course in investment and financing in capital market. Mr. Yang is the brother-in-law of Mr. Xu Liangqiong, one of the executive Directors who has resigned from the directorship since December 2019.

Mr. HUANG Chunlei (黃春雷), aged 47, was appointed as the executive Director and the chief executive officer of the Company in March 2018. Mr. Huang is primarily responsible for formulating and supervising operational strategies and plans, undertaking business objectives set by the Board, and managing daily operations of the Group. He is also in charge of the overall business and management of the Group's subsidiaries. Mr. Huang has been the rotating president of Shanghai Zhongliang Real Estate since January 2018, and a director of Shanghai Zhongliang Enterprise Development since August 2018. Mr. Huang is currently a non-executive director of one of the Group's subsidiaries, namely Jinhua Ruihe Commerce Co., Ltd. (金華市瑞禾貿易有限公司).

Mr. Huang has over 17 years of experience in real estate development. From July 2009 to January 2018, he worked at Shanghai Zhongliang Real Estate and held various positions, including vice president, senior vice president of investment, operation, merger and acquisition and reorganization, and general manager of investment development center. Prior to that, he was the deputy general manager at Suzhou Huacheng from December 2002 to July 2009. Mr. Huang received a bachelor's degree in economics from Hangzhou University (杭州大學) (now merged into Zhejiang University (浙江大學)) in Zhejiang Province, the PRC, in 1994.

Biographies of Director and Senior Management

Mr. CHEN Hongliang (陳紅亮), aged 38, was appointed as the executive Director in December 2019. He is currently a co-president of the property business and a director of Shanghai Zhongliang Enterprise Development and various subsidiaries of the Group. He is primarily responsible for the governance and management of the Group, including strategies, human resources, mechanism accounting, legal, risk and financial management, real estate information management and brand building of the Group.

Mr. Chen has more than 14 years of experience in human resources. Since September 2009, Mr. Chen has worked for the subsidiaries of the Group holding different positions. He was the assistant president of the Group and was in charge of human resources center, legal affairs center and mechanism accounting center from August 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to the current position as a co-president of the property business in September 2019. Mr. Chen was the deputy general manager of human resources of the Group from March 2016 to August 2016, the director of human resources of the Group from March 2015 to March 2016 and as the deputy director of the Group from March 2013 to March 2015. He was the manager of corporate management department and head of office at Shanghai Zhongliang Real Estate from September 2009 to March 2013.

Prior to joining the Group, Mr. Chen was the manager of human resources at Suzhou Industrial Park Huacheng Real Estate Development Limited* (蘇州工業園區華成房地產開發有限公司) from October 2008 to September 2009. Prior to that, Mr. Chen was the manager of human resources administration at Suzhou Shengshi Real Estate Investment Group Ltd.* (蘇州盛世地產投資集團有限公司), which primarily engages in property development and sales, from January 2007 to October 2008. Mr. Chen graduated from Anhui University of Science and Technology (安徽理工大學) in Anhui Province, the PRC, in July 2004, majoring in human resources management. In February 2010, he obtained the Human Resources Management Certificate (Intermediate level)* (人力資源中級證) granted by Jiangsu Province Human Resources and Social Security Bureau* (江蘇省人力資源和社會保障廳).

Mr. LI Heli (李和栗), aged 32, was appointed as the executive Director in December 2019. He is currently a co-president of the property business and a director of Shanghai Zhongliang Real Estate and various subsidiaries of the Group. Mr. Li is primarily responsible for the management operation of the Group, including investment, product research, sales and customer service and business operations.

Mr. Li joined the Group in March 2015 as head of project development and head of marketing before he served as the assistant president of the investment development center from November 2016 to August 2018, then he was promoted to vice president of the Company in August 2018 and subsequently promoted to his current position as a co-president of the property business in September 2019. From March 2013 to February 2015, Mr. Li joined a property sales agency Wenzhou Qiyuan Real Estate Consultant Co., Ltd.* (溫州啟源房地產顧問有限公司), where he served as the marketing director and provided real estate market research and project planning services. From June 2009 to March 2013, he worked at New Hongjia Investment Advisory Firm* (新鴻嘉投資顧問有限公司) as a manager of market development department. Mr. Li obtained his bachelor's degree in social work from Suzhou University in Jiangsu Province, the PRC, in June 2009.

Mr. YAU Sze Ka (游思嘉), also known as Albert Yau, aged 48, joined the Group in April 2019 and was appointed as executive Director in December 2019. He is currently the vice president of the Group and a director of certain subsidiaries of the Group. Mr. Yau is primarily responsible for the overall financial management, fundraisings and capital market matters of the Group.

Biographies of Director and Senior Management

Mr. Yau has 25 years of experience in real estates, capital markets and corporate management. Mr. Yau was ranked the "Best CFO — Overall Number 1" in 2017 and 2018 and "Best CFO — Buyside Number 1" in 2019 of the "Property" category of "All-Asia Executive Team" rankings published by Institutional Investor, the global finance magazine. From July 2011 to March 2019, Mr. Yau was the chief financial officer of CIFI Holdings (Group) Co. Ltd., a company principally engaged in property development and property investment in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 884). From December 2005 to June 2011, Mr. Yau was the director of corporate affairs of Lai Sun Garment (International) Limited, a company principally engaged in property investment and development in Hong Kong, PRC and overseas as well as investment in and operation of hotels and restaurants and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 191), where he was responsible for corporate finance, business development and investor relations. From January 2003 to December 2005, Mr. Yau was a director of DBS Asia Capital Limited, a company principally engaged in corporate finance and investment banking. From September 1999 to January 2003, Mr. Yau worked for ICEA Capital Limited, a company principally engaged in corporate finance and investment banking, and his last position held was an executive director of the investment banking division. From January 2017 to March 2019, Mr. Yau was an independent non-executive director of Wisdom Education International Holdings Company Limited, a company principally engaged in the provision of education services in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6068). Mr. Yau obtained a bachelor's degree of science from University of California at Berkeley, the United States in May 1994. He is also a holder of Chartered Financial Analyst.

Independent non-executive Directors

Mr. WANG Kaiguo (王開國), aged 61, was appointed as an independent non-executive Director in June 2019 and is currently a member of the audit committee and the nomination committee of the Company. Prior to joining the Group, Mr. Wang has served at Shanghai Zhongping Capital Co. Ltd. (上海中平國瑀資產管理有限公司), an asset management company, as the chairman of the board of directors since August 2016. Mr. Wang has more than 24 years of experience working in financial institutions. from February 1995 to July 2016, he served at a Chinese securities corporation Haitong Securities Co., Ltd. (海通證券股份有限公司) and held various positions, including the deputy general manager, general manager, Secretary of the Leading Party Members' Group, Secretary of Party Committee and chairman of the board, president and executive director, where he began to host the work of Haitong Securities Co., Ltd. in a comprehensive way and led it to become a leading securities in China. Mr. Wang received his doctor's degree in economics from Xiamen University (廈門大學) in Fujian Province, the PRC in May 1990. Mr. Wang was certified as a senior economist by Bank of Communications in December 1997. Since May 2017, Mr. Wang has been an independent non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司), a supplier of piped gas and other public utilities listed on the Shanghai Stock Exchange (stock code: 600635). He has also served as an independent non-executive director of a corporate commercial bank Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) since March 2017. From December 2009 to December 2014, Mr. Wang was an independent non-executive director at Shanghai Chlor-Alkali Chemical Co., Ltd. (上海氯堿化工股份有限公司), a company which manufactures and markets chlorine and alkaline chemicals and is listed on the Shanghai Stock Exchange (stock code: 600618). Since November 2018, Mr. Wang has been an independent non-executive director of Anxin Trust Co., Ltd (安信信託股份有限公司), (a company which engages in deposit and lending business, investment business and trust business and is listed on the Shanghai Stock Exchange (stock code: 600816)), as well as an independent non-executive director of Caitong Fund Management Co., Ltd. (財通基金管理有限公司), a company which engages in fund management business, fund establishment and other business as approved by the China Securities Regulatory Commission.

Biographies of Director and Senior Management

Mr. WU Xiaobo (吳曉波), aged 60, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. Mr. Wu has extensive work experience acting as a strategy adviser in the manufacturing industry in terms of providing strategy, innovation, transnational development and management consulting services. Mr. Wu has served as an independent director of IKD Co., Ltd. (愛柯迪股份有限公司) (an auto parts manufacturer listed on the Shanghai Stock Exchange, stock code: 600933) since August 2018. From March 2010 to November 2015, Mr. Wu was a strategy adviser of Zhejiang Machinery and Electrical Group (浙江省機電集團), which manufactures and distributes machinery products, and he was responsible for corporate strategy consultation. He was also a strategy adviser of Geely Automobile Holdings Limited (吉利汽車控股有限公司), an automobile manufacturer listed on the Stock Exchange (stock code: 175) from September 2002 to August 2007. Mr. Wu graduated from Zhejiang University (浙江大學) in Zhejiang Province, the PRC, with a doctor's degree in management science and engineering in July 1992, a master's degree in engineering in June 1989 and a bachelor's degree in electrical engineering in January 1982.

Mr. AU YEUNG Po Fung (歐陽寶豐), aged 52, was appointed as an independent non-executive Director in June 2019 and is currently the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Au Yeung has extensive work experience in the real estate industry. He held various senior management positions in various real estate companies, including Beijing Huahong Group Co., Ltd. (北京華鴻集團), Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司), Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司), South China Assets Holdings Limited (南華資產控股有限公司), Shenzhen Tianlai Tourism Property Group (深圳天來文旅地產集團), Fosun Industrial Holdings Limited (復星地產控股有限公司) (a subsidiary of Fosun International Limited (復星國際有限公司)), Sun Hung Kai Properties Limited (新鴻基地產開發有限公司), Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), Greenland Hong Kong Holdings Limited (綠地香港控股有限公司), Landsea Green Group Co., Ltd. (朗詩綠色地產有限公司), Fu Wah International Enterprises Group Ltd.(富華國際集團有限公司). Mr. Au Yeung graduated from The Hong Kong Polytechnic (香港理工學院) (currently known as The Hong Kong Polytechnic University (香港理工大學)) in Hong Kong in November 1990 with a bachelor's degree in business studies. He was admitted as a fellow of The Association of Chartered Certified Accountants in November 2000, a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) in May 2003, and a fellow of the Institute of Chartered Accountants in England and Wales in July 2015. Mr. Au Yeung was also certified as a chartered financial analyst (CFA) of the CFA Institute in September 2006.

Mr. Au Yeung has served as an independent non-executive director of Sinic Holdings (Group) Company Limited (新力控股(集團)有限公司) (a real estate developer listed on the Main Board of the Stock Exchange, stock code: 2103) since August 2019, eBroker Group Limited (電子交易集團有限公司) (a financial technology solution provider listed on GEM of the Stock Exchange, stock code: 8036) since February 2019, Redsun Properties Group Limited (弘陽地產集團有限公司) (a real estate developer listed on the Main Board of the Stock Exchange, stock code: 1996) since June 2018, Shanshan Brand Management Co., Ltd. (杉杉品牌運營股份有限公司) (a menswear company focusing on design, marketing and sale of formal and casual business menswear in the PRC listed on the Main Board of the Stock Exchange, stock code: 1749) since May 2018. From July 2017 to February 2020, he served as an independent non-executive director of GR Properties Ltd. (國銳地產有限公司) (a property development and management company listed on the Main Board of the Stock Exchange, stock code: 108). From July 2017 to September 2019, he served as an independent non-executive director of China LNG Group Limited (中國天然氣集團有限公司) (an asset management and new energy development company listed on the Main Board of the Stock Exchange, stock code: 931). From May 2016 to September 2016, he served as an independent non-executive director of Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (a company which engages in toys manufacturing and resources and leisure-related business and is listed on the Main Board of the Stock Exchange, stock code: 381).

The abovementioned Directors of the Company are members of senior management of the Group.

Biographies of Director and Senior Management

COMPANY SECRETARY

Mr. YEUNG Tak Yip (楊德業), aged 38, was appointed as the company secretary in July 2018. Mr. Yeung possesses over six years of experience in company secretarial practice and more than 15 years of experience in finance and administration. Prior to joining the Group, he was the company secretary, financial controller, director of investor relations and authorised representative of Modern Land (China) Co., Limited, which engages in property development and provision of real estate related services and is listed on the Stock Exchange (stock code: 1107), from April 2016 to April 2018. From October 2012 to April 2016, Mr. Yeung was the company secretary and group financial controller of China Water Property Group Limited (currently known as China City Infrastructure Group Limited), a property development group listed on the Stock Exchange (stock code: 2349). Mr. Yeung previously worked at Deloitte & Touche as an audit manager from April 2008 to February 2011 and as an auditor from September 2003 to April 2008. He received his bachelor's degree in professional accountancy from The Chinese University of Hong Kong in Hong Kong in May 2003. He has also been fellow member of the Association of Chartered Certified Accountants since March 2013 and Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2010.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code on corporate governance since the Listing and, to the best knowledge of the Directors, the Company has complied with all applicable code provisions under the Corporate Governance Code since the Listing up to 31 December 2019.

THE BOARD OF DIRECTORS

Board composition

As at 31 December 2019, the Board consists of five executive Directors, namely Mr. Yang (Chairman), Mr. Huang Chunlei (Chief executive officer), Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) and three independent non-executive Directors, namely Mr. Wang Kaiguo, Mr. Wu Xiaobo, and Mr. Au Yeung Po Fung. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company, respectively. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board.

There are no financial, business, family or other material relationships among members of the Board.

During the year ended 31 December 2019, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2019, the Board comprised eight Directors, including five executive Directors and three independent non-executive Directors. Their names and biographical details are set out in the "Biographies of Directors and senior management" section of this report.

Liability insurance for Directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Directors' responsibilities for financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgement on issues of the Company's strategies, performance and control; and scrutinising the Company's performance and monitoring performance reporting.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have made positive contributions to the development of the Company through providing their professional advice to the Board.

All independent non-executive Directors are appointed for a term of three years.

Confirmation of independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules and each of the independent non-executive Directors has made an annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board diversity policy

To enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy on 19 June 2019, which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service with the Group.

The nomination committee is responsible for ensuring the diversity of the Board members and compliance with relevant codes governing board diversity under the Listing Rules. The nomination committee will review the board diversity policy and its diversity profile from time to time to ensure its continued effectiveness.

Corporate Governance Report

The Directors have a balanced mix of knowledge, skills and experience, including the areas of real estate, accounting, financial management, education and manufacturing industries. They obtained academic diplomas and degrees in various majors, including economics, business studies, human resources management, social work, science and management science and engineering. The Company has three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of the Board.

The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the management levels. While the Company recognises that the gender diversity of the Board can be improved given its current composition of all male Directors, it will continue to apply the principle of appointments based on merits with reference to the board diversity policy. Going forward, the Company will consider the possibility of nominating female senior management or female Director to the Board who has the necessary skills and experience. The nomination committee will use its best endeavor and on suitable basis to, within three years from the Listing, identify and recommend at least one female candidate to the Board for its consideration on appointment of Director. The Board will strive to achieve an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board in a few years' time. As female representation in senior roles throughout the economy and the pool of qualified females keeps growing, the Group expects to have more female members in the Board from time to time.

Appointment, re-election and removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Company's Articles of Association. Pursuant to the Article 112 of the Company's articles of association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the Article 108(a) of the Company's articles of association, at each annual general meeting of the Company, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and, being eligible, offer themselves for re-election. The members of the Company may, at any general meetings convened and held in accordance with the Company's Articles of Association, remove a Director by ordinary resolution at any time before the expiration of his period of office notwithstanding anything contrary in the Company's Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

During the year ended 31 December 2019, changes of the Directors are as follows:

Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive Directors with effect from 23 December 2019. Following the appointment of them, Mr. Xu Liangqiong and Mr. Ling Xinyu resigned as executive Directors on the same date due to the Group's business needs and their other business commitment with the Group.

Corporate Governance Report

Directors' training and professional development

Immediately prior to the Listing, all Directors have been given a comprehensive training session covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and continuing obligations of a listed company.

For every newly appointed Director after the Listing, the Company would arrange a comprehensive, formal and tailored induction session on his/her appointment to ensure he/she would have a proper understanding of the Company's businesses and operations as well as his/her responsibilities under relevant statues, laws, rules and regulations as a director of a listed company.

As part of continuous professional development of the Directors, the Company also provides briefings and other trainings to develop and refresh the Director's knowledge and skills. and continuously update Directors on the latest developments regarding the Group's business, the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2019, all the Directors attended the aforementioned comprehensive training, a training session on update on the recent Listing Rules amendments, and read relevant materials to keep themselves abreast of regulatory developments and changes.

Board meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The date of each meeting is decided in advance to enable the Directors to attend the meeting in person.

During the period from the Listing Date to 31 December 2019, the Directors have made active contribution to the affairs of the Group and 3 board meetings were held to consider, among other things, various transactions contemplated by the Group, appointment and resignation of Directors and to review and approve the interim results of the Group. According to article 107(d) of the articles of association of the Company, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested.

Corporate Governance Report

Attendance record of Directors

The attendance record of Directors at the meetings of the Board, the Board committees and the Shareholders held during the period from the Listing Date to 31 December 2019 is set out below:

Directors	Number of meetings attended/Number of meetings held for the year ended 31 December 2019				
	Board	Audit committee	Nomination committee	Remuneration committee	General meetings (Note 3)
Executive Directors					
Mr. Yang (Chairman)	2/3	N/A	N/A (Note 4)	N/A (Note 5)	N/A
Mr. Huang Chunlei (Chief Executive Officer)	3/3	N/A	N/A	N/A	N/A
Mr. Chen Hongliang (Note 1)	N/A	N/A	N/A	N/A	N/A
Mr. Li Heli (Note 1)	N/A	N/A	N/A	N/A	N/A
Mr. Yau Sze Ka (Albert) (Note 1)	N/A	N/A	N/A	N/A	N/A
Mr. Xu Liangqiong (Note 2)	2/3	N/A	N/A	N/A	N/A
Mr. Ling Xinyu (Note 2)	3/3	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Wang Kaiguo	3/3	2/2	N/A (Note 4)	N/A	N/A
Mr. Wu Xiaobo	3/3	2/2	N/A (Note 4)	N/A (Note 5)	N/A
Mr. Au Yeung Po Fung	3/3	2/2	N/A	N/A (Note 5)	N/A

Notes:

(1) Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as Directors on 23 December 2019. No board meeting has been held since their appointments as Directors up to 31 December 2019.

(2) Mr. Xu Liangqiong and Mr. Ling Xinyu resigned as Directors on 23 December 2019.

(3) There was no general meeting held from the Listing Date up to 31 December 2019.

(4) There is no nomination committee meeting has been held from the Listing Date up to 31 December 2019. A written resolution was passed on 19 December 2019.

(5) There is no remuneration committee meeting has been held from the Listing Date up to 31 December 2019. A written resolution was passed on 19 December 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Listing, the Company has adopted the Model Code as its code of conduct for the Directors' dealings in the securities of the Company. Upon specific enquiries of all the Directors, each of them has confirmed that he had complied with all applicable code provisions under the Model Code since the Listing up to 31 December 2019.

Corporate Governance Report

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses in sider information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account the Group's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Board may consider relevant. Whilst the Board will review from time to time for determination on proposed dividend with the above factors taken into account, there can be no assurance that dividends will be declared or paid in any particular amount for any given period.

Based on the total issued shares of the Company as at the date of this report, the 2019 Proposed Final Dividend together with the interim dividend for 2019 amounted to approximately RMB1,561.7 million, representing a payout ratio of approximately 40% of the core net profit attributable to the equity owners of the Company, which has met the target disclosed in the Prospectus.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

— to develop and review the Company's policies and practices on corporate governance;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

— to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Board had performed the above duties during the year ended 31 December 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2019, the positions of the chairman and the chief executive officer were held separately. The role of chairman was held by Mr. Yang, and the role of chief executive officer was held by Mr. Huang Chunlei. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the Chairman's responsibility to manage and provide leadership for the Board and the Chief Executive Officer's responsibility to manage the Company's business.

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Group's affairs. All the Board committees are empowered by the Board under their own terms of reference which have been posted on Stock Exchange's website and/or the Company's website.

Audit committee

The Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules on 19 June 2019. The primary duties of the Company's audit committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Group's financial statements, annual report and accounts and half-year report and significant financial reporting judgments contained therein; and (c) reviewing the Group's financial controls, internal control and risk management systems.

The audit committee consists of three independent non-executive Directors, namely Mr. Au Yeung Po Fung (being the chairman of the audit committee), Mr. Wang Kaiguo and Mr. Wu Xiaobo. In compliance with Rule 3.21 of the Listing Rules, Mr. Au Yeung Po Fung possesses the appropriate professional and accounting qualifications.

During the year ended 31 December 2019, the audit committee held 2 meetings with the senior management and independent auditor of the Company to consider the independence and audit scope of independent auditor, and to review and discuss the risk management and internal control systems, the effectiveness of the Company's internal audit and risk control function, consolidated interim and annual financial statements of the Group and the opinion and report of independent auditor before reporting and submitting to the Board for their approval. The attendance record of individual Directors of the audit committee meetings is set out on page 59 of this report.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules on 19 June 2019. The remuneration committee reviews and recommends to the Board the remuneration and other benefits paid by the Group to its Directors and senior management. The remuneration of all of the Directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

The remuneration committee consists of three members, two of whom are independent non-executive Directors. The three members are Mr. Wu Xiaobo (being the chairman of the remuneration committee), Mr. Yang and Mr. Au Yeung Po Fung.

Corporate Governance Report

During the period from the Listing Date to 31 December 2019 the remuneration committee did not hold any meeting and passed one written resolution in respect of making recommendations on the remuneration packages of candidates to be appointed as new Directors to the Board for approval.

The remuneration of Directors and senior management is determined with reference to the skills and knowledge of the Directors and senior management, their job responsibilities and level of involvement in the Group's affairs, the performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions. Remuneration comprise basic salaries and allowances, bonus, equity-settled share based payments and retirement benefit contributions.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with Appendix 14 to the Listing Rules on 19 June 2019. The primary responsibilities of the nomination committee are to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis.

The nomination committee consists of three members, two of whom are independent non-executive Directors. The three members are Mr. Yang (being the chairman of the nomination committee), Mr. Wang Kaiguo and Mr. Wu Xiaobo.

During the period from the Listing Date to 31 December 2019, the nomination committee did not hold any meeting and passed a written resolution in respect of making recommendation to the Board on the appointment of new directors.

Nomination policy

The primary responsibilities of the nomination committee are to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis.

The nomination committee utilises various methods for identifying candidates for directorship, including recommendations from Board members, management, and professional search firms. In addition, the nomination committee will consider candidates for directorship properly submitted by the Shareholders. The evaluation of candidates for directorship by the nomination committee may include, without limitation, review of resume and job history, personal interviews, verification of professional and personal references and performance of background checks. The Board will consider the recommendations of the nomination committee and is responsible for designating the candidates for directorship to be considered by the Shareholders for their election at the general meeting of the Company, or appointing the suitable candidate to act as Director to fill the Board vacancies or as an additional to the Board members, subject to compliance of the constitutional documents of the Company. All appointments of Director should be confirmed by letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

Corporate Governance Report

The nomination committee should consider the following qualifications as a minimum to be required for a candidate in recommending to the Board to be a potential new Director, or the continued service of existing Director:

— the highest personal and professional ethics and integrity;

— proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

— skills that are complementary to those of the existing Board;

— the ability to assist and support management and make significant contributions to the Company's success;

— an understanding of the fiduciary responsibilities that is required for a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities;

— independence: the candidates for independent non-executive directorship should meet the "independence" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules.

The nomination committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Financial reporting system

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In preparation of the financial statements, International Financial Reporting Standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the Code, management would provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The work scope and reporting responsibilities of Ernst and Young, the Company's external auditor, are set out in the "Independent Auditor's Report" on pages 83 to 88 of this report.

Corporate Governance Report

Risk management and internal control system

The Board and senior management is responsible for establishment, review and implementation of the risk management and internal control systems of the Group. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The internal control system covers all major aspects of the Group's operations, including, among others, property development, property sales, investment property management, procurement, financial reporting, asset management, budgeting and accounting processes. The Group also has an internal audit and risk control function which primarily carries out analysis and independent appraisal of the adequacy and effectiveness of its risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The Board conducted reviews and discussed with the management on the effectiveness of the Group's risk management and internal control systems as required by paragraph C.2 of the Code, covering adequacy of resources, staff qualifications and experience, training programmes for the staff and budget of the Group's accounting, internal audit and financial reporting functions and any resolutions for material internal control defects.

With respect to the Group's risk management and internal control measures, the Group has a set of comprehensive policies and guidelines which set out details regarding the internal control standards, segregation of responsibilities, approval procedures and personnel accountability in each aspect. The Group also carries out regular internal assessments and training to ensure its employees are equipped with sufficient knowledge on such policies and guidelines. In addition, the Group also implemented risk management policies against corruption and fraudulent activities. The Group's major anti-corruption and anti-fraud measures and procedures include:

— the internal audit and risk control function shall be primarily responsible for establishing, reviewing and evaluating the Group's anti-corruption and anti-fraud policies and monitoring their implementation;

— as specified in the Group's staff handbooks, employees are explicitly prohibited from taking/offering bribes or kickbacks from/to suppliers or other third parties, manipulating bidding procedures, misusing the Group's assets, or providing improper hospitality and entertainment to suppliers or other third parties;

— all of the Directors and senior management are requested to identify and make periodical reports to the headquarters about conflicts of interest, including potential related party transactions, the engagement of competing businesses, or the receipt of unjust benefits or enrichment by using the Group's assets or resources or taking advantage of his or her position;

— the Group provides anti-corruption and anti-fraud compliance trainings periodically to the Directors, senior management and employees to enhance their knowledge and awareness of the relevant laws and regulations; and

— the Group undertakes rectification measures with respect to any identified corruption or fraudulent activities, evaluating such activities and proposing and establishing preventative measures to avoid future non-compliances.

The Group also engaged an external consultant specialising in identifying and evaluation of significant risk of its business and operation. The external consultant does not have any connection with the Group and the Board believes that their involvement could enhance the objectivity and transparency of evaluation process. In conjunction with the Group's internal audit and risk control function and senior management, the external consultant conducts an annual assessment on risk management and internal control systems of the Group together with suggestion and solutions and submit to the Board for their consideration.

Corporate Governance Report

During the year ended 31 December 2019, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. In particular, the Group:

— has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;

— has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and their implementation was monitored by the Company; and

— has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

The risk management and internal control systems are reviewed and assessed on an on-going basis by the audit committee and the executive Directors, and will be further reviewed and assessed at least once each year by the Board. During the year ended 31 December 2019, these systems covering all material controls, including financial, operational and compliance controls, were reviewed and considered effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the remunerations paid or payable to Ernst and Young in respect of its audit services and non-audit services are approximately RMB13,429,000 and RMB3,722,000, respectively. The amount for 2019 non-audit services consisted mainly of consulting service and taxation services. The Audit Committee was satisfied that the non-audit services in 2019 did not affect the independence of the auditor.

COMPANY SECRETARY

In compliance with Rule 3.29 of the Listing Rules, Mr. Yeung Tak Yip confirmed that for the year ended 31 December 2019, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Yeung is set out in the "Biographies of Directors and senior management" section on page 54 of this report.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles, one or more Shareholders holding not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings shall have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Putting forward proposals at Shareholders' meetings

There are no provisions in the Articles or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "Convening an extraordinary general meeting".

Enquiries to the Board

Shareholders may at any time make enquiries to the Board in writing to the Board or its company secretary at the principal place of business in Hong Kong at Suite 1506, ICBC Tower, 3 Garden Road, Central, Hong Kong or by email at ir@zldcgroup.com or directly by raising questions at general meetings.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed at a general meeting on 19 June 2019, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

Investor Relations Report

INVESTOR RELATIONS, COMMUNICATIONS WITH SHAREHOLDERS

The Investor Relations Department acts as a credible external ambassador to disseminate the Group's strategies and key messages to the investment community. The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing corporate transparency as well as establishing market confidence. Effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stocks and bonds as well as a more stable investor base.

In 2019, we are recognised as TOP 20 real estate developer in China and ranked TOP 1 in terms of development potential by China Real Estate Association and E-house China R&D Institute China Real Estate Appraisal Center. Leveraging on Zhongliang Holdings' solid operating performance and strong execution ability, the Group was awarded "Trustworthy Real Estate Company of the Year" by Investor China in December 2019. In January 2020, the Group was awarded the "Best Stock Connect Awards Company for 2019" by zhitongcaijing.com, affirming the market recognition on Zhongliang Holdings.

OPEN, FAIR, TRANSPARENT AND ACCURATE INFORMATION DISCLOSURE

The Company's investor relations team is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to investors, analysts and bankers in a timely manner to keep them aware of the Group's corporate strategies and business operations. The Company has adopted a stringent internal control system to ensure accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations to ensure all shareholders and investors equal access to information.

The Group updates its investor relations website (http://ir.zldcgroup.com) in an active and timely manner as so to keep investors informed of the Group's latest development. Meanwhile, the Group uses its WeChat official account as an efficient channel to maintain investor relations and information disclosure. In addition, the Group maintains frequent contacts with shareholders and investors through various channels such as meetings, conference calls, video meetings, results briefings, monthly newsletters and emails.

MULTIPLE AND EFFECTIVE COMMUNICATION SYSTEM

Investor Relations Department has dedicated to participating in investor conferences and organising numerous roadshows, on-site visits and senior management meetings for analysts and investors to introduce the Group's development strategies, key messages and recent business developments. During the period, the Investor Relations team met with over 500 people comprising investors, analysts and rating agencies in Hong Kong, Mainland China, Singapore, Malaysia, and London.

Within six months upon listing on 16 July 2019, four well-known domestic and overseas securities companies, namely Haitong International, CCB International, Essence International and CGS-CIMB Securities issued initiation reports on the Group. They were optimistic about the business performance, strategies and future growth of the Group and assigned positive ratings to the Group.

On 8 August 2019, the Company has been assigned B+, B1 and B+ issuer ratings with "Stable" Outlook, from three international rating agencies, namely Fitch, Moody's and Standard and Poor's, respectively.

Investor Relations Report

On 8 November 2019, Shanghai Zhongliang Real Estate Group Company Limited, a wholly-owned subsidiary of the Group, was assigned an "AA+" corporate credit rating with a stable outlook by United Credit Ratings Company Limited. The ratings reflected their recognitions of the Group's strong brand name and excellent sales records, particularly in the Yangtze River Delta region, exhibiting strong sales execution and cash collection with a well-managed liquidity position.

In November 2019, Group is included in "Hang Seng Composite Largecap & Midcap Index" and "Hong Kong Stock Connect", within four months since listing on 16 July 2019. Domestic investors can directly trade the stocks within the "Hong Kong Stock Connect" through their domestic securities accounts which may expand the shareholder base of Zhongliang Holdings and enhance stock liquidity.

Through the above measures, the Company endeavours to communicate with the investment community and provide them with the latest development of the Group and the real estate industry in China.

OTHER INFORMATION

Shareholder Service

Shareholders may notify the registrar in writing on matters relating to your shareholding, such as share transfer, change of name or address and loss of share certificate.

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8628
Facsimile: (852) 2529 6087

Shareholder Enquiries

Enquiry hotline during normal office hours:
Telephone: (852) 3793 3135

INVESTOR RELATIONS

For enquiries from investors and securities analysts, please contact:

Corporate Finance and Investor Relations Department,
Suite 1506, ICBC Tower, 3 Garden Road, Central, Hong Kong
Telephone: (852) 3793 3139
Facsimile: (852) 3793 3134
Email: ir@zldcgroup.com

Investor Relations Report

Major Investor Relations Events Participated by the Company in 2019/2020

Year	Month	Conference
2019	Sep	HSBC 3rd Annual Asia Credit Conference
2019	Oct	Nomura HK China Property Day (Hong Kong)
2019	Nov	14th Citi China Investor Conference 2019 (Macau)
2019	Nov	BoAML China Conference
2019	Nov	China Industrial Securities 2019 Annual Investment Conference (Shanghai)
2019	Dec	Huatai Annual Conference (Beijing)
2019	Dec	Real Estate Summit Forum And Awards Ceremony 2019
2020	Jan	Essence Investor Conference 2020 (Shenzhen)
2020	Jan	Huatai HK Research China Property & Property Management Corporate Day
2020	Jan	DBS Vickers “Pulse of Asia” (Singapore)
2020	Jan	Northeast Securities Investor Conference 2020 (Shenzhen)
2020	Jan	15th Sacling New Heights Asia Investment Forum 2020
2020	Jan	UBS Greater China Conference 2020 (Shanghai)
2020	Feb	17th Annual Asia Pacific Investor Conference 2020
2020	Feb	Founder Securities “Zhongliang Holdings” Coronavirus Impact and Company Updates Conference Call
2020	Feb	CRIC China Real Estate and Property Management Conference II

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in property development, property leasing and management consulting services. An analysis of the Group's revenue and operating results for the year ended 31 December 2019 by its principal activities is set out in note 1 to the consolidated financial statements of the Group on page 96 in this report.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the "Chairman's Statement" section of this report and the consolidated statements of profit or loss and other comprehensive income of the Group on page 90 of this report.

BUSINESS REVIEW

General

A review of the business of the Group and a discussion on the Group's future business development during the year are set out in the sections headed "Chairman's statement" and "Management Discussion and Analysis" on pages 14 to 16 and pages 17 to 49, respectively, of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the "Management Discussion and Analysis" on pages 17 to 49 of this report. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are set out in note 44 to the consolidated financial statements on page 202 in this report.

Principal risks and uncertainties

Principal risks and uncertainties the Group faces include (i) uncertainty as to the acquiring of land reserves for development in desirable locations at commercially acceptable prices; (ii) uncertainty as to business expansion into new geographic locations; (iii) uncertainty as to obtaining sufficient funding for land acquisitions and future developments; (iv) risks related to the fluctuation of profitability of property projects; (v) risks related to obtaining administrative certificates; (vi) risks related to the performance of the PRC property markets; (vii) risks related to the government policies and regulations regarding the PRC property industry; and (viii) risks related to the increasing raw materials price and labor costs.

The Group's financial risk management objectives and policies of the Group are set out in note 42 to the consolidated financial statements.

Directors' Report

Environmental policies and performance

It is the Group's corporate and social responsibility in promoting a sustainable and environmental friendly environment, and the Group strives to minimise its environmental impact and comply with the applicable environmental laws and regulations. The measures it takes to ensure its compliance with the applicable environmental laws and regulations include: (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. The Group also takes voluntary actions with respect to environmental protection and make energy conservation and emission reduction as primary considerations when designing its property projects.

None of the Group's properties had received any material fines or penalties associated with the breach of any environmental laws or regulations during the year ended 31 December 2019.

The 2019 Environmental, Social and Governance Report of the Group shall be published separately.

Relationship with Employees

The Group believes high-quality employees who value its corporate culture are essential elements to promote its sustainable growth. The Group intends to attract and retain skilled and talented employees from reputable universities of PRC through various initiatives, including creative trainee programs, competitive compensation packages and effective incentive system. For details regarding employees and staff costs and the emolument policy of the Group, please refer to the section headed "Directors' Report — Employees, Remuneration Policy and Training".

Relationship with Suppliers

The Group is dedicated to develop good relationship with suppliers as long-term business partners to ensure stability of the Group's businesses. It reinforces business partnerships with suppliers by ongoing communication in a proactive and effective manner. For further details regarding the Group's major suppliers, please refer to the section headed "Directors' Report — Major Customers and Suppliers".

Relationship with Customers

Customers satisfaction with services and products has a profound effect on the profitability. The Group's dedicated sales team is in constant communication with its customers and potential customers to uncover and create customer needs and help customers make informed decisions. Identification of customers' pain points alongside grasping the market trend are critical for the Group to timely adjust our operating strategies to fit the market requirement. For details regarding the Group's major customers, please refer to the sections headed "Directors' Report — Major Customers and Suppliers".

Compliance with laws and regulations

The Company is incorporated in the Cayman Islands with the Shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries are incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in China while the Group also has a corporate and administrative office in Hong Kong.

Its establishments and operations accordingly shall comply with relevant laws and regulations in the Cayman Islands, the British Virgin Islands, the PRC and Hong Kong. During the year ended 31 December 2019 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the Cayman Islands, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

Directors' Report

FINAL DIVIDEND

The Board recommends the payment of a final dividend for 2019 of HK32.8 cents per Share (equivalent to RMB29.8 cents per Share) in the form of cash. The 2019 Proposed Final Dividend shall be declared and payable in Hong Kong dollars. The Company declared and paid an interim dividend of HK15.3 cents per Share (equivalent to RMB13.8 cents per Share) in respect of the first six months of 2019.

Based on the total issued shares of the Company as at the date of this report, the 2019 Proposed Final Dividend together with the interim dividend for 2019 amounted to approximately RMB1,561.7 million, representing a payout ratio of approximately 40% of the core net profit attributable to the equity owners of the Company.

The 2019 Proposed Final Dividend is subject to the approval of the Shareholders at the 2020 AGM to be held on 5 June 2020.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Details of the Group's borrowings during the year ended 31 December 2019 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 32 to the consolidated financial statements.

SENIOR NOTES

Details of senior notes of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out on pages 93 and 202 of this report. In respect of Company, the amount of reserves available for distribution under the Companies Laws of the Cayman Islands as at 31 December 2019 was RMB1,925.3 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the initial public offering as described in the Prospectus and the additional 51,791,500 Shares allotted and issued on 7 August 2019 through the partial exercise of the over-allotment option, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

DONATIONS

Donations made by the Group during the year ended 31 December 2019 amounted to RMB13.3 million.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2019 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 91 to 92 in this report.

DIRECTORS

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

Name of director	Position
Mr. Yang *(Chairman)*	Executive Director
Mr. Huang Chunlei *(Chief Executive Officer)*	Executive Director
Mr. Chen Hongliang (appointed on 23 December 2019)	Executive Director
Mr. Li Heli (appointed on 23 December 2019)	Executive Director
Mr. Yau Sze Ka (Albert) (appointed on 23 December 2019)	Executive Director
Mr. Xu Liangqiong (resigned on 23 December 2019)	Executive Director
Mr. Ling Xinyu (resigned on 23 December 2019)	Executive Director
Mr. Wang Kaiguo	Independent non-executive Director
Mr. Wu Xiaobo	Independent non-executive Director
Mr. Au Yeung Po Fung	Independent non-executive Director

In accordance with the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Accordingly, Mr. Huang Chunlei, Mr. Chen Hongliang, Mr. Li Heli, Mr. Yau Sze Ka (Albert) and Mr. Wang Kaiguo shall retire from office by rotation at the 2020 AGM and, Mr. Chen Hongliang, Mr. Li Heli, Mr. Yau Sze Ka (Albert) and Mr. Wang Kaiguo being eligible, will offer themselves for re-election. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company and each of the non-executive Directors (including independent non-executive Directors) has signed an appointment letter with the Company. The appointment of all the Directors is for a period of three years and shall continue thereafter until being terminated by either party giving not less than 2 months' prior written notice.

None of the Directors who are proposed for election or re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

NON-COMPETITION UNDERTAKING

Each of Mr. Yang, being the executive Director and the Controlling Shareholder, Ms. Xu , Liangzhong, Liangyi and Liangtai, all being the Controlling Shareholders, has confirmed to the Company that, since the Listing Date and up to 31 December 2019, he/she/it has complied with the Deed of Non-competition dated 24 June 2019 (the "Undertakings") as disclosed in the Prospectus.

The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by the Controlling Shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from the Controlling Shareholders regarding the Undertakings; (ii) there was no competing business reported by the Controlling Shareholders; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the independent non-executive Directors are of the view that the Undertakings have been complied with and been enforced by the Company in accordance with the terms.

SHARE OPTION SCHEME

On 19 June 2019, the Company adopted the Share Option Scheme which is subject to the requirements under Chapter 17 of the Listing Rules.

Details of the Share Option Scheme

(1) Purpose

The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Directors believe the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contributions to the Group. The Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Directors' Report

(2) Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Company or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Company is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(3) The maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 353,000,000 Shares, representing approximately 9.86% of the total Shares in issue as at the date of this report.

(4) The maximum entitlement of each participant

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

(5) Acceptance and exercise of options

The acceptance of an offer of the grant of share options must be made within ten business days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine for which a share option must be held before it can be exercised.

The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

(6) Subscription price for Shares

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

(7) The duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing (after which, no further options shall be offered or granted under the Share Option Scheme), but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Share Option Scheme.

Directors' Report

For further details of the Share Option Scheme, please refer to the section headed "Statutory and general information — D. Share incentive scheme" in Appendix V to the Prospectus.

Since the adoption of the Share Option Scheme and up to the date of this report, no option has been granted by the Company pursuant to the Share Option Scheme.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests in shares of the Company

Name of Director/ Chief Executive	Nature of Interest(Note 2)	Number of Shares or underlying Shares(Note 1)	Approximate percentage of shareholding (Note 1)
Mr. Yang	Interest in controlled corporations(Note 3)	2,911,288,929 (L)	81.28%
	Interest of spouse(Note 4)	59,414,060 (L)	1.66%

Notes:

(1) As at 31 December 2019, the Company issued 3,581,791,500 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

(2) Liangzhong and Liangyi, each of which a company directly wholly-owned by Mr. Yang, directly hold 2,822,167,839 Shares and 89,121,090 Shares, respectively. Accordingly, Mr. Yang is deemed to be interested in 2,822,167,839 Shares and 89,121,090 Shares each held by Liangzhong and Liangyi, respectively.

(3) Liangtai, a company directly wholly owned by Ms. Xu, directly holds 59,414,060 Shares. Accordingly, Ms. Xu is deemed to be interested in 59,414,060 Shares held by Liangtai. Under the SFO, Mr. Yang, as the spouse of Ms. Xu, is deemed to be interested in the same number of Shares in which Ms. Xu is interested.

(4) Mr. Yang is a director of Liangzhong and Liangyi.

Interests in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of shareholding interest
Mr. Yang	Liangzhong	Beneficial owner	1	100%
	Liangyi	Beneficial owner	1	100%

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

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

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

Name of Shareholder	Nature of Interest	Number of Shares or underlying Shares (Note 1)	Approximate percentage of shareholding (Note 1)
Liangzhong	Beneficial owner	2,822,167,839 (L)	78.79%
Liangyi	Beneficial owner	89,121,090 (L)	2.49%
Liangtai	Beneficial owner	59,414,060 (L)	1.66%
Ms. Xu	Interest of controlled corporation	59,414,060 (L)	1.66%
	Interest of spouse	2,911,288,929 (L)	81.28%

Note:

(1) As at 31 December 2019, the Company issued 3,581,791,500 Shares. The letter (L) denotes the entity's long position in the relevant Shares.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report and the section headed "Continuing Connected Transactions", no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

Directors' Report

COMPLIANCE ADVISER'S INTEREST

As notified by the Company's compliance adviser, Guotao Junan Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 15 October 2018, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, revenue attributable to the Group's largest customer amounted to approximately 0.03% of the Group's total revenue and the Group five largest customers in aggregate accounted for less than 0.09% of the Group's revenue for the year.

During the year ended 31 December 2019, purchases attributable to the Group's largest supplier amounted to approximately 2.86% of the Group's total purchases and the Group five largest suppliers in aggregate accounted for less than 9.93% of the Group's total purchase for the year.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued Shares, had an interest in the share capital of any of the five largest suppliers and customers.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Company conducted the following transactions which constitute non-exempt continuing connected transactions (as defined in the Listing Rules) of the Company, details of these transactions are set out below:

1. Sales Management Services

On 18 June 2019, the Group and Shanghai Zhongliang Property Group entered into the Sales Management Services Framework Agreement, pursuant to which Shanghai Zhongliang Property Group agreed to provide sales management services including but not limited to crowd-controlling, cleaning, car-parking, security and utilities services in showrooms, display units and sales offices. The term of the framework agreement is from 1 January 2019 to 31 December 2021. The annual caps of transactions contemplated under the Sales Management Services Agreement would be RMB259,609,000, RMB367,350,000 and RMB401,564,000 for the year ended 31 December 2019 and the years ending 31 December 2020 and 2021, respectively. For the year ended 31 December 2019, the value of the sales management services provided by Shanghai Zhongliang Property Group to the Group was approximately RMB198,370,000.

Directors' Report

2. Pre-Delivery Property Management Services

On 18 June 2019, the Group and Shanghai Zhongliang Property Group entered into the Pre-Delivery Property Management Services Framework Agreement, pursuant to which Shanghai Zhongliang Property Group agreed to provide pre-delivery property management services including but not limited to security, repair, maintenance and operation of common area and shared facilities. The term of the framework agreement is from 1 January 2019 to 31 December 2021. The annual caps of transactions contemplated under the Pre-Delivery Property Management Services Agreement would be RMB37,764,000, RMB257,955,000 and RMB808,233,000 for the year ended 31 December 2019 and the years ending 31 December 2020 and 2021, respectively. For the year ended 31 December 2019, the value of the pre-delivery property management services provided by Shanghai Zhongliang Property Group to the Group was approximately RMB23,205,000.

3. Design, Decoration and Outfitting Services

On 12 December 2019, the Company and Shanghai Zhongliang Quanzhu entered into the Cooperation Framework Agreement, pursuant to which Shanghai Zhongliang Quanzhu Group has agreed to provide design, decoration and outfitting services (including materials procurement) to the Group for a period commencing from 12 December 2019 and ending on 31 December 2021. The annual caps of transactions contemplated under the Cooperative Framework Agreement would be RMB45.0 million, RMB489.0 million and RMB819.0 million for the year ended 31 December 2019 and the years ending 31 December 2020 and 2021, respectively. For the year ended 31 December 2019, the value of the services provided by Shanghai Zhongliang Quanzhu Group to the Group was approximately RMB8,238,000.

Since Mr. Yang controls more than 30% of the voting power at the general meeting of Shanghai Zhongliang Property and Shanghai Zhongliang Quanzhu, both companies, their subsidiaries or associates (as defined under the Listing Rules) are connected persons of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

For the purpose of Rule 14A.56 of the Listing Rules, Ernst and Young, the auditor of the Company, was engaged to report on the continuing connected transactions and has provided a letter to the Board, confirming that nothing has come to its attention that causes it to believe that the continuing connected transactions mentioned above (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) have exceed the respective annual cap.

Disclosure under Rule 14A.72 of the Listing Rules

Except for the aforementioned continuing connected transactions stated under this section which would fall within the definition of connected transactions or continuing connected transaction under the Listing Rules, all other related party transactions taken place during the year ended 31 December 2019 which were disclosed in note 39 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid transactions.

Directors' Report

PRE-EMPTIVE RIGHTS AND TAX RELIEF

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 16 March 2020, the Company as a borrower accepted a facility letter (the "Facility Letter") issued by Hang Seng Bank Limited as lender (the "Lender") pursuant to which a US$20,000,000 term loan facility (the "Facility") was made available by the Lender to the Company subject to the terms and conditions of the Facility Letter, with maturity of 12 months after the first drawdown date.

Pursuant to the Facility Letter, the Company is required to procure that (i) Mr. Yang or his immediate family member(s) shall remain as the chairman of the Board and the executive Director of the Company; and (ii) Mr. Yang and Ms. Xu collectively own at least 60% of the, direct or indirect, beneficial shareholding interest in the issued share capital of, and carrying at least 30% of the voting rights in, the Company, free from any security.

PUBLIC FLOAT

The Stock Exchange has granted the Company a public float waiver under Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage of the total issued share capital of 17.06%. Details of the waiver is set out in the section headed "Waivers from Strict Compliance with the Listing Rules — Waiver in relation to Public Float" of the Prospectus.

As at the date of this report, based on information that was public available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained the amount of public float as required under the public float waiver.

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year under review. Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five year financial summary" on pages 203 of this report.

Directors' Report

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in note 1 to the consolidated financial statements.

PERMITTED INDEMNITY

The Articles provide that every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2019, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the year ended 31 December 2019 and remained in force as at the date of this report for the benefit of the Directors.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the above paragraph headed "Share Option Scheme" in this section, no equity-linked agreements were entered into during the year and subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The 2020 AGM will be held on Friday, 5 June 2020. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2020 AGM and the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

For determining the entitlement to attend and vote at the 2020 AGM

The Register of Members will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 1 June 2020.

Directors' Report

For determining the entitlement to the 2019 Proposed Final Dividend

The Register of Members will be closed from Thursday, 11 June 2020 to Monday, 15 June 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the 2019 Proposed Final Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 10 June 2020.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Ernst and Young who will retire at the 2020 AGM. Ernst and Young, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst and Young as the auditor of the Company will be proposed at the 2020 AGM.

By order of the Board

Yang Jian
Chairman

Hong Kong, 10 April 2020

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Zhongliang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 202, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are 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 each 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB56,383,676,000, of which RMB6,126,666,000 was recognised over time. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.	In assessing the appropriateness of management's judgements relating to the accounting policies of revenue recognition, we have: (i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment; (ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms; (iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and (iv) assessed the competence, experience and objectivity of the legal counsel engaged by management.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Recognition of revenue from sales of properties over time (Continued)	
In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end. Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter. The disclosures of the revenue from sales of properties are included in notes 3 and 5 to the consolidated financial statements.	In respect of the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have performed the following procedures on a sample basis: (i) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology; (ii) obtained an understanding of the internal controls over the generation of cost data of the projects and property units, evaluated and tested them; (iii) assessed the reasonableness of the basis for the allocation of common costs among project units; (iv) assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas; (v) compared the estimated total development costs of the projects and property units under development to the budget approved by management; (vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable; and (vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Provision for land appreciation tax	
The Group is a property developer in mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditures, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditures. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in mainland China is significant to the consolidated financial statements and the determination of such provision involves significant management's judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter. The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	We involved internal tax specialists to assist us to perform a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and by applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group.

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.

Independent Auditor's Report

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 IFRSs issued by the IASB 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 the 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.

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

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

Independent Auditor's Report

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is DENIS MING KUI CHENG.

Ernst & Young
Certified Public Accountants
Hong Kong
10 April 2020

Consolidated Statements of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**56,639,596**	30,214,688
Cost of sales		**(43,457,345)**	(23,303,847)
GROSS PROFIT		**13,182,251**	6,910,841
Other income and gains	5	**233,873**	95,045
Selling and distribution expenses		**(2,030,081)**	(1,333,901)
Administrative expenses		**(2,549,711)**	(1,648,265)
Impairment losses on financial assets, net		**(9,870)**	(10,964)
Other expenses		**(255,162)**	(197,760)
Fair value gains on investment properties	14	**49,855**	71,971
Fair value losses on financial assets at fair value through profit or loss		**(6,880)**	(4,039)
Finance Income		**515,645**	353,711
Finance costs	7	**(466,533)**	(433,466)
Share of profits and losses of:			
Joint ventures		**979,353**	(82,242)
Associates		**255,371**	717,545
PROFIT BEFORE TAX	6	**9,898,111**	4,438,476
Income tax expense	10	**(3,642,203)**	(1,912,189)
PROFIT FOR THE YEAR		**6,255,908**	2,526,287
Attributable to:			
Owners of the parent		**3,833,699**	1,931,336
Non-controlling interests		**2,422,209**	594,951
		6,255,908	2,526,287
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB1.17**	RMB0.65

Consolidated Statements of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**6,255,908**	2,526,287
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(12,565)**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(12,565)**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(12,565)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,243,343**	2,526,287
Attributable to:		
Owners of the parent	**3,821,134**	1,931,336
Non-controlling interests	**2,422,209**	594,951
	6,243,343	2,526,287

Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**117,679**	105,269
Investment properties	14	**1,196,550**	928,900
Other Intangible assets	15	**8,128**	455
Right-of-use assets	16	**144,809**	—
Investments in joint ventures	17	**3,240,364**	2,584,059
Investments in associates	18	**6,749,631**	2,113,159
Deferred tax assets	19	**2,932,066**	1,852,380
Prepayments and other receivables	24	**—**	96,202
Total non-current assets		**14,389,227**	7,680,424
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**290,723**	228,757
Properties under development	21	**128,779,890**	99,481,406
Completed properties held for sale	22	**4,140,691**	3,596,396
Trade receivables	23	**3,035**	4,354
Due from related companies	39	**9,446,200**	9,841,443
Prepayments and other receivables	24	**38,283,718**	22,209,895
Tax recoverable		**2,691,238**	1,951,577
Restricted cash	25	**10,194,619**	7,892,069
Pledged deposits	25	**1,344,886**	636,777
Cash and cash equivalents	25	**14,955,756**	14,551,518
Total current assets		**210,130,756**	160,394,192
CURRENT LIABILITIES			
Trade and bills payables	26	**12,060,536**	8,498,295
Other payables and accruals	27	**19,019,087**	20,476,168
Lease liabilities	16	**46,234**	—
Contract liabilities	28	**115,873,077**	95,482,250
Due to related companies	39	**11,985,635**	7,419,138
Interest-bearing bank and other borrowings	29	**20,125,313**	14,468,672
Tax payable	10	**3,406,783**	1,960,281
Provision for financial guarantee contracts	30	**31,364**	84,869
Senior notes	31	**1,378,045**	—
Other financial liabilities		**92,378**	59,284
Total current liabilities		**184,018,452**	148,448,957
NET CURRENT ASSETS		**26,112,304**	11,945,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,501,531**	19,625,659

Consolidated Statements of Financial Position

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**15,860,556**	12,536,245
Lease liabilities	16	**100,210**	—
Deferred tax liabilities	19	**851,884**	335,182
Senior notes	31	**2,817,326**	—
Total non-current liabilities		**19,629,976**	12,871,427
NET ASSETS		**20,871,555**	6,754,232
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**31,450**	85
Reserves	33	**8,696,650**	2,578,591
		8,728,100	2,578,676
Non-controlling interests		**12,143,455**	4,175,556
TOTAL EQUITY		**20,871,555**	6,754,232

Chen Hongliang
Director

Li Heli
Director

Consolidated Statements of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000 Note 32	Share premium RMB'000 Note 33(a)	Merger reserve RMB'000 Note 33(b)	Capital reserve RMB'000 Note 33(d)	Statutory surplus reserve RMB'000 Note 33(c)	Retained profits/ (Accumulated losses) RMB'000	Exchange fluctuation reserve RMB'000 Note 33(e)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	**85**	**954,732**	**3,138**	**(145,332)**	**606,519**	**1,159,534**	**–**	**2,578,676**	**4,175,556**	**6,754,232**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,833,699**	**–**	**3,833,699**	**2,422,209**	**6,255,908**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(12,565)**	**(12,565)**	**–**	**(12,565)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**3,833,699**	**(12,565)**	**3,821,134**	**2,422,209**	**6,243,343**
Issue of new shares	**31,365**	**2,675,033**	**–**	**–**	**–**	**–**	**–**	**2,706,398**	**–**	**2,706,398**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,660,433**	**5,660,433**
Disposal of equity interests in subsidiaries without losing control	**–**	**–**	**–**	**74,685**	**–**	**–**	**–**	**74,685**	**(74,685)**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**41,494**	**–**	**–**	**–**	**41,494**	**(41,494)**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,436**	**1,436**
Dividends and distributions	**–**	**–**	**–**	**–**	**–**	**(494,287)**	**–**	**(494,287)**	**–**	**(494,287)**
Appropriations to statutory surplus reserve	**–**	**–**	**–**	**–**	**636,418**	**(636,418)**	**–**	**–**	**–**	**–**
As at 31 December 2019	**31,450**	**3,629,765***	**3,138***	**(29,153)***	**1,242,937***	**3,862,528***	**(12,565)***	**8,728,100**	**12,143,455**	**20,871,555**
As at 1 January 2018	–	–	400,000	–	153,161	(318,444)	–	234,717	2,119,034	2,353,751
Profit or loss for the year	–	–	–	–	–	1,931,336	–	1,931,336	594,951	2,526,287
Total comprehensive income for the year	–	–	–	–	–	1,931,336	–	1,931,336	594,951	2,526,287
Issuance of new shares	85	954,732	–	–	–	–	–	954,817	–	954,817
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	21,755	–	–	–	21,755	1,222,547	1,244,302
Acquisition of non-controlling interests	–	–	–	(167,087)	–	–	–	(167,087)	167,087	–
Acquisition of subsidiaries by the Group from the then equity holder of subsidiaries	–	–	(396,862)	–	–	–	–	(396,862)	–	(396,862)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	71,937	71,937
Appropriations to statutory surplus reserve	–	–	–	–	453,358	(453,358)	–	–	–	–
As at 31 December 2018	85	954,732*	3,138*	(145,332)*	606,519*	1,159,534*	–	2,578,676	4,175,556	6,754,232

* These reserve accounts comprise the consolidated reserves of RMB8,696,650,000 (2018: RMB2,578,591,000) in the Consolidated Statement of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,898,111**	4,438,476
Adjustments for:			
Depreciation of items of property, plant and equipment	6,13	**35,665**	42,922
Amortisation of other intangible assets	6,15	**789**	259
Impairment losses recognised for properties under development	6,21	**223,637**	54,800
Impairment losses recognised for financial assets	24	**9,870**	10,964
Changes in provision for financial guarantee contracts	5	**(83,385)**	—
(Gain)/loss on disposal of subsidiaries		**(4,029)**	23,215
Gain on disposal of associates		**—**	(6,802)
Share of profits and losses of joint ventures		**(979,353)**	82,242
Share of profits and losses of associates		**(255,371)**	(717,545)
Changes in fair value of investment properties	14	**(49,855)**	(71,971)
Fair value losses on financial assets at fair value through profit or loss		**6,880**	4,039
Depreciation of right-of-use assets	16	**37,187**	—
Finance costs	7	**466,533**	433,466
Finance income		**(515,645)**	(353,711)
		8,791,034	3,940,354
Increase in properties under development and completed properties held for sale		**(28,384,130)**	(39,480,692)
Increase in prepayments and other receivables		**(18,080,580)**	(11,242,826)
Increase in restricted cash		**(2,302,550)**	(2,861,726)
(Increase)/decrease in pledged deposits		**(800,863)**	26,332
Decrease/(increase) in trade receivables		**1,319**	(4,354)
Increase in amounts due from related companies		**(1,189)**	—
Increase in trade and bills payables		**3,778,147**	3,878,183
Increase in other payables and accruals		**1,571,574**	15,181,510
Increase in contract liabilities		**21,811,674**	43,589,952
Increase in amounts due to related companies		**86,344**	—
Cash (used in)/generated from operations		**(13,529,220)**	13,026,733
Interest received		**458,429**	285,047
Interest paid		**(3,721,326)**	(2,395,482)
Tax paid		**(3,536,909)**	(2,879,352)
Net cash flows (used in)/generated from operating activities		**(20,329,026)**	8,036,946

Consolidated Statements of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(49,107)**	(48,227)
Purchases of other intangible assets	15	**(8,462)**	(144)
Acquisition of financial assets at fair value through profit or loss		**(69,494)**	(2,500)
Acquisition of subsidiaries	35	**(19,432)**	(405,681)
Disposal of financial assets at fair value through profit or loss		**648**	66,875
Investments in joint ventures and associates		**(4,654,514)**	(3,467,757)
Disposal of investments in subsidiaries		**(320,910)**	—
Disposal of investments in joint ventures and associates		**—**	101,318
Purchases of investment properties	14	**(287,295)**	(65,929)
Advances to related companies	39	**(18,126,179)**	(37,936,060)
Repayment of advances to related companies	39	**18,522,611**	30,251,462
Net cash flows used in investing activities		**(5,012,134)**	(11,506,643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,815,502**	954,817
Share issue expenses		**(109,104)**	—
Capital contribution from non-controlling shareholders of subsidiaries		**5,660,433**	1,244,302
Acquisition of subsidiaries by the Group from the equity holders of subsidiaries		**—**	(396,862)
Advances from related companies	39	**15,310,099**	18,675,887
Repayment of advances from related companies	39	**(10,829,946)**	(15,958,018)
Decrease in pledged deposits		**92,754**	42,849
Principal portion of lease payments	34	**(35,552)**	—
Dividends paid		**(494,287)**	—
Proceeds from issue of senior notes	31	**4,095,975**	—
Proceeds from interest-bearing bank and other borrowings		**39,567,582**	31,287,963
Repayment of interest-bearing bank and other borrowings		**(30,322,630)**	(28,577,745)
Net cash flows generated from financing activities		**25,750,826**	7,273,193
NET INCREASE IN CASH AND CASH EQUIVALENTS		**409,666**	3,803,496
Cash and cash equivalents at beginning of year		**14,551,518**	10,748,022
Effect of foreign exchange rate changes, net		**(5,428)**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**14,955,756**	14,551,518
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**26,495,261**	23,080,364
Less: Restricted cash	25	**10,194,619**	7,892,069
Pledged deposits	25	**1,344,886**	636,777
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**14,955,756**	14,551,518

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and management consulting services.

In the opinion of the directors, the immediate holding company of the Company is Liangzhong International Co., Ltd.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Zhongliang International Development Company Limited	British Virgin Islands	US$50	100.00%	Investment holding
Ample SINO Investments Limited	British Virgin Islands	US$50	100.00%	Investment holding
Indirectly held:				
Zhongliang Hong Kong Property Investment Group Co. Limited	Hong Kong	HK$50	100.00%	Investment holding
Heng Rong Co., Ltd.	Hong Kong	HK$10	100.00%	Investment holding
上海梁卓商務信息諮詢有限公司 Shanghai Liangzhuo Business Information Consulting Co., Ltd.	People's Republic of China ("PRC")/ Mainland China	RMB700,000	100.00%	Investment holding
上海中梁企業發展有限公司 Shanghai Zhongliang Enterprise Development Co., Ltd.	PRC/Mainland China	RMB3,330,000	100.00%	Investment holding
上海中梁地產集團有限公司 Shanghai Zhongliang Real Esrare Group Co. Ltd.	PRC/Mainland China	RMB10,000,000	100.00%	Property development
松陽縣中梁華董置業有限公司 (note 1) Songyang Zhongliang Huadong Property Co., Ltd.	PRC/Mainland China	RMB20,000	32.40%	Property development
鹽城市中梁御置業有限公司 Yancheng Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	88.33%	Property development
張家港市中梁軒置業有限公司 Zhangjiagang Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.24%	Property development
宣城梁鴻置業有限公司 Xuancheng Lianghong Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
蕪湖梁宏置業有限公司 Wuhu Lianghong Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
蕪湖梁冠置業有限公司 Wuhu Liangguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	64.69%	Property development
達州梁實置業有限公司 Dazhou Liangshi Property Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development and property leasing
嘉興市梁楹置業有限公司 Jiaxing Liangying Property Co., Ltd.	PRC/Mainland China	RMB500,000	61.74%	Property development
景德鎮梁泰置業有限公司 Jingdezhen Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.00%	Property development
九江市中梁和置業有限公司 Jiujiang Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	52.34%	Property development
臨海市中梁信置業有限公司 Linhai Zhongliangxin Property Co., Ltd.	PRC/Mainland China	RMB10,000	87.24%	Property development
寧波石成置業有限公司 Ningbo Shicheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	56.40%	Property development
青田金梁置業有限公司 Qingtian Jinliang Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.06%	Property development and property leasing
舟山市中梁宏置業有限公司 Zhoushan Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.83%	Property development
麗水市梁軒置業有限公司 Lishui Liangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
溫州市中梁華成置業有限公司 Wenzhou Zhongliang Huacheng Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海梁彤置業有限公司 Shanghai Liangtong Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development
上海慈晉置業有限公司 Shanghai Cijin Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
浙江梁城置業有限公司 Zhejiang Liangcheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
樂清市中梁城置業有限公司 Yueqing Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	51.74%	Property development
雲和縣中梁城置業有限公司 Yunhe Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	59.17%	Property development
福建中梁翼房地產開發有限公司 Fujian Zhongliangyi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	60.00%	Property development
蒙城縣中梁銘築置業有限公司 Mengcheng Zhongliang Mingzhu Property Co., Ltd.	PRC/Mainland China	RMB50,000	74.00%	Property development
濉溪縣梁築置業有限公司 Suixi Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB71,420	65.80%	Property development
南通市通州區梁宏置業有限公司 Nantong Tongzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	62.01%	Property development
連雲港市聖承房地產開發有限公司 Lianyungang Shengcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB70,000	59.13%	Property development
東台顧家置業有限公司 Dongtai Gujia Property Co., Ltd.	PRC/Mainland China	RMB50,000	81.96%	Property development and property leasing
靖江中梁紅置業有限公司 Jingjiang Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.04%	Property development
江陰宏揚置業有限公司 Jiangyin Hongyang Property Co., Ltd.	PRC/Mainland China	RMB50,000	63.17%	Property development
宜興市澄希置業有限公司 Yixing Chengxi Property Co., Ltd.	PRC/Mainland China	RMB50,000	53.20%	Property development
無錫錦華置業有限公司 Wuxi Jinhua Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.73%	Property development
泰州市華達置業有限公司 Taizhou Huada Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
泰安志錦置業有限公司 (note 1) Taian Zhijin Property Co., Ltd.	PRC/Mainland China	RMB10,000	45.85%	Property development
江蘇銀梧房地產開發有限公司 (note 1) Jiangsu Yinwu Real Estate Development Co., Ltd.	PRC/Mainland China	RMB80,000	49.82%	Property development
贛州梁宏置業有限公司 Ganzhou Lianghong Property Co., Ltd.	PRC/Mainland China	RMB15,000	65.80%	Property development and property leasing
贛州梁盛置業有限公司 Ganzhou Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.44%	Property development
贛州梁寧置業有限公司 Ganzhou Liangning Property Co., Ltd.	PRC/Mainland China	RMB15,000	55.80%	Property development
贛州梁築置業有限公司 Ganzhou Liangzhu Property Co., Ltd.	PRC/Mainland China	RMB15,000	61.81%	Property development and property leasing
贛州梁源置業有限公司 Ganzhou Liangyuan Property Co., Ltd.	PRC/Mainland China	RMB4,500	61.01%	Property development
蕪湖梁盛置業有限公司 (note 1) Wuhu Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	47.06%	Property development
蕪湖嵐宇置業有限公司 Wuhu Lanyu Property Co., Ltd.	PRC/Mainland China	RMB50,000	94.00%	Property development
銅陵市梁冠置業有限責任公司 Tongling Liangguan Property Co., Ltd.	PRC/Mainland China	RMB50,000	61.05%	Property development
宣城梁生置業有限公司 Xuancheng Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.71%	Property development
宣城梁春置業有限公司 Xuancheng Liangchun Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
安寧中梁城置業有限公司 Anning Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	95.80%	Property development
恩施市康城房地產開發有限公司 Enshi Kangcheng Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	65.80%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
長沙御融房地產開發有限公司 Changsha Yurong Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development and property leasing
桐鄉市梁達置業有限公司 Tongxiang Liangda Property Co., Ltd.	PRC/Mainland China	RMB50,000	91.33%	Property development
平湖市中梁瑞置業有限公司 Pinghu Zhongliangrui Property Co., Ltd.	PRC/Mainland China	RMB50,000	69.54%	Property development
開化縣中梁泰置業有限公司 Kaihua Zhongliangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	58.85%	Property development
興國縣中梁城置業有限公司 (note 1) Xingguo Zhongliangcheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	47.01%	Property development
撫州市中梁軒置業有限公司 Fuzhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	51.73%	Property development
吉安市鑫瑞源房地產開發有限公司 Ji'an Xinruiyuan Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	51.00%	Property development
淄博中梁龍置業有限公司 Zibo Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB10,000	54.54%	Property development
溫州市梁泰置業有限公司 Wenzhou Liangtai Property Co., Ltd.	PRC/Mainland China	RMB50,000	89.30%	Property development
諸暨市中梁置業有限公司 Zhuji Zhongliang Property Co., Ltd.	PRC/Mainland China	RMB150,000	92.94%	Property development
溫州市梁安置業有限公司 Wenzhou Liang'an Property Co., Ltd.	PRC/Mainland China	RMB100,000	100.00%	Property development and property leasing
樂清市中梁慶置業有限公司 Yueqing Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.00%	Property development
樂清市中梁昊置業有限公司 Yueqing Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
台州市中梁源置業有限公司 Taizhou Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	93.61%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
台州市中梁龍置業有限公司 Taizhou Zhonglianglong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.00%	Property development
台州市中梁皓置業有限公司 Taizhou Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	75.80%	Property development
台州市中梁慶置業有限公司 Taizhou Zhongliangqing Property Co., Ltd.	PRC/Mainland China	RMB10,000	76.20%	Property development
台州市中梁軒置業有限公司 Taizhou Zhongliangxuan Property Co., Ltd.	PRC/Mainland China	RMB10,000	62.14%	Property development
溫嶺市中梁豪置業有限公司 Wenling Zhonglianghao Property Co., Ltd.	PRC/Mainland China	RMB10,000	67.00%	Property development
溫嶺市中梁源置業有限公司 Wenling Zhongliangyuan Property Co., Ltd.	PRC/Mainland China	RMB50,000	70.80%	Property development
永修縣中梁和置業有限公司 Yongxiu Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB20,000	65.80%	Property development
台州市黃岩梁泰置業有限公司 Taizhou Huangyan Liangtai Property Co., Ltd.	PRC/Mainland China	RMB20,000	87.24%	Property development
寧波市中梁宏置業有限公司 Ningbo Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	92.68%	Property development
余姚市中梁拓城置業有限公司 Yuyao Zhongliang Tuocheng Property Co., Ltd.	PRC/Mainland China	RMB10,000	52.55%	Property development
余姚市中梁宏置業有限公司 Yuyao Zhonglianghong Property Co., Ltd.	PRC/Mainland China	RMB50,000	97.90%	Property development
舟山市拓城置業有限公司 Zhoushan Tuocheng Property Co., Ltd.	PRC/Mainland China	RMB50,000	57.08%	Property development
浙江黃氏房地產開發有限公司 Zhejiang Huangshi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	56.40%	Property development
杭州元茂置業有限公司 Hangzhou Yuanmao Property Co., Ltd.	PRC/Mainland China	RMB250,000	77.95%	Property development

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1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (Continued)				
蘭溪蘭悦置業有限公司 Lanxi Lanyue Property Co., Ltd.	PRC/Mainland China	RMB40,000	51.75%	Property development and property leasing
蒼南縣梁澤置業有限公司 Cangnan Liangze Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
瑞安市梁榮置業有限公司 Ruian Liangrong Property Co., Ltd.	PRC/Mainland China	RMB10,000	91.05%	Property development
湖州市中梁禦置業有限公司 Huzhou Zhongliangyu Property Co., Ltd.	PRC/Mainland China	RMB10,000	79.00%	Property development
上海天杜置業有限公司 Shanghai Tiandu Property Co., Ltd.	PRC/Mainland China	RMB10,000	100.00%	Property development
麗水市梁瑞置業有限公司 Lishui Liangrui Property Co., Ltd.	PRC/Mainland China	RMB20,000	70.00%	Property development
衢州市中梁創置業有限公司 Quzhou Zhongliangchuang Property Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Property development
寧國梁生置業有限公司 (note 1) Ningguo Liangsheng Property Co., Ltd.	PRC/Mainland China	RMB20,000	38.51%	Property development
福建家景置業有限公司 (note 1) Fujian Jiajing Property Co., Ltd.	PRC/Mainland China	RMB110,000	46.84%	Property development
福建中梁房地產開發有限公司 Fujian Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000	100.00%	Investment holding
麗水市梁悦置業有限公司 Lishui Liangyue Property Co., Ltd.	PRC/Mainland China	RMB166,670	100.00%	Property development
上海佳梁實業發展有限公司 Shanghai Jlaliang Industrial Development Co., Ltd.	PRC/Mainland China	RMB50,000	51.00%	Property development
貴港中梁房地產開發有限公司 (note 1) Guigang Zhongliang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000	49.00%	Property development
蒼南縣中梁和置業有限公司 Cangnan Zhonglianghe Property Co., Ltd.	PRC/Mainland China	RMB10,000	94.86%	Property development

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are set out below: (Continued)

Note 1: As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the companies registered in Mainland China referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available. The legal forms of all the above disclosed principal subsidiaries are limited liability companies.

The directors of the Group are of the view that there are no individually significant non-controlling interests in the partly-owned subsidiaries.

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 PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") 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 ("FVTPL") and other financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") 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).

Notes to Financial Statements

31 December 2019

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

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 adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Notes to Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-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 IFRS 16 is substantially unchanged under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 had no impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effects of initial adoption as adjustments to the opening balance of right-of-use assets and lease liabilities at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 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 IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of offices and office equipment. 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 IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and lease with 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).

Notes to Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts 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 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 IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There are no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Using 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 IFRS 16 at 1 January 2019 was as follows:

	Increase RMB'000
Assets	
Increase in right-of-use assets	108,485
Increase in total assets	108,485
Liabilities	
Increase in lease liabilities	108,485
Increase in total liabilities	108,485

Notes to Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial Impact at 1 January 2019 (Continued)

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

	RMB'000
Operating lease commitments as at 31 December 2018	144,292
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(7,376)
	136,916
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	108,485
Lease liabilities as at 1 January 2019	108,485

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 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 IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 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 IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 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. Based on the Group's assessment, the interpretation did not have any significant impact on the Group's financial position or performance of the Group.

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31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

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 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 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 IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 IFRS 10 and IAS 28 was removed by the IASB in December 2015 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.

Notes to Financial Statements

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 1 and IAS 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 the 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.

2.4 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 statements 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 the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, 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.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated 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 of the 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, 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 of the 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 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 Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of comprehensive income 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, plant 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Buildings	5.00%
Motor vehicles	20.00%
Office equipment and electronic devices	20.00%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

Where parts of an item of property, plant 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, plant 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 the statements of comprehensive income in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use assets 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.

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

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

For a transfer from investment properties to owner-occupied properties or inventories, 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, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use assets 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, plant and equipment and depreciation” above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

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

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (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.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

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 leases 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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:

Office properties	1 to 6 years

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

(b) 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 reasonably 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.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor (Continued)

Leases 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 statement of 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.

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 are included in property, plant 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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, 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 asset 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 IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, 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 purchases 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL 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 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 through profit or loss are also recognised as other income in the statement of 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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.

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 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 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.

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, or payables, 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 interest-bearing bank and other borrowings, senior notes, lease liabilities, amounts due to related companies, trade payables, other payables and other financial liabilities and financial guarantee contracts.

Subsequent measurement

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

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities 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.

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.

Senior notes

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

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

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

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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 asset and settle the liability simultaneously.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statements 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

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 each 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 for the current and prior periods 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 each 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.

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

- where 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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:

- where 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 the 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 the 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Notes to Financial Statements

31 December 2019

2.4 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 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 IFRS 15.

Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

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

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

Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Management consulting services

Management consulting service income derived from the provision of support services in connection with development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

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 discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive 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.

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 transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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.

Foreign currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. 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 translated at the functional currency rates of exchange ruling at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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 overseas subsidiaries are currencies other than the 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 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.

Notes to Financial Statements

31 December 2019

3. 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 consolidated financial statements:

Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 disclosed below:

Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed to by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder account, the Group is able to benefit from those advance payment as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

Notes to Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-us assets) at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimate of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

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

At 31 December 2019, the carrying amount of investment properties was RMB1,196,550,000 (2018: RMB928,900,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Notes to Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment, while no revenue, net profit or total assets from a single location exceeded 10% of the Group's consolidated revenue, net profit or total assets, respectively. As all locations have similar economic characteristics with similar nature of property development and leasing and management, nature of the aforementioned business processes, type or class of customers for the aforementioned businesses and methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**56,627,720**	30,210,258
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**11,876**	4,430
	56,639,596	30,214,688

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Type of goods or services		
Sale of properties	**56,383,676**	29,992,092
Management consulting services	**244,044**	211,845
Property management services	**—**	6,321
Total revenue from contracts with customers	**56,627,720**	30,210,258
Timing of revenue recognition		
Sale of properties transferred at a point in time	**50,257,010**	24,389,691
Sale of properties transferred over time	**6,126,666**	5,602,401
Services transferred over time	**244,044**	218,166
Total revenue from contracts with customers	**56,627,720**	30,210,258

Notes to Financial Statements

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**46,536,075**	25,266,984
	46,536,075	25,266,984

(ii) Performance obligations

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

Sales of Properties

For property sales contracts, the Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts.

Provision of services

For property management service and management consulting service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the service contracts do not have a fixed term. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for both types of contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue		
Within one year	**77,074,694**	57,390,581
After one year	**74,877,113**	56,248,173
	151,951,807	113,638,754

Notes to Financial Statements

31 December 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of properties that are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019 RMB'000	2018 RMB'000
Other income and gains		
Gain on disposal of subsidiaries	**24,829**	47,684
Gain on disposal of associates	**—**	6,802
Changes in provision for financial guarantee contract	**83,385**	—
Forfeiture of deposits	**13,434**	14,814
Government grants	**22,170**	7,299
Foreign exchange differences, net	**74,642**	10,630
Others	**15,413**	7,816
	233,873	95,045

6. 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	22	**43,179,125**	23,204,462
Impairment losses recognised for properties under development	21	**223,637**	54,800
Impairment losses written off for completed properties held for sale	22	**(57,872)**	(53,029)
Depreciation of property, plant and equipment	13	**35,665**	42,922
Depreciation of right-of-use assets	16(a)	**37,187**	—
Minimum lease payments under operating leases		**—**	65,368
Lease payments not included in the measurement of lease liabilities	16(c)	**15,724**	—
Amortisation of other intangible assets	15	**789**	259
Auditor's remuneration		**13,429**	12,825
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,387,929**	877,633
Pension scheme contributions and social welfare		**239,399**	141,577

Notes to Financial Statements

31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings and senior notes	**3,784,677**	2,438,571
Interest expense arising from revenue contracts	**730,437**	588,965
Interest on lease liabilities	**6,509**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**4,521,623**	3,027,536
Less: Interest capitalised	**(4,005,090)**	(2,594,070)
	466,533	433,466

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's 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 RMB'000	2018 RMB'000
Fees	**555**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**30,644**	19,966
Performance-related bonuses*	**46,725**	8,774
Pension scheme contributions	**512**	326
	78,436	29,066

* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

Notes to Financial Statements

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

Mr. Au Yeung Po Fung, Mr. Wang Kaiguo and Mr. Wu Xiaobo were appointed as independent non-executive directors of the Company on 19 June 2019.

	2019 RMB'000	2018 RMB'000
Fees		
— Mr. Au Yeung Po Fung	185	—
— Mr. Wang Kaiguo	185	—
— Mr. Wu Xiaobo	185	—
	555	—

There was no other emolument payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors

Year ended 31 December 2019

Mr. Yang Jian, Mr. Huang Chunlei, Mr. Xu Liangqiong, Mr. Ling Xinyu, Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 29 March 2018, 29 March 2018, 29 March 2018, 28 September 2018, 23 December 2019, 23 December 2019 and 23 December 2019, respectively. In the meantime, Mr. Xu Liangqiong and Mr. Ling Xinyu were relieved as executive directors of the Company on 23 December 2019.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Yang Jian	—	7,733	14,359	116	22,208
— Mr. Huang Chunlei	—	8,851	3,600	100	12,551
— Mr. Xu Liangqiong	—	3,823	9,666	63	13,552
— Mr. Ling Xinyu	—	942	800	70	1,812
— Mr. Chen Hongliang*	—	2,173	1,480	70	3,723
— Mr. Li Heli*	—	2,159	1,750	63	3,972
— Mr. Yau Sze Ka (Albert)*	—	4,963	15,070	30	20,063
	—	30,644	46,725	512	77,881

* Mr. Chen Hongliang, Mr. Li Heli and Mr. Yau Sze Ka (Albert) were appointed as executive directors of the Company on 23 December 2019.

Notes to Financial Statements

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors (Continued)

Year ended 31 December 2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Yang Jian	—	7,307	3,248	96	10,651
— Mr. Huang Chunlei	—	8,200	3,525	67	11,792
— Mr. Xu Liangqiong	—	3,581	1,666	96	5,343
— Mr. Ling Xinyu	—	878	335	67	1,280
	—	19,966	8,774	326	29,066

Mr. Huang Chunlei is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2019 and 2018 of the five highest paid employees of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**27,529**	22,984
Performance related bonuses	**44,446**	10,084
Pension scheme contributions	**372**	420
	72,347	33,488

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31 December 2019

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the non-director and non-chief executive highest paid employee within the following band is as follows:

	Number of employees	
	2019	2018
HK$3,000,001 to HK$3,500,000	**—**	2
HK$15,000,000 to HK$15,500,000	**1**	—
	1	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the reporting period.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Corporate income tax	**2,995,985**	1,625,595
PRC LAT	**1,226,541**	1,183,637
Deferred tax (note 19)	**(580,323)**	(897,043)
Total tax charge for the year	**3,642,203**	1,912,189

Notes to Financial Statements

31 December 2019

10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdiction 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 RMB'000	2018 RMB'000
Profit before tax	**9,898,111**	4,438,476
At the statutory income tax rate	**2,474,528**	1,109,619
Profits and losses attributable to joint ventures and associates	**(308,681)**	(158,825)
Expenses not deductible for tax	**73,269**	45,182
Tax losses utilised from previous years	**(36,798)**	(58,217)
Tax losses not recognised	**290,921**	72,231
Deductible temporary differences not recognised	**229,058**	14,471
Provision for LAT	**1,226,541**	1,183,637
Tax effect on LAT	**(306,635)**	(295,909)
Tax charge at the Group's effective rate	**3,642,203**	1,912,189

The share of tax charge attributable to joint ventures and associates amounted to RMB640,862,000 for the year ended 31 December 2019 (2018: RMB330,461,000). The share of tax credit attributable to joint ventures and associates amounted to RMB229,287,000 for the year ended 31 December 2019 (2018: RMB118,693,000), respectively. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
Tax payable		
PRC CIT payable	**2,062,172**	996,045
PRC LAT payable	**1,344,611**	964,236
Total tax payable	**3,406,783**	1,960,281

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11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

	2019 RMB'000	2018 RMB'000
Interim — HK$15.3 cents (2018: Nil) per ordinary share	494,287	—
Proposed final — HK$$32.8 cents (2018: Nil) per ordinary share	1,067,374	—
	1,561,661	—

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

12. 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 ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,266,539,544 (2018: 2,993,993,654) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 1 ordinary share of the Company issued as at 22 March 2018, 2 ordinary shares of the Company issued as at 29 March 2018, 97 ordinary shares of the Company issued as at 22 June 2018, 9,599,900 ordinary shares of the Company issued as at 15 August 2018, 94,675 ordinary shares of the Company issued as at 29 August 2018, and 2,990,305,325 ordinary shares of the Company issued under the capitalisation issue occurred on 16 July 2019, as if these additional shares issued under the capitalisation issue had been in issue throughout the years ended 31 December 2019 and 2018. On 16 July 2019, the Company issued 530,000,000 new ordinary shares. On 5 August 2019, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional Shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculation of the basic earnings per share amounts is based on:

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,833,699**	1,931,336

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**3,266,539,544**	2,993,993,654
Earnings per share		
Basic	**RMB1.17**	RMB0.65

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31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269
At 1 January 2019, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
Additions	17,295	4,508	19,232	8,072	49,107
Disposal of subsidiaries (note 36)	—	(336)	(210)	(486)	(1,032)
Depreciation provided during the year (note 6)	(2,529)	(5,873)	(12,876)	(14,387)	(35,665)
At 31 December 2019, net of accumulated depreciation	48,624	16,281	43,943	8,831	117,679
At 31 December 2019:					
Cost	55,284	35,018	73,500	42,402	206,204
Accumulated depreciation	(6,660)	(18,737)	(29,557)	(33,571)	(88,525)
Net carrying amount	48,624	16,281	43,943	8,831	117,679

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	—	35,126	29,228	33,729	98,083
Accumulated depreciation	—	(16,593)	(7,212)	(24,279)	(48,084)
Net carrying amount	—	18,533	22,016	9,450	49,999
At 1 January 2018, net of accumulated depreciation	—	18,533	22,016	9,450	49,999
Additions	163	10,243	20,893	16,928	48,227
Acquisition of subsidiaries	37,794	250	1,466	12,875	52,385
Disposal of subsidiaries (note 36)	—	(1,335)	(1,085)	—	(2,420)
Depreciation provided during the year (note 6)	(4,099)	(9,709)	(5,493)	(23,621)	(42,922)
At 31 December 2018, net of accumulated depreciation	33,858	17,982	37,797	15,632	105,269
At 31 December 2018:					
Cost	37,989	31,198	54,602	34,845	158,634
Accumulated depreciation	(4,131)	(13,216)	(16,805)	(19,213)	(53,365)
Net carrying amount	33,858	17,982	37,797	15,632	105,269

As at 31 December 2019, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB31,232,000 (2018: RMB33,755,000).

Notes to Financial Statements

31 December 2019

14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2018	450,000	341,000	791,000
Additions	—	65,929	65,929
Transfer	15,600	(15,600)	—
Net gain from a fair value adjustment	3,400	68,571	71,971
Carrying amount at 31 December 2018 and 1 January 2019	**469,000**	**459,900**	**928,900**
Additions	**—**	**287,295**	**287,295**
Transfer	**257,250**	**(257,250)**	**—**
Disposal of a subsidiary (note 36)	**(69,500)**	**—**	**(69,500)**
Net gain from a fair value adjustment	**2,805**	**47,050**	**49,855**
Carrying amount at 31 December 2019	**659,555**	**536,995**	**1,196,550**

As at 31 December 2019, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB351,000,000 (2018: RMB349,000,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

The Group's investment properties are located in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB1,196,550,000 (2018: RMB928,900,000). The Group's senior finance manager and the group financial controller decides, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the group financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties				
Completed	**—**	**—**	**659,655**	**659,655**
Under construction	**—**	**—**	**536,995**	**536,995**
	—	**—**	**1,196,550**	**1,196,550**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties				
Completed	—	—	469,000	469,000
Under construction	—	—	459,900	459,900
	—	—	928,900	928,900

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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14. 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 or weighted average 31 December 2019	2018
Completed commercial properties	Income approach	Estimated rental value (per square metre and per month)	**RMB 30.2–153.0**	RMB33.5–130.8
		Capitalisation rate	**4.5%-6.0%**	4.5%–5.5%
		Long term vacancy rate	**5.0%–10.0%**	5.0%–8.0%
Commercial properties under construction	Comparison method	Expected profit margin	**8.0%–12.0%**	12.0%–15.0%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant;
- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

A higher expected profit margin would result in a lower fair value of the investment properties under construction.

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15. OTHER INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
Software		
At the beginning of the year:		
Cost	984	840
Accumulated amortisation	(529)	(270)
Net carrying amount	455	570
Carrying amount at the beginning of the year:	455	570
Additions	8,462	144
Amortisation provided during the year (note 6)	(789)	(259)
Carrying amount at the end of the year:	8,128	455
At the end of the year:		
Cost	9,446	984
Accumulated amortisation	(1,318)	(529)
Net carrying amount	8,128	455

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of office properties and office equipments used in its operations. Leases of office properties generally have lease terms between one and six years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office properties RMB'000
As at 1 January 2019	108,485
Additions	73,511
Depreciation charge	(37,187)
As at 31 December 2019	144,809

Notes to Financial Statements

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16. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	108,485
New leases	73,511
Accretion of interest recognised during the year	6,509
Payments	(42,061)
Carrying amount at 31 December	146,444
Analysed into:	
Current portion	46,234
Non-current portion	100,210

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2019 RMB'000
Interest on lease liabilities	6,509
Depreciation charge of right-of-use assets	37,187
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	15,724
Expense relating to leases of low-value assets (included in administrative expenses)	–
Total amount recognised in profit or loss	59,420

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) and 38, respectively, to the financial statements.

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16. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties 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 RMB11,876,000 (2018: RMB4,430,000), details of which are included in note 5 to the financial statements.

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

	2019	2018
	RMB'000	RMB'000
Within one year	**10,457**	9,760
After one year but within two years	**10,993**	10,457
After two years but within three years	**11,533**	10,993
After three years but within four years	**11,615**	11,533
After four years but within five years	**11,655**	11,615
After five years	**164,090**	175,746
	220,343	230,104

17. INVESTMENTS IN JOINT VENTURES

	2019	2018
	RMB'000	RMB'000
Share of net assets	**3,172,595**	2,530,184
Financial guarantees provided to joint ventures	**67,769**	53,875
	3,240,364	2,584,059

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivables and payables with joint ventures are disclosed in note 39 to the financial statements.

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(a) Particulars of the Group's material joint ventures

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
揚州駿安置業有限公司 Yangzhou Jun'an Property Co., Ltd.	Yangzhou, PRC 2017	50,000	49.00%	Property development
溫州市梁旭置業有限公司(Note) Wenzhou Liangxu Property Co., Ltd.	Wenzhou, PRC 2016	200,000	60.00%	Property development
衢州融晟置業有限公司 Quzhou Rongsheng Property Co., Ltd.	Quzhou, PRC 2017	847,500	35.00%	Property development
上海佳贏置業有限公司 Shanghai Jiaying Property Co., Ltd.	Shanghai, PRC 2016	50,000	37.00%	Investment holding

Note: Pursuant to the investment framework agreement and the articles of association of the company, all shareholder resolutions of the entity shall be resolved by all shareholders on a unanimous basis. Therefore, the entity was accounted for as a joint venture of the Group for the year ended 31 December 2019.

(b) Yangzhou Junan Real Estate Development Co., Ltd. ("Yangzhou Junan") and Wenzhou Liangxu Real Estate Development Co., Ltd. ("Wenzhou Liangxu"), which were considered material joint ventures of the Group during the year ended 31 December 2019, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

Quzhou Rongsheng Property Co., Ltd. ("Quzhou Rongsheng") and Shanghai Jiaying Property Co., Ltd. ("Shanghai Jiaying"), which were considered material joint ventures of the Group during year ended 31 December 2018, co-developed property development projects with the other joint venture partners in Mainland China and were accounted for using the equity method.

Notes to Financial Statements

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yangzhou Junan, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	17,928
Other current assets	758,361
Current assets	776,289
Non-current assets	388
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(488,252)
Current liabilities	(488,252)
Net assets	288,425
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	141,328
Adjustment for unrealised profits and losses from related party transactions	(383)
Carrying amount of the investment	140,945
Revenue	1,615,965
Expense	(1,173,203)
Tax	(133,628)
Profit for the year	309,134
Total comprehensive income for the year	309,134

Notes to Financial Statements

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Liangxu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	587,978
Other current assets	462,410
Current assets	1,050,388
Non-current assets	453
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(685,554)
Current liabilities	(685,554)
Net assets	365,287
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	60%
Group's share of net assets of the joint venture	219,172
Adjustment for unrealised profits and losses from related party transactions	(2,860)
Carrying amount of the investment	216,312
Revenue	2,978,647
Expense	(2,080,740)
Tax	(296,486)
Profit for the year	601,421
Total comprehensive income for the year	601,421

Notes to Financial Statements

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Quzhou Rongsheng, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	501,530
Other current assets	3,897,575
Current assets	4,399,105
Non-current assets	535
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(2,938,648)
Current liabilities	(2,938,648)
Non-current financial liabilities, excluding trade and other payables and provisions	(700,000)
Net assets	760,992
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	35%
Group's share of net assets of the joint venture	266,347
Adjustment for unrealised profits and losses from related party transactions	(1,155)
Carrying amount of the investment	265,192
Revenue	1,005
Expenses	(61,475)
Tax	—
Loss for the year	(60,470)
Total comprehensive loss for the year	(60,470)

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17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Shanghai Jiaying, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	9,688
Other current assets	340,709
Current assets	350,397
Non-current assets	372
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(153,647)
Current liabilities	(153,647)
Net assets	197,122
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	37.38%
Group's share of net assets of the joint venture	73,684
Adjustment for unrealised profits and losses from related party transactions	(1,187)
Carrying amount of the investment	72,497
Revenue	962,021
Expense	(648,711)
Tax	(82,301)
Profit for the year	231,009
Total comprehensive income for the year	231,009

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17. INVESTMENTS IN JOINT VENTURES (Continued)

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profits and losses for the year	**467,025**	(159,341)
Share of the joint ventures' total comprehensive income	**467,025**	(159,341)
Adjustment for unrealised profits and losses for related party transactions	**(26,346)**	(24,240)
Aggregate carrying amount of the Group's investments in the joint ventures	**2,883,107**	2,246,370

The joint ventures have been accounted for using the equity method.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

18. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**6,702,651**	2,082,165
Financial guarantees provided to associates	**46,980**	30,994
	6,749,631	2,113,159

The Group has guaranteed certain of the bank and other borrowings made to its associates. Details are set out in note 30. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivables and payables with associates are disclosed in note 39 to the financial statements.

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18. INVESTMENTS IN ASSOCIATES (Continued)

(a) Particulars of the Group's material associates

Name of companies	Place and year of registration	Nominal value of registered share capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
杭州濱通房地產開發有限公司 Hangzhou Bintong Real Estate Development Co., Ltd.	Hangzhou, PRC 2016	5,000	25.00%	Property development
義烏吾悦房地產發展有限公司* Yiwu Wuyue Real Estate Development Co., Ltd.	Yiwu, PRC 2015	19,608	49.00%	Property development and property leasing
溫州萬昱置業有限公司 Wenzhou Wanyu Property Co., Ltd.	Wenzhou, PRC 2015	300,000	30.00%	Property development
溫州新都置業有限公司 Wenzhou Xindu Property Co., Ltd.	Wenzhou, PRC 2015	150,000	24.50%	Property development

* Before 10 October 2018, Yiwu Wuyue was accounted for as a joint venture of the Group. As a result of the amendment to the articles of the association, on October 2018, the Group only has significant influence over Yiwu Wuyue as other shareholder of the entity has enough voting power to control and operate the entity. Thus, Yiwu Wuyue was accounted for as an associate of the Group from 10 October 2018.

(b) Hangzhou Bintong Real Estate Development Co., Ltd. ("Hangzhou Bintong") and Yiwu Wuyue Real Estate Development Co., Ltd. ("Yiwu Wuyue"), which were considered material associates of the Group during the year ended 31 December 2019, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

Yiwu Wuyue Real Estate Development Co., Ltd., Wenzhou Wanyu Property Co., Ltd. ("Wenzhou Wanyu") and Wenzhou Xindu Property Co., Ltd. ("Wenzhou Xindu"), which were considered material associates of the Group during the year ended 31 December 2018, co-developed property development projects with the other associate partners in Mainland China and were accounted for using the equity method.

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Hangzhou Bintong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	183,538
Other current assets	387,627
Current assets	571,165
Non-current assets	943
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(206,559)
Current liabilities	(206,559)
Net assets	365,549
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	25%
Group's share of net assets of the associate	91,387
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	91,387
Revenue	1,067,294
Expense	(625,069)
Tax	(71,580)
Profit for the year	370,645
Total comprehensive income for the year	370,645

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000
Cash and cash equivalents	168,000
Other current assets	1,759,472
Current assets	1,927,472
Non-current assets	1,246,122
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(688,711)
Current liabilities	(688,711)
Net assets	2,484,883
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	1,217,593
Adjustment for unrealised profits and losses from related party transactions	(408)
Carrying amount of the investment	1,217,185
Revenue	257,403
Expense	(131,717)
Fair value gains on investment properties	116,146
Tax	(49,902)
Profit for the year	191,930
Total comprehensive income for the year	191,930

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Yiwu Wuyue, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	133,031
Other current assets	2,460,563
Current assets	2,593,594
Non-current assets	1,140,365
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(1,386,751)
Current liabilities	(1,386,751)
Other non-current liabilities	(71,699)
Net assets	2,275,509
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	49%
Group's share of net assets of the joint venture	1,114,999
Adjustment for unrealised profits and losses from related party transactions	(6,101)
Carrying amount of the investment	1,108,898
Revenue	3,674,615
Expense	(2,014,995)
Fair value gains on investment properties	57,912
Tax	(491,091)
Profit for the year	1,226,441
Total comprehensive income for the year	1,226,441

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Wanyu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	241,252
Other current assets	662,708
Current assets	903,960
Non-current assets	260
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(193,998)
Current liabilities	(193,998)
Net assets	710,222
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	30%
Group's share of net assets of the associate	213,067
Adjustment for unrealised profits and losses from related party transactions	(1,921)
Carrying amount of the investment	211,146
Revenue	2,556,401
Expenses	(1,965,534)
Tax	(147,885)
Profit for the year	442,982
Total comprehensive income for the year	442,982

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18. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

The following table illustrates the summarised financial information in respect of Wenzhou Xindu, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 RMB'000
Cash and cash equivalents	57,895
Other current assets	254,467
Current assets	312,362
Non-current assets	45
Financial liabilities, excluding trade and other payables	—
Other current liabilities	(46,692)
Current liabilities	(46,692)
Net assets	265,715
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	24.5%
Group's share of net assets of the associate	65,100
Adjustment for unrealised profits and losses from related party transactions	—
Carrying amount of the investment	65,100
Revenue	676,651
Expenses	(505,803)
Tax	(41,984)
Profit for the year	128,864
Total comprehensive income for the year	128,864

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18. INVESTMENTS IN ASSOCIATES (Continued)

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

	2019 RMB'000	2018 RMB'000
Share of the associates' profits and losses for the year	**68,664**	(35,974)
Share of the associates' total comprehensive income	**68,664**	(35,974)
Adjustment for unrealised profits and losses for related party transactions	**(13,662)**	(6,938)
Aggregate carrying amount of the Group's investments in the associates	**5,441,059**	728,015

The associates have been accounted for using the equity method in this financial information.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2019 (2018: Nil).

19. DEFERRED TAX

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

Deferred tax assets

	Lease liability RMB'000	Losses available for offsetting against future taxable profits RMB'000	Expenses for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Total RMB'000
At 1 January 2018	–	95,846	65,360	8,649	1,195,927	93,838	1,459,620
Deferred tax credited/(charged) to profit or loss during the year (note 10)	–	436,837	(22,340)	8,504	562,580	125,426	1,111,007
Gross deferred tax assets at 31 December 2018	–	532,683	43,020	17,153	1,758,507	219,264	2,570,627
Effect of adoption of IFRS 16	27,121	–	–	–	–	–	27,121
At 1 January 2019 (restated)	**27,121**	**532,683**	**43,020**	**17,153**	**1,758,507**	**219,264**	**2,597,748**
Disposal of subsidiaries (note 36)	**–**	**–**	**–**	**–**	**(24,418)**	**–**	**(24,418)**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**9,490**	**(441,882)**	**25,715**	**(4,671)**	**827,269**	**25,758**	**441,679**
Gross deferred tax assets at 31 December 2019	**36,611**	**90,801**	**68,735**	**12,482**	**2,561,358**	**245,022**	**3,015,009**

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19. DEFERRED TAX (Continued)

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

Deferred tax liabilities

	Changes in provision for financial guarantee contracts RMB'000	Right-of-use assets RMB'000	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from business combinations RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
At 1 January 2018	–	–	3,137	68,397	259,906	407,184	738,624
Acquisition of subsidiaries	–	–	–	–	100,841	–	100,841
Deferred tax (credited)/charged to profit or loss during the year (note 10)	–	–	(1,010)	17,993	(88,373)	285,354	213,964
Gross deferred tax liabilities at 31 December 2018	–	–	2,127	86,390	272,374	692,538	1,053,429
Effect of adoption of IFRS 16	–	27,121	–	–	–	–	27,121
At 1 January 2019 (restated)	**–**	**27,121**	**2,127**	**86,390**	**272,374**	**692,538**	**1,080,550**
Acquisition of subsidiaries (note 35)	**–**	**–**	**–**	**–**	**2,327**	**–**	**2,327**
Disposal of subsidiaries (note 36)	**–**	**–**	**–**	**(9,406)**	**–**	**–**	**(9,406)**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**20,846**	**9,081**	**(1,720)**	**12,464**	**(15,512)**	**(163,803)**	**(138,644)**
Gross deferred tax liabilities at 31 December 2019	**20,846**	**36,202**	**407**	**89,448**	**259,189**	**528,735**	**934,827**

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 statements of financial position	**2,932,066**	1,852,380
Net deferred tax liabilities recognised in the consolidated statements of financial position	**(851,884)**	(335,182)
Net deferred tax assets in respect of continuing operations	**2,080,182**	1,517,198

Deferred tax assets have not been recognised in respect of these losses 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 the tax losses can be utilised.

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19. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Tax losses	**438,898**	184,775
Deductible temporary differences	**269,868**	40,810
	708,766	225,585

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is 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. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China 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 Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB484,802,000 (2018: RMB177,817,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	**77,147**	—
Other unlisted investments, at fair value	**213,576**	228,757
At the end of the year	**290,723**	228,757

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Notes to Financial Statements

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21. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**99,481,406**	61,379,980
Additions	**74,925,376**	64,690,259
Acquisition of subsidiaries (note 35)	**198,398**	1,026,716
Disposal of subsidiaries (note 36)	**(1,936,105)**	(3,115,570)
Transferred to completed properties held for sale (note 22)	**(43,720,348)**	(24,469,168)
Impairment losses recognised (note 6)	**(223,637)**	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	**54,800**	23,989
At the end of the year	**128,779,890**	99,481,406

The Group's properties under development are situated on leasehold lands in Mainland China.

As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB58,951,830,000 (2018: RMB43,299,210,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

The movements in provision for impairment of properties under development are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**(54,800)**	(23,989)
Impairment losses recognised (note 6)	**(223,637)**	(54,800)
Impairment losses transferred to completed properties held for sale (note 22)	**54,800**	23,989
At the end of the year	**(223,637)**	(54,800)

The value of properties under development was assessed at the end of reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing, less applicable variable selling expenses and anticipated costs at completion, at the end of the reporting period.

Notes to Financial Statements

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22. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at the beginning of the year	**3,596,396**	2,302,650
Transferred from properties under development (note 21)	**43,720,348**	24,469,168
Transferred to cost of properties sold (note 6)	**(43,179,125)**	(23,204,462)
Impairment losses written off (note 6)	**57,872**	53,029
Impairment losses transferred from properties under development (note 21)	**(54,800)**	(23,989)
Carrying amount at the end of the year	**4,140,691**	3,596,396

The movements in provision for impairment of completed properties held for sale are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**(3,072)**	(32,112)
Impairment losses written off	**57,872**	53,029
Impairment losses transferred from properties under development (note 21)	**(54,800)**	(23,989)
At the end of the year	**—**	(3,072)

The value of completed properties held for sale was assessed at the end of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on prevailing market price less applicable selling expenses.

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23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**3,035**	4,354
Impairment	**—**	—
	3,035	4,354

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	**3,035**	4,354
Over 1 year	**—**	—
	3,035	4,354

Receivables that were not past due relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, there has not been a loss allowance provision.

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24. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepaid tax and other tax recoverable	**6,524,263**	4,831,011
Deposits related to third parties' land use rights	**1,545,369**	1,061,478
Deposits for land auction	**3,012,230**	1,310,696
Other deposits	**4,125,878**	3,110,325
Progress prepayments for acquisition of land use rights	**1,335,006**	370,952
Prepayments for construction cost	**396,546**	214,589
Prepayments for investments in joint ventures and associates	**—**	96,202
Receivables from disposal of subsidiaries, joint ventures and associates	**—**	85,000
Due from non-controlling shareholders of subsidiaries	**19,434,349**	10,511,110
Other receivables	**1,933,570**	728,357
	38,307,211	22,319,720
Less: Impairment	**23,493**	13,623
Less: Portion classified as current assets	**38,283,718**	22,209,895
Non-current portion	**—**	96,202

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**13,623**	2,659
Impairment losses recognised	**9,870**	10,964
At the end of the year	**23,493**	13,623

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and other deposits were regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB23,493,000 as at 31 December 2019 (2018: RMB13,623,000).

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

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**26,495,261**	23,080,364
Less: Restricted cash	**10,194,619**	7,892,069
Pledged deposits	**1,344,886**	636,777
Cash and cash equivalents	**14,955,756**	14,551,518
Denominated in RMB	**14,506,628**	14,551,510
Denominated in HK$	**27,453**	8
Denominated in US$	**421,675**	—
	14,955,756	14,551,518

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB10,194,619,000 (2018: RMB7,892,069,000).

As at 31 December 2019, certain of the Group's restricted cash with an aggregate carrying amount of approximately RMB692,007,899 (2018: Nil) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, certain of the Group's pledged deposits with an aggregate carrying amount of approximately RMB44,757,125 (2018: RMB21,500,000) have been pledged to secure bank and other borrowings granted to the Group (note 29).

As at 31 December 2019, bank deposits of RMB1,302,011,000 (2018: RMB615,277,000) were pledged as security for purchasers' mortgage loans, or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

The 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. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2019, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents were regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

Notes to Financial Statements

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26. 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
Less than 1 year	**11,706,261**	8,421,930
Over 1 year	**354,275**	76,365
	12,060,536	8,498,295

Trade and bills payables are unsecured, interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

27. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Due to non-controlling shareholders of subsidiaries	**13,290,815**	14,711,981
Advances from third parties related to land auction	**2,183,573**	2,384,679
Retention deposits related to construction	**1,303,991**	1,006,885
Deposits related to sales of properties	**428,322**	576,755
Business tax and surcharges	**389,532**	369,625
Payroll and welfare payable	**581,642**	675,027
Interest payable	**151,836**	160,719
Others	**689,376**	590,497
	19,019,087	20,476,168

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

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28. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2019 RMB'000	2018 RMB'000
Contract liabilities	**115,873,077**	95,482,250

The Group receives payments from customers based on billing schedules as established in the property sales contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**5.87–9.00**	**2020**	**2,193,310**	4.57–14.40	2019	490,000
Bank loans — unsecured			**—**	9.00–12.50	2019	232,000
Other loans — secured	**5.00–15.00**	**2020**	**10,378,095**	9.00–14.00	2019	5,854,621
Other loans — unsecured	**5.63–16.03**	**2020**	**890,550**	6.53–18.00	2019	673,201
Current portion of long term bank loans — secured	**5.50–9.50**	**2020**	**4,786,982**	5.25–9.80	2019	4,593,900
Current portion of long term other loans — secured	**6.89–14.50**	**2020**	**1,876,376**	6.15–12.50	2019	2,624,950
			20,125,313			14,468,672
Non-current						
Bank loans — secured	**3.50-9.50**	**2021-22**	**11,991,707**	4.51–9.80	2020–21	5,211,318
Bank loans — unsecured	**4.75**	**2021**	**1,150,000**	9.45	2021	820,000
Other loans — secured	**4.75–13.00**	**2021-22**	**2,718,849**	6.89–14.00	2020–21	4,844,927
Other loans — unsecured			**—**	13.50–14.50	2020	1,660,000
			15,860,556			12,536,245
			35,985,869			27,004,917

Notes to Financial Statements

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**6,980,292**	5,315,900
In the second year	**11,251,174**	3,979,318
In the third to fifth years, inclusive	**1,890,533**	2,052,000
	20,121,999	11,347,218
Other borrowings repayable:		
Within one year or on demand	**13,145,021**	9,152,772
In the second year	**2,718,849**	6,104,927
In the third to fifth years, inclusive	**—**	400,000
	15,863,870	15,657,699
	35,985,869	27,004,917

The Group's borrowings are all denominated in RMB.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	Notes	2019 RMB'000	2018 RMB'000
Properties under development	21	**58,951,830**	43,299,210
Investment properties	14	**351,000**	349,000
Restricted Cash	25	**692,008**	—
Pledged deposits	25	**44,757**	21,500

Management of the Company has assessed that the fair values of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

i. The Group's bank and other borrowings were guaranteed by its related parties (note 39(4)).

ii. Certain of the bank and other borrowings of up to RMB4,241,440,000 was guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2019 (2018: RMB3,504,969,000).

Notes to Financial Statements

31 December 2019

30. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**84,869**	—
Fair value changes	**(83,385)**	—
Additions	**29,880**	84,869
At the end of the year	**31,364**	84,869

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates. Details are set out in note 39.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

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 (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2019, an ECL allowance of RMB31,364,000 was provided as a result of guarantees provided to the joint ventures and associates (2018: RMB84,869,000).

31. SENIOR NOTES

	2019				2018			
	Principal at original currency US$'000	**Contractual interest rate (%)**	**Maturity**	**RMB'000**	Principal at original currency US$'000	Contractual interest rate (%)	Maturity	RMB'000
Senior notes due 2020 I ("2020 Notes")	**200,000**	**9.75**	**2020**	**1,378,045**				—
Senior notes due 2021 I ("September 2021 Notes I")	**300,000**	**11.50**	**2021**	**2,107,742**				—
Senior notes due 2021 II ("September 2021 Notes II")	**100,000**	**11.50**	**2021**	**709,584**				—
				4,195,371				—
Less: Current portion				**1,378,045**				—
Non-current portion				**2,817,326**				—

Notes to Financial Statements

31 December 2019

31. SENIOR NOTES (Continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
The Group's senior notes were repayable as follows:		
Repayable within one year	1,378,045	—
Repayable in the second year	2,817,326	—
Repayable in the third to fifth years	—	—
Total	4,195,371	—

2020 Notes

On 26 November 2019, the Company issued 2020 Notes at a coupon rate of 9.75% due within 2020 with an aggregate principal amount of US$200,000,000. The Company raised net proceeds of US$195,602,824 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 24 November 2020, the Company may at its option redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

At any time prior to 24 November 2020, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the 2020 Notes with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 109.75% of the principal amount of the 2020 Notes redeemed, plus accrued and unpaid interest, if any, by (but not including) the redemption date, subject to certain conditions;

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

September 2021 Notes I & II

On 26 September 2019, the Company issued September 2021 Notes I at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US$300,000,000. The Company raised net proceeds of US$292,791,737 (after deduction of underwriting discounts and commissions and other expenses).

On 10 October 2019, the Company issued September 2021 Notes II at a coupon rate of 11.50% due within 2021 with an aggregate principal amount of US$100,000,000. The Company raised net proceeds of US$98,741,127 (after deduction of underwriting discounts and commissions and other expenses).

At any time prior to 26 November 2021, the Company may at its option redeem the September 2021 Notes I & II, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes I & II redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, up to (but not including) the redemption date.

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31. SENIOR NOTES (Continued)

September 2021 Notes I & II (Continued)

At any time prior to 26 September 2021, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the September 2021 Notes I & II with the net cash proceeds of one or more sales of common stock in an equity offering at a redemption price of 111.50% of the principal amount of the September 2021 Notes I & II redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if the Company would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, the Company may redeem the September 2021 Notes I&II at a redemption price equal to 100% of the principal amount of the September 2021 Notes I & II, plus any accrued and unpaid interest, subject to certain exceptions.

The 2020 Notes and the September 2021 Notes I & II were guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the 2020 Notes and the September 2021 Notes I & II were not significant and therefore were not recognised by the Group on inception and at 31 December 2019.

32. SHARE CAPITAL

Shares

	31 December 2019 HK$	31 December 2018 HK$
Issued and fully paid:		
3,581,791,500 (2018:9,694,675) ordinary shares of HK$0.01 each (2018: HK$0.01 each)	**35,817,915**	96,947

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	—	—
Issuance of new shares	9,694,675	85
At 31 December 2018 and 1 January 2019	9,694,675	85
Issuance of ordinary shares	530,000,000	4,653
Issuance of ordinary shares on capitalisation	2,990,305,325	26,249
Issuance of ordinary shares on an over-allotment option	51,791,500	463
At 31 December 2019	3,581,791,500	31,450

Notes to Financial Statements

31 December 2019

32. SHARE CAPITAL (Continued)

Shares (Continued)

The Company was incorporated in the Cayman Islands on 22 March 2018 with authorised share capital of RMB380,000 divided into 38,000,000 shares of RMB0.01 at par value each. On the date of incorporation, 1 ordinary share of RMB0.01 was allotted by the Company to a subscriber, and was transferred to Liangzhong International Co., Ltd., a company controlled by Mr. Yang Jian, on 29 March 2018.

On 29 March 2018, 1 ordinary share of RMB0.01 was allotted and issued by the Company for cash to each of Liangyi International Co., Ltd. and Liangtai International Co., Ltd.

On 22 June 2018, 94 ordinary shares, 2 ordinary shares and 1 ordinary share were allotted and issued by the Company to Liangzhong International Co., Ltd., Liangyi International Co., Ltd., and Liangtai International Co., Ltd., respectively.

On 15 August 2018, 9,119,905 shares, 287,997 shares and 191,998 shares, which were all fully paid up at an aggregate consideration of US$140,265,600, were allotted and issued to Liangzhong International Co., Ltd., Liangyi International Co., Ltd. and Liangtai International Co., Ltd., respectively.

On 29 August 2018, 94,675 shares were allotted and issued to Abundant Talent Global Co., Ltd., and the issued share capital of the Company was RMB96,946.75.

On 16 July 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 530,000,000 new ordinary shares with par value HK$0.01 each at HK$5.55 per share for a total cash consideration of HK$2,915,000,000 (equivalent to approximately RMB2,558,787,000). The corresponding share capital amount was approximately RMB4,653,000 and share premium arising from the issuance was approximately RMB2,453,777,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which were incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB100,357,000 were treated as a deduction against the share premium arising from the issuance.

On 16 July 2019, 2,990,305,325 shares were issued by way of capitalisation with a par value HK$0.01 each, the corresponding share capital amount was approximately RMB26,249,000.

On 5 August 2019, upon its listing on the Hong Kong Stock Exchange, an over-allotment option has been partially exercised and the Company allotted and issued 51,791,500 additional shares at HK$5.55 per share for a total cash consideration of HK$287,443,000 (equivalent to approximately RMB256,715,000). The corresponding share capital amount was approximately RMB462,550 and share premium arising from the issuance was approximately RMB247,504,554, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB8,748,000 were treated as a deduction against the share premium arising from the issuance.

Notes to Financial Statements

31 December 2019

33. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Capital reserve

Capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or the difference between the proceeds from disposal and the non-controlling interest disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB73,511,000 and RMB73,511,000, respectively, in respect of lease arrangements for buildings and offices (2018: Nil).

Notes to Financial Statements

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34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Due to related companies RMB'000	Senior notes RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2018	24,476,345	9,849,122	—	—	34,325,467
Changes from financing cash flow	2,528,572	2,717,869	—	—	5,246,441
Changes from non-financing cash flow	—	(5,147,853)	—	—	(5,147,853)
At 31 December 2018	27,004,917	7,419,138	—	—	34,424,055
Effect of adoption of IFRS 16	**—**	**—**	**—**	**108,485**	**108,485**
At 1 January 2019 (restated)	**27,004,917**	**7,419,138**	**—**	**108,485**	**34,532,540**
Changes from financing cash flow	**9,244,952**	**4,480,153**	**4,195,371**	**(35,552)**	**17,884,924**
New leases	**—**	**—**	**—**	**73,511**	**73,511**
Interest expense	**—**	**—**	**—**	**6,509**	**6,509**
Interest paid classified as operating cash flows	**—**	**—**	**—**	**(6,509)**	**(6,509)**
Increase arising from due to related companies classified as operating cash flows	**—**	**86,344**	**—**	**—**	**86,344**
Decrease arising from disposal of subsidiaries	**(264,000)**	**—**	**—**	**—**	**(264,000)**
At 31 December 2019	**35,985,869**	**11,985,635**	**4,195,371**	**146,444**	**52,313,319**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**(22,233)**
Within financing activities	**(35,552)**
	(57,785)

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35. BUSINESS COMBINATIONS

Acquisition of Shandong Mingyao Property Co., Ltd. ("Shandong Mingyao")

On 18 January 2019, the Group acquired a 54% equity interest in Shandong Mingyao, an unlisted company, with registered capital of RMB18,000,000. Shandong Mingyao is mainly engaged in property development and operation. The acquisition was part of the Group's strategy to expand its market share of property development. The purchase consideration for the acquisition was in the form of cash, with RMB25,479,000 settled at the acquisition date.

The fair values of the identifiable assets and liabilities of the aforementioned subsidiary acquired as at the date of acquisition were as follows:

	2019 Fair value recognised on acquisition RMB'000
Properties under development	198,398
Cash and cash equivalents	6,047
Prepayments and other receivables	14,128
Trade and bills payables	(576)
Other payables and accruals	(188,755)
Deferred tax liabilities	(2,327)
Total identifiable net assets at fair value	26,915
Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	(1,436)
Net assets acquired	25,479
Satisfied by cash	25,479

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2019 RMB'000
Cash consideration	(25,479)
Cash and cash equivalents acquired	6,047
Net outflow of cash and cash equivalents included in cash flows from investing activities	(19,432)

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35. BUSINESS COMBINATIONS (Continued)

Acquisition of Shandong Mingyao Property Co., Ltd. ("Shandong Mingyao") (Continued)

Since the acquisition, Shandong Mingyao contributed nil to the Group's revenue and a profit of RMB15,489,000 to the consolidated profit for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB56,639,566,000 and RMB6,255,908,000 respectively.

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019

(a) 揚州錦鴻置業有限公司 ("Yangzhou Jinhong Property Co., Ltd.")

Pursuant to the share transfer agreement dated 08 January 2019, the Group disposed of its 30% equity interest in Yangzhou Jinhong Property Co., Ltd. to 上海融創房地產開發集團有限公司 ("Shanghai Rongchuang Real Estate Development Group Co., Ltd.") for a consideration of RMB15,000,000.

(b) 揚州梁瑞置業有限公司 ("Yangzhou Liangrui Property Co., Ltd.")

Pursuant to the share transfer agreement dated 29 January 2019, the Group disposed of its 67% equity interest in Yangzhou Liangrui Property Co., Ltd. to 南京正惠置業有限公司 ("Nanjing Zhenghui Real Estate Co., Ltd.") and 恒通建設集團有限公司 ("Hengtong Construction Group Co., Ltd.") for a consideration of nil.

(c) 杭州金悅企業管理有限公司 ("Hangzhou Jinyue Enterprise Management Co., Ltd.")

Pursuant to the share transfer agreement dated 15 February 2019, the Group disposed of its 47% equity interest in Hangzhou Jinyue Enterprise Management Co., Ltd. to 溫州城際投資管理有限公司 ("Wenzhou Chengji Capital Management Co., Ltd.") for a consideration of RMB2,078,685.

(d) 南寧梁悅置業有限公司 ("Nanning Liangyue Group Co., Ltd.")

Pursuant to the share transfer agreement dated 1 April 2019, the Group disposed of its 71% equity interest in Nanning Liangyue Group Co., Ltd. to 杭州金翰控股集團有限公司 ("Hangzhou Jinhan Holding Group Co., Ltd.") and 寧波梅山保稅港區桂悅投資合夥企業(有限合夥) ("Ningbo Meishan Bonded Port Area Guiyue Investment Partnership (Limited Partnership)") for a consideration of nil.

(e) 宜城市御融置業有限公司 ("Yicheng Yurong Property Co., Ltd.")

Pursuant to the share transfer agreement dated 26 April 2019, the Group disposed of its 35% equity interest in Yicheng Yurong Property Co., Ltd. to 湖北恒鑫力置業有限公司 ("Hubei Hengxinli Real Estate Co., Ltd.") for a consideration of RMB28,917,808.

(f) 蘇州恒信置業有限公司 ("Suzhou Hengxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 28 April 2019, the Group disposed of its 50% equity interest in Suzhou Hengxin Property Co., Ltd. to 蘇州新力創悅房地產有限公司 ("Suzhou Xinli Chuangyue Real Estate Co., Ltd.") for a consideration of RMB5,000,000.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

(g) 贛州瑞御置業有限公司 ("Ganzhou Ruiyu Property Co., Ltd.")

Pursuant to the share transfer agreement dated 30 May 2019, the Group disposed of its 67% equity interest in Ganzhou Ruiyu Property Co., Ltd. to 池州梁鑫企業管理諮詢服務有限公司 ("Chizhou Liangxin Enterprise Management Consulting Service Co., Ltd."), 吉安市宏盛企業管理有限公司 ("Ji'an Hongsheng Enterprise Management Co., Ltd.") and 萍鄉中梁榮房地產信息諮詢合夥企業(有限合夥) ("Pingxiang Zhongliangrong Real Estate Information Consulting Partnership (Limited Partnership)") for a consideration of nil.

(h) 鹽城市中梁信置業有限公司 ("Yancheng Zhongliangxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 13 August 2019, the Group disposed of its 70% equity interest in Yancheng Zhongliangxin Property Co., Ltd. to 鹽城通達置業有限公司 ("Yancheng Tongda Property Co., Ltd.") for a consideration of nil.

(i) 杭州梁信置業有限公司 ("Hangzhou Liangxin Property Co., Ltd.")

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Hangzhou Liangxin Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of RMB200,000,000.

(j) 義烏市梁恆置業有限公司 ("Yiwu Liangheng Property Co., Ltd.")

Pursuant to the share transfer agreement dated 20 August 2019, the Group disposed of its 50% equity interest in Yiwu Liangheng Property Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of nil.

(k) 三門縣中梁恒置業有限公司 ("Sanmen Zhongliangcheng Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 11 December 2019, the Group disposed of its 57% equity interest in Sanmen Zhongliangcheng Real Estate Co., Ltd. to 三門華順投資有限公司 ("Sanmen Huasheng Investment Co., Ltd."), for a consideration of nil.

For the year ended 31 December 2018

(a) 廈門梁博置業有限公司 ("Xiamen Liangbo Property Development Co., Ltd.")

Pursuant to the share transfer agreement dated 22 January 2018, the Group disposed of its 100% equity interest in Xiamen Liangbo Property Development Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 January 2018.

(b) 上海新中梁房地產開發集團有限公司 ("Shanghai Xinzhongliang Real Estate Group Co., Ltd.")

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Xinzhongliang Real Estate Co., Ltd. to a related party, 蘇州工業園區華成房地產開發有限公司 ("Suzhou Industrial Park Huacheng Real Estate Development Limited"), for a consideration of RMB100,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(c) 上海華成中梁置業有限公司 ("Shanghai Huacheng Zhongliang Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 12 March 2018, the Group disposed of its 100% equity interest in Shanghai Huacheng Zhongliang Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited for a consideration of RMB60,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(d) 上海中梁物業發展有限公司 ("Shanghai Zhongliang Property Development Co., Ltd.")

Pursuant to the share transfer agreement dated 20 March 2018,the Group disposed of its 100% equity interest in Shanghai Zhongliang Property Development Co.,Ltd. to a related party, 上海良中管理諮詢有限公司 ("Shanghai Liangzhong Management Consulting Co., Ltd."), for a consideration of RMB5,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 March 2018.

(e) 上海金華成置業有限公司 ("Shanghai Jinhuacheng Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 31 March 2018, the Group disposed of its 100% equity interest in Shanghai Jinhuacheng Real Estate Co., Ltd. to a related party, Suzhou Industrial Park Huacheng Real Estate Development Limited, for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(f) 濱州市梁基置業有限公司 ("Binzhou Liangji Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 16 April 2018, the Group disposed of its 100% equity interest in Binzhou Liangji Real Estate Co., Ltd. to a related party, Zhejiang Tianjian Real Estate Co., Ltd., for a consideration of RMB50,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 April 2018.

(g) 安徽鵠環企業管理諮詢有限公司 ("Anhui Huhuan Management Consulting Co., Ltd.")

Pursuant to the share transfer agreement dated 2 May 2018, the Group disposed of its 100% equity interest in Anhui Haohuan Management Consulting Co., Ltd. to a related party, 浙江天劍置業有限公司 ("Zhejiang Tianjian Real Estate Co., Ltd."), for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(h) 梁岳管理諮詢(上海)有限公司 ("Liangyue Management Consulting (Shanghai) Co., Ltd.")

Pursuant to the share transfer agreement dated 3 May 2018, the Group disposed of its 100% equity interest in Liangyue Management Consulting (Shanghai) Co., Ltd. to a related party, 創弘棠(上海)管理諮詢有限公司 ("Chuanghongtang (Shanghai) Management consulting Co., Ltd."), for a consideration of RMB8,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 May 2018.

(i) 萊蕪贏和中梁置業有限公司 ("Laiwu Yinghe Zhongliang Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 19 July 2018, the Group disposed of its 66% equity interest in Laiwu Yinghe Zhongliang Real Estate Co., Ltd. to 萊蕪贏和置業有限公司 ("Laiwu Yinghe Real Estate Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(j) 邵陽梁泰房地產開發有限公司 ("Shaoyang Liangtai Real Estate Development Co., Ltd.")

Pursuant to the share transfer agreement dated 31 July 2018, the Group disposed of its 15% equity interest in Shaoyang Liangtai Real Estate Development Co., Ltd. to 武漢長興輝業管理合夥企業(有限合夥) ("Wuhan Changxing Huiye Management Partnership (Limited Partnership)") for a consideration of RMB7,500,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 July 2018.

(k) 長沙梁軒置業有限公司 ("Changsha Liangxuan Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 28 August 2018, the Group disposed of its 99% equity interest in Changsha Liangxuan Real Estate Co., Ltd. to 利得股權投資管理有限公司 ("Profit Equity Investment Management Co., Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(l) 吉安中梁泰置業有限公司 ("Ji'an Zhongliangtai Property Co., Ltd.")

Pursuant to the share transfer agreement dated 15 August 2018, the Group disposed of its 30% equity interest in Ji'an Zhongliangtai Property Co., Ltd. to 五礦國際信託有限公司 ("Minmetals International Trust Co. Ltd.") for a consideration of RMB21,430,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(m) 金華市福橋置業有限公司 ("Jinhua Fuqiao Property Co., Ltd.")

Pursuant to the share transfer agreement dated 30 August 2018, the Group disposed of its 50% equity interest in Jinhua Fuqiao Real Estate Co., Ltd. to 杭州金地自在城房地產發展有限公司 ("Hangzhou Jindi Zizaicheng Real Estate Development Co., Ltd.") for a consideration of RMB10,000,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 August 2018.

(n) 南京梁碩置業有限公司 ("Nanjing Liangshuo Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 15 October 2018, the Group disposed of its 99% equity interest in Nanjing Liangshuo Real Estate Co., Ltd. to 嘉興盛世神州包利股權投資合夥企業(有限合夥) ("Jiaxing Shengshi Shenzhou Baoli Equity Investment Partnership (Limited Partnership)") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

(o) 杭州梁晟置業有限公司 ("Hangzhou Liangsheng real estate co., Ltd.")

Pursuant to the share transfer agreement dated 1 November 2018, the Group disposed of its 100% equity interest in Hangzhou Liangsheng Real Estate Co., Ltd. to 鴻翔房地產開發有限公司 ("Hongxiang Real Estate Co. Ltd.") for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 31 October 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2018 (Continued)

(p) 上海興滸置業有限公司 ("Shanghai Xinghu Real Estate Co., Ltd.")

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 11 December 2018, the Group disposed of its 50% equity interest in Shanghai Xinghu Real Estate Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

(q) 梁寶(杭州)互聯網科技服務有限公司 ("Liang Bao (Hangzhou) Internet Technology Service Co., Ltd.")

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Mr. Shang Zhen for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

Pursuant to the share transfer agreement dated 19 December 2018, the Group disposed of its 50% equity interest in Liang Bao (Hangzhou) Internet Technology Service Co., Ltd. to Ms. Wen Bing for a consideration of nil. The consideration was determined by reference to the corresponding value of the equity interest disposed of as at 30 November 2018.

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36. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the dates of disposal were as follows:

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment (note 13)	**1,032**	2,420
Investment properties (note 14)	**69,500**	—
Deferred tax assets (note 19)	**24,418**	—
Properties under development (note 21)	**1,936,105**	3,115,570
Tax recoverable	**37,495**	1,563
Cash and cash equivalents	**380,058**	75,456
Investments in associates	**670,000**	214,343
Prepayments and other receivables	**2,062,275**	2,639,274
Trade and bills payables	**(216,482)**	(236,169)
Contract liabilities	**(1,420,847)**	(334)
Interest-bearing bank and other borrowings	**(264,000)**	(215,000)
Tax payable	**(16,271)**	—
Deferred tax liabilities (note 19)	**(9,406)**	—
Other payables and accruals	**(3,117,629)**	(5,242,187)
Non-controlling interests	**(81,129)**	(8,724)
	55,119	346,212
Gain/(loss) on disposal of subsidiaries	**4,029**	(23,215)
Satisfied by cash	**59,148**	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	**59,148**	—
Cash and bank balances disposed of	**(380,058)**	(75,456)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(320,910)**	(75,456)

The directors of the Company consider that not all subsidiaries disposed of were significant to the Group and thus the individual financial information of some subsidiaries on the disposal date was not disclosed.

Notes to Financial Statements

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37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	**51,717,760**	28,897,294
Guarantees given to banks in connection with facilities granted to related companies	(2)	**10,228,866**	6,594,169

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon 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.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2019, an allowance of RMB31,364,000 (2018: RMB84,869,000) was provided for as a result of the guarantees provided to the related companies.

Notes to Financial Statements

31 December 2019

38. 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:		
Property development activities	**68,331,392**	40,652,123
Acquisition of land use rights	**2,887,197**	1,930,992
Capital contributions payable to joint ventures and associates	**3,999,720**	1,464,253
	75,218,309	44,047,368

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for office properties were negotiated for terms ranging from one month to fifteen 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	82,489
In the second to fifth years, inclusive	88,348
After five years	2,720
	173,557

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39. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
Advance to related companies:		
Companies controlled by certain directors and/or their close family members	**653**	879,640
Joint ventures and associates	**18,046,174**	16,340,940
Companies controlled by the ultimate controlling shareholders	**79,352**	20,715,480
Repayment of advances to related companies:		
Companies controlled by certain directors and/or their close family members	**14,591**	1,116,338
Joint ventures and associates	**18,205,777**	10,042,749
Companies controlled by the ultimate controlling shareholders	**302,243**	19,092,375
Advance from related companies:		
Companies controlled by certain directors and/or their close family members	**—**	547,304
Joint ventures and associates	**15,215,605**	12,999,594
Companies controlled by the ultimate controlling shareholders	**94,494**	5,128,989
Repayment of advances from related companies:		
Companies controlled by certain directors and/or their close family members	**119,458**	616,639
Joint ventures and associates	**10,545,731**	9,494,973
Companies controlled by the ultimate controlling shareholders	**164,757**	5,846,406
Property management services to joint ventures and associates(Note)	**—**	1,199
Management consulting services to joint ventures and associates(Note)	**181,276**	86,338
Interest income from companies controlled by certain directors and/or their close family members(Note)	**—**	133,411
Finance costs from a company significantly impacted by certain directors(Note)	**3,750**	23,086
Property management services from companies controlled by the ultimate controlling shareholders*(Note)	**221,575**	98,734

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39. RELATED PARTY TRANSACTIONS (Continued)

(1) Significant related party transactions (Continued)

	2019 RMB'000	2018 RMB'000
Design, decoration and outfitting service from companies controlled by the ultimate controlling shareholders*(Note)	8,238	—

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Disposal of subsidiaries

	2019 RMB'000	2018 RMB'000
Consideration of disposal of subsidiaries (note 36)	—	273,000

(3) Other transactions with related parties

i. As at 31 December 2019, the Controlling Shareholders and Suzhou Industrial Park Huacheng Real Estate Development Limited have jointly guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB5,262,550,000).

ii. As at 31 December 2019, the Controlling Shareholders has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB2,320,339,000).

iii. As at 31 December 2019, Suzhou Industrial Park Huacheng Real Estate Development Limited has guaranteed certain of the bank and other borrowings of up to nil (31 December 2018: RMB2,055,880,000).

iv. Jiangsu Zhongquanhe Construction Co., Ltd. provided a loan to the Group for real estate development with a term of two years, and an interest rate of 7.45% per annum. As at 31 December 2019, the outstanding balance of the aforementioned loan amounted to nil (31 December 2018: RMB138,600,000). This loan was included in "Interest-bearing bank and other borrowings" in the consolidated statements of financial position of the Group.

v. As at 31 December 2019, Rui'an Yuetang Property Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB204,000,000).

vi. As at 31 December 2019, Shucheng Wenzhu Real Estate Co., Ltd. has guaranteed certain of the bank and other borrowings of nil (31 December 2018: RMB70,000,000).

vii. As at 31 December 2019, Deqing Jinhao Property Co., Ltd. has guaranteed certain of the bank and other borrowings of up to RMB235,200,000 (31 December 2018: RMB400,000,000).

viii. As at 31 December 2019, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures and associates up to RMB10,228,866,000 (31 December 2018: RMB6,594,169,000).

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39. RELATED PARTY TRANSACTIONS (Continued)

(4) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Due from companies controlled by certain directors and/or their close family members	**43,717**	57,655
Due from joint ventures and associates	**9,401,294**	9,560,897
Due from companies controlled by the ultimate controlling shareholders	**1,189**	222,891
Due to companies controlled by certain directors and/or their close family members	**—**	119,458
Due to joint ventures and associates	**11,898,776**	7,228,902
Due to companies controlled by the ultimate controlling shareholders	**86,859**	70,778

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

(5) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**77,369**	35,153
Pension scheme contributions	**512**	611
Total compensation paid to key management personnel	**77,881**	35,764

Further details of directors' emoluments are included in note 8 to the financial statements.

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	23,560,227	—	23,560,227
Financial assets at fair value through profit or loss (note 20)	—	290,723	290,723
Due from related companies (note 39)	9,446,200	—	9,446,200
Restricted cash (note 25)	10,194,619	—	10,194,619
Pledged deposits (note 25)	1,344,886	—	1,344,886
Cash and cash equivalents (note 25)	14,955,756	—	14,955,756
	59,501,688	290,723	59,792,411

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Senior notes (note 31)	4,195,371	—	4,195,371
Lease liabilities (note 16)	146,444	—	146,444
Trade and bills payables (note 26)	12,060,536	—	12,060,536
Other financial liabilities	—	92,378	92,378
Financial liabilities included in other payables and accruals (note 27)	15,434,018	—	15,434,018
Due to related companies (note 39)	11,985,635	—	11,985,635
Interest-bearing bank and other borrowings (note 29)	35,985,869	—	35,985,869
Provision for financial guarantee contracts	—	31,364	31,364
	79,807,873	123,742	79,931,615

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40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows (Continued):

31 December 2018

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Financial assets included in prepayments and other receivables (note 24)	13,621,435	—	13,621,435
Financial assets at fair value through profit or loss (note 20)	—	228,757	228,757
Due from related companies (note 39)	9,841,443	—	9,841,443
Restricted cash (note 25)	7,892,069	—	7,892,069
Pledged deposits (note 25)	636,777	—	636,777
Cash and cash equivalents (note 25)	14,551,518	—	14,551,518
	46,543,242	228,757	46,771,999

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade and bills payables (note 26)	8,498,295	—	8,498,295
Other financial liabilities	—	59,284	59,284
Financial liabilities included in other payables and accruals (note 27)	16,470,082	—	16,470,082
Due to related companies (note 39)	7,419,138	—	7,419,138
Interest-bearing bank and other borrowings (note 29)	27,004,917	—	27,004,917
Provision for financial guarantee contracts	—	84,869	84,869
	59,392,432	144,153	59,536,585

Notes to Financial Statements

31 December 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at FVTPL	**290,723**	228,757	**290,723**	228,757
Financial liabilities				
Senior notes	**4,195,371**	—	**4,205,800**	—
Interest-bearing bank and other borrowings (note 29)	**35,985,869**	27,004,917	**36,000,290**	26,991,997
Other financial liabilities	**92,378**	59,284	**92,378**	59,284
Provision for financial guarantee contracts (note 30)	**31,364**	84,869	**31,364**	84,869
	40,304,982	27,149,070	**40,329,832**	27,136,150

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the group financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the group financial controller and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the group financial controller. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

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 fair values of 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 was assessed to be insignificant.

Notes to Financial Statements

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liability. The fair value measurement of the financial liability is categorised within level 3 of the fair value hierarchy.

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 markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	**77,147**	**—**	**213,576**	**290,723**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL	—	—	228,757	228,757

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other financial liabilities	—	—	92,378	92,378
Provision for financial guarantee contracts	—	—	31,364	31,364
	—	—	123,742	123,742

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other financial liabilities	—	—	59,284	59,284
Provision for financial guarantee contracts	—	—	84,869	84,869
	—	—	144,153	144,153

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Senior notes	—	4,205,800	—	4,205,800
Interest-bearing bank and other borrowings	—	36,000,290	—	36,000,290
	—	40,206,090	—	40,206,090

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	26,991,997	—	26,991,997

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31 December 2019

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments 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
Other financial liabilities	Discounted cash flows method	Incremental borrowing cost	2019: 7.20%-22.75%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB103,000/RMB103,000
			2018: 8.20%–12.50%	1% increase/decrease in incremental borrowing cost would result in a decrease/ increase in fair value by RMB78,000/RMB78,000
		Expected rate of return per annum	2019: 16.97%–21.45%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB22,000/RMB22,000
			2018: 9.87%–14.96%	1% increase/decrease in expected rate of return per annum would result in an increase/decrease in fair value by RMB48,000/RMB48,000
Financial assets at FVTPL	Market approach	Net asset value	2019: RMB0.9708	1% increase/decrease in net asset value would result in an increase/ decrease in fair value by RMB2,135,760/RMB2,135,760
	Discounted cash flows method	Expected rate of return per annum	2018: 8.78%	1% increase/decrease in expected interest rate per annum would result in an increase/decrease in fair value by RMB2,000/RMB2,000
		Discount rate	2018: 3.17%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB1,000/RMB1,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2019: 37.30%–40.00%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB52,905/RMB52,382
			2018: 38.00%–39.50%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB351,003/RMB351,003
		Discount rate	2019: 1.26%–2.73%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB2,663/RMB2,639
			2018: 2.39%–2.87%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB26,422/RMB26,444

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, trade receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, financial assets at fair value through profit or loss, other financial liabilities, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

Notes to Financial Statements

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

As at 31 December 2019, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB12,202,000 (2018: RMB10,497,000).

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its cash and cash equivalents and senior notes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2019		
If the RMB weakens against the US$	**–5%**	**(188,685)**
If the RMB strengthens against the US$	**+5%**	**188,685**
If the RMB weakens against the HK$	**–5%**	**1,373**
If the RMB strengthens against the HK$	**+5%**	**(1,373)**
2018		
If the RMB weakens against the US$	–5%	—
If the RMB strengthens against the US$	+5%	—
If the RMB weakens against the HK$	–5%	—
If the RMB strengthens against the HK$	+5%	—

Notes to Financial Statements

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	3,035	3,035
Financial assets included in prepayments and other receivables					
— Normal**	23,560,227	–	–	–	23,560,227
Due from related companies	9,446,200	–	–	–	9,446,200
Restricted cash					
— Not yet past due	10,194,619	–	–	–	10,194,619
Pledged deposits					
— Not yet past due	1,344,886	–	–	–	1,344,886
Cash and cash equivalents					
— Not yet past due	14,955,756	–	–	–	14,955,756
Financial guarantees provided to associates and joint ventures					
— Not yet past due	10,228,866	–	–	–	10,228,866
	69,730,554	–	–	3,035	69,733,589

Notes to Financial Statements

31 December 2019

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	—	—	—	4,354	4,354
Financial assets included in prepayments and other receivables					
— Normal**	13,621,435	—	—	—	13,621,435
Due from related companies	9,841,443	—	—	—	9,841,443
Restricted cash					
— Not yet past due	7,892,069	—	—	—	7,892,069
Pledged deposits					
— Not yet past due	636,777	—	—	—	636,777
Cash and cash equivalents					
— Not yet past due	14,551,518	—	—	—	14,551,518
Financial guarantees provided to associates and joint ventures					
— Not yet past due	6,594,169	—	—	—	6,594,169
	53,137,411	—	—	4,354	53,141,765

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 23 . There is no significant concentration of credit risk.

** The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, corporate bonds, and senior notes. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2019					
Senior notes	**—**	**—**	**1,378,045**	**2,817,326**	**4,195,371**
Trade and bills payables	**—**	**12,060,536**	**—**	**—**	**12,060,536**
Financial liabilities included in other payables and accruals	**—**	**15,436,018**	**—**	**—**	**15,436,018**
Due to related companies	**11,985,635**	**—**	**—**	**—**	**11,985,635**
Financial guarantee contracts	**10,228,866**	**—**	**—**	**—**	**10,228,866**
Other financial liabilities	**92,378**	**—**	**—**	**—**	**92,378**
Interest-bearing bank and other borrowings	**—**	**3,632,856**	**16,352,478**	**21,006,979**	**40,992,313**
Lease liabilities	**—**	**1,537**	**80,952**	**91,068**	**173,557**
	22,306,879	**31,130,947**	**17,811,475**	**23,915,373**	**95,164,674**
31 December 2018					
Trade and bills payables	—	8,498,295	—	—	8,498,295
Financial liabilities included in other payables and accruals	—	16,470,082	—	—	16,470,082
Due to related companies	7,419,138	—	—	—	7,419,138
Financial guarantee contracts	6,594,169	—	—	—	6,594,169
Other financial liabilities	59,284	—	—	—	59,284
Interest-bearing bank and other borrowings	—	2,581,750	15,069,658	14,964,607	32,616,015
	14,072,591	27,550,127	15,069,658	14,964,607	71,656,983

Notes to Financial Statements

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) 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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related companies, provision for financial guarantee contracts, other financial liabilities, interest-bearing bank and other borrowings, lease liabilities and senior notes, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period was as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000 (note)	31 December 2018 RMB'000
Trade and bills payables	12,060,536	8,498,295	8,498,295
Financial liabilities included in other payables and accruals	19,019,087	20,476,168	20,476,168
Due to related companies	11,985,635	7,419,138	7,419,138
Provision for financial guarantee contracts	31,364	84,869	84,869
Other financial liabilities	92,378	59,284	59,284
Interest-bearing bank and other borrowings	35,985,869	27,004,917	27,004,917
Senior notes	4,195,371	—	—
Lease liabilities	146,444	108,485	—
Less: Cash and cash equivalents	(14,955,756)	(14,551,518)	(14,551,518)
Net debt	68,560,928	49,099,638	48,991,153
Equity attributable to owners of the parent	8,728,100	2,578,676	2,578,676
Capital and net debt	77,289,028	51,678,314	51,569,829
Gearing ratio	88.71%	95.01%	95.00%

Note: The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 95.00% to 95.01% on 1 January 2019 when compared with the position as at 31 December 2018.

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43. 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		
Property, plant and equipment	40	—
Investment in subsidiary	200,523	200,523
Total non-current assets	200,563	200,523
CURRENT ASSETS		
Cash and cash equivalents	441,905	1,144
Due from subsidiaries	9,374,034	963,005
Total current assets	9,815,939	964,149
CURRENT LIABILITIES		
Other payables and accruals	34,131	4,792
Due to subsidiaries	—	125
Senior notes	1,378,045	—
Total current liabilities	1,412,176	4,917
NET CURRENT ASSETS	8,403,763	959,232
TOTAL ASSETS LESS CURRENT LIABILITIES	8,604,326	1,159,755
NON-CURRENT LIABILITIES		
Senior notes	2,817,326	—
Total non-current liabilities	2,817,326	—
Net assets	5,787,000	1,159,755
EQUITY		
Share capital	31,450	85
Reserves	5,755,550	1,159,670
Total equity	5,787,000	1,159,755

Chen Hongliang
Director

Li Heli
Director

Notes to Financial Statements

31 December 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018	—	—	—	—	—
Total comprehensive income for the year	—	—	—	4,415	4,415
Capital contribution from non-controlling shareholders of subsidiaries	—	—	200,523	—	200,523
Issuance of new shares	85	954,732	—	—	954,817
Balance at 1 January 2019 and 31 December 2018	**85**	**954,732**	**200,523**	**4,415**	**1,159,755**
Total comprehensive income for the year	**—**	**—**	**—**	**2,415,134**	**2,415,134**
Issuance of new shares	**31,365**	**2,675,033**	**—**	**—**	**2,706,398**
Dividends and distributions	**—**	**—**	**—**	**(494,287)**	**(494,287)**
Balance at 31 December 2019	**31,450**	**3,629,765**	**200,523**	**1,925,262**	**5,787,000**

44. EVENTS AFTER THE REPORTING PERIOD

Issuance of senior notes

On 18 February 2020, the Company issued senior notes with a principal amount of US$ 250,000,000 due in 2021. The senior notes bear interest at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 February 2021. At any time prior to maturity, the Company may at its option redeem the senior notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

Assessment on the impact of the novel coronavirus's (COVID-19)

The outbreak of COVID-19 in early January 2020 continued to spread throughout Mainland China and beyond. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

45. APPROVAL OF THE SUBSEQUENT FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 April 2020.

Five-Year Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**56,639,596**	30,214,688	14,026,299	2,925,411	1,619,031
Cost of sales	**(43,457,345)**	(23,303,847)	(11,166,324)	(2,308,844)	(1,497,855)
Gross profit	**13,182,251**	6,910,841	2,859,975	616,567	121,176
Other income and gains	**233,873**	95,045	24,517	163,475	1,980
Selling and distribution expenses	**(2,030,081)**	(1,333,901)	(823,698)	(405,186)	(106,078)
Administrative expenses	**(2,549,711)**	(1,648,265)	(701,224)	(377,001)	(91,294)
Impairment losses on financial assets	**(9,870)**	(10,964)	(2,162)	(473)	(24)
Other expenses	**(255,162)**	(197,760)	(20,333)	(30,059)	(2,502)
Fair value gains on investment properties	**49,855**	71,971	261,898	8,725	2,966
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(6,880)**	(4,039)	(5,378)	17,919	—
Finance income	**515,645**	353,711	150,805	63,797	9,379
Finance costs	**(466,533)**	(433,466)	(356,320)	(269,018)	(136,256)
Share of profits and losses of:					
Joint ventures	**979,353**	(82,242)	(134,844)	(29,053)	—
Associates	**255,371**	717,545	14,649	(33,648)	(4,718)
Profit/(loss) before tax	**9,898,111**	4,438,476	1,267,885	(273,955)	(205,371)
Income tax (expense)/credit	**(3,642,203)**	(1,912,189)	(769,311)	4,186	24,532
Profit/(loss) for the year	**6,255,908**	2,526,287	498,574	(269,769)	(180,839)
Attributable to:					
Owners of the Company	**3,833,699**	1,931,336	502,667	(168,627)	(173,417)
Non-controlling interests	**2,422,209**	594,951	(4,093)	(101,142)	(7,422)
	6,255,908	2,526,287	498,574	(269,769)	(180,839)

Five-Year Financial Summary

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**14,389,227**	7,680,424	2,721,979	846,134	334,981
Current assets	**210,130,756**	160,394,192	96,488,433	45,478,960	13,563,750
Total assets	**224,519,983**	168,074,616	99,210,412	46,325,094	13,898,731
EQUITY AND LIABILITIES					
Total equity	**20,871,555**	6,754,232	2,353,751	654,988	154,556
Non-current liabilities	**19,629,976**	12,871,427	17,175,187	10,534,680	3,357,250
Current liabilities	**184,018,452**	148,448,957	79,681,474	35,135,426	10,386,925
Total liabilities	**203,648,428**	161,320,384	96,856,661	45,670,106	13,744,175
Total equity and liabilities	**224,519,983**	168,074,616	99,210,412	46,325,094	13,898,731