CHEN XING

Chen Xing Development Holdings Limited

辰興發展控股有限公司

(Incorporated in Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code: 2286

股份代號：2286

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2019

ANNUAL REPORT

年度報告

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

COMPANY SECRETARY

Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Ng Wing Shan

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Tian Hua
Mr. Qiu Yongqing

REMUNERATION COMMITTEE

Mr. Tian Hua *(Chairman)*
Mr. Gu Jiong
Mr. Bai Xuankui

NOMINATION COMMITTEE

Mr. Bai Xuankui *(Chairman)*
Mr. Qiu Yongqing
Mr. Gu Jiong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Merchants Bank Co. Ltd.
China Construction Bank Corporation
Bank of China Limited
Bank of Jinzhong Co. Ltd.

CORPORATE INFORMATION

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Jingtian & Gongcheng LLP

As to PRC law
Shanxi Dingzheng Law Office

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PLACE OF LISTING

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STOCK CODE

2286

COMPANY WEBSITE

www.chen-xing.cn

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Chen Xing Development Holdings Limited (the "**Company**") is pleased to announce to the Company's shareholders (the "**shareholders**") the audited annual results of the Group and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

— For the year ended 31 December 2019 (the "**Reporting Period**"), contracted sales amounted to approximately RMB2,144.3 million and the corresponding contracted gross floor area ("**GFA**") amounted to approximately 251,771 sq.m., representing increases of approximately 15.2% and 9.5% comparing with the same period last year, respectively;

— Revenue for the Reporting Period amounted to approximately RMB1,307.1 million, of which approximately RMB1,262.8 million was revenue from property development;

— Gross profit for the Reporting Period amounted to approximately RMB351.5 million, of which approximately RMB338.1 million was gross profit from property development;

— Net profit for the Reporting Period amounted to approximately RMB115.0 million, of which approximately RMB106.0 million was net profit attributable to equity holders of the Company;

— Total GFA of land bank amounted to approximately 2,961,620 sq.m. and the average cost of land bank was approximately RMB751.8 per sq.m. as at the end of Reporting Period;

— Contracted average sales price (the "**Average Sales Price**") for the Reporting Period was approximately RMB8,516.9 per sq.m.;

— Basic earnings per share for the Reporting Period was approximately RMB0.18; and

— The Board has resolved not to declare a final dividend for the year ended 31 December 2019.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2019.

Review of and Annual Results for 2019

From the perspective of macro-economic environment, the main theme of regulatory controls on the real estate industry continued to provide a stabilising effect in the real estate market in 2019. The real estate industry as a whole demonstrated a rally in the beginning of the year which was weakened for the rest of the year, delivering a slower growth rate of overall sales in the industry compared to 2018. On the one hand, numerous regulatory policies on real estate industry were promulgated, leading to an improved operating system in the industry. On the other hand, with stricter regulatory policies introduced to the market and specific measures adopted by different cities, a trend of differentiation in the industry has become increasingly obvious. Established enterprises in the core first-tier and second-tier cities had stronger ability to withstand the impact of risks and therefore they had relatively more room for development; while most of the enterprises in the third-tier and fourth-tier cities are small and medium-sized enterprises, bearing greater pressure in terms of cash flows and having less ability to endure risks, resulting in increasingly fierce market competition. In addition, as there was an improved buying sentiment with the buyers' increased income in 2019, numerous real estate enterprises were faced with transformation and upgrading of product quality. With the upgrade of consumption demand and consumption structure, the real estate industry was directed to cater for the mainstream demand by constantly striving for product innovation and product quality improvement, in order to maintain the sustained growth of sales performance.

As the Group was slightly affected by the regulatory policies and market uncertainties, it has actively implemented adjustment measures in response to market changes based on its analysis of industry policies and market changes. During the year, the Group focused on enhancing management efficiency by improving its corporate governance structure and revising the operational and management systems of the Company. Meanwhile, to effectively mitigate market risks, the Group has timely adjusted its operating strategies by seeking diversified approaches such as enhancing product quality and providing further input to product development, so as to maintain the steady growth of the Company's operating performance.

During the Reporting Period, the Group's contracted sales amounted to approximately RMB2,144.3 million, representing an increase of approximately 15.2% as compared with the same period last year; the Group's total contracted GFA amounted to approximately 251,771 sq.m., representing an increase of approximately 9.5% as compared with the same period last year.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,307.1 million, representing an increase of approximately 22.8% as compared with the same period last year, among which, revenue from property development was approximately RMB1,262.8 million, representing an increase of approximately 19.4% as compared with the same period last year. Profit attributable to the owners of the Group for the year was approximately RMB106.0 million, representing a decrease of approximately 15.1% as compared with the same period last year, which was mainly attributable to the increase of the Group's operating costs of principal activities.

As at the end of the Reporting Period, the Group's land bank was approximately 2,961,620 sq.m..

Final Dividend

The Board has resolved not to declare a final dividend for the year ended 31 December 2019.

Prospect for 2020

In 2019, the real estate industry has maintained its stable performance despite the fact that it was on a downward trend. We expect the principle of "housing is for accommodation, not for speculation" will remain as the main theme of the industry of 2020, and the industry and market policies will become more rational and flexible. Regulatory controls on real estate will focus on a balance of many aspects, especially the balance between macroeconomic stability and the real estate market stability, as well as the balance of supply and demand of land in the long-term. According to its in-depth analysis on the situation of China's property market, the overall social environmental changes and the Group's future development, the Group will take a path which is in line with the government's policies in 2020. The Group's strategic direction will be focused on its steady development by readjusting its operating strategies, deepening the development of existing projects and expediting the collection of the Group's sales proceeds. To actively respond to market changes, the Group will enhance its soft power by optimizing its management structure as well as reviewing its management systems and work processes.

In the area of its business structure, the Group will focus on facilitating the development of cultural tourism, through cooperation with quality branded enterprises and accelerating the process of transforming and upgrading its business structure. Meanwhile, the Group will provide special assistance and supports to those newly established companies, in order to facilitate the rapid development of the newly established companies and their early integration into the Group's development strategies.

In the area of product development and design, the Group will focus on the mainstream demand of the market. While developing products with rigid demands, the Group will also increase its efforts in improving the products by paying more attention to product design and research and development, and actively train and recruit a design and development team, so as to enhance the competitive advantage of the Group's products as well as its core competitiveness as a corporation.

As for the land bank, the Group will continue with its prudent strategies in land acquisition and maintain a cautious investment attitude. In 2020, the Group will focus on deepening the development of the existing land bank, increase investment amounts in developing the existing lands and accelerate the development cycle of the existing projects. Meanwhile, the Group will seize the market opportunities, and continue to look for quality land parcels to provide the Group with sufficient land bank for development.

ACKNOWLEDGMENT

Finally, I would like to express my sincerest gratitude, on behalf of the Board, to the management and all employees of the Company for their hard work. Meanwhile, I would also like to thank the investors, customers and partners for their unfailing support and trust in the Group.

Chairman
Bai Xuankui

Jinzhong, Shanxi, China
30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group's contracted sales amounted to approximately RMB2,144.3 million, representing an increase of approximately 15.2% as compared with the same period last year. During the Reporting Period, the Group's revenue amounted to approximately RMB1,307.1 million, representing an increase of approximately 22.8% as compared with the same period last year, among which, revenue from property development was approximately RMB1,262.8 million, representing an increase of approximately 19.4% as compared with the same period last year. During the Reporting Period, net profit of the Group amounted to approximately RMB115.0 million, of which net profit attributable to the Company's equity holders was approximately RMB106.0 million.

Contracted Sales

The Group's contracted sales for the years ended 31 December 2019 and 2018 were approximately RMB2,144.3 million and RMB1,862.1 million, respectively, representing an increase of approximately 15.2%. The Group's total contracted GFAs for the years ended 31 December 2019 and 2018 were approximately 251,771 sq.m. and 229,855 sq.m., respectively, representing an increase of approximately 9.5%. By geographical location, the Group's contracted sales from Jinzhong, Taiyuan and Mianyang, were approximately RMB970.7 million, RMB994.7 million and RMB178.9 million, respectively, representing approximately 45.3%, 46.4% and 8.3% of the Group's total contracted sales, respectively.

The table below sets forth the Group's contracted sales for the year ended 31 December 2019 by geographic location:

	Contracted Sales for 2019 (RMB million)	Contracted Sales for 2018 (RMB million)	Contracted GFA for 2019 (sq.m.)	Contracted GFA for 2018 (sq.m.)	Average Contracted Sales Price for 2019 (RMB/sq.m.)	Average Contracted Sales Price for 2018 (RMB/sq.m.)
Jinzhong						
Yijun Community (頤郡小區)	470.7	—	55,754	—	8,441.6	—
Chenxing Yijun (辰興頤郡)	43.7	—	5,003	—	8,736.2	—
Xiyuan (熙苑)	450.7	—	52,789	—	8,537.9	—
Grand International Apartments (君豪公寓)	—	0.9	—	248	—	3,745.0
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	5.6	30.7	1,626	8,234	3,447.7	3,725.0
Taiyuan						
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase I)	114.9	207.0	11,312	24,607	10,155.8	8,412.9
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase II)	255.2	965.4	22,977	116,013	11,107.5	8,321.2
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase III)	624.6	73.2	67,285	8,094	9,282.7	9,048.7
Mianyang						
Yosemite Valley Town (優山美郡)	4.0	6.6	2,882	1,066	1,378.1	6,184.9
Elite Gardens (天禦)	4.5	1.4	2,841	554	1,576.2	2,521.8
Chang Xing Star Gardens (長興星城)	170.4	576.9	29,302	71,039	5,813.8	8,120.6
Total	2,144.3	1,862.1	251,771	229,855	8,516.9	8,101.2

Note:

Contracted Sales, Contracted GFAs and Average Contracted Sales Price in the above table also include the car parking spaces sold, if applicable.

Property Projects

The Group's property projects fall into the following three categories by the development stage: completed properties, properties under development and properties held for future development. As some projects are developed in several phases, a single project may fall into different development stages: completed, under development and held for future development.

As at the end of the Reporting Period, the Group had a completed total GFA of approximately 2,637,903 sq.m. and a land bank with a total GFA of approximately 2,961,620 sq.m., comprising (i) a total GFA of approximately 146,841 sq.m. which is completed but unsold; (ii) a total GFA of approximately 1,772,349 sq.m. which is under development; and (iii) a total planned GFA of approximately 1,042,430 sq.m. held for future development.

The Group selectively retains the ownership of substantially all self-developed commercial properties with a strategic value to generate sustainable and stable revenue. As at the end of the Reporting Period, the Group had investment properties with a total GFA of approximately 21,613 sq.m..

Property Portfolio Summary

Intended use[(1)]	Total GFA Completed (sq.m.)	GFA under development (sq.m.)	Total GFA Held for future development (sq.m.)
Mid-rise	786,168	181,074	425,086
High-rise	866,201	836,430	218,256
Townhouses	27,612	5,354	107,259
Multi-story garden apartments	576,743	26,350	61,940
Retail outlets	173,378	308,119	79,227
SOHO apartments	6,931	—	31,775
Hotels	—	111,359	—
Parking spaces	195,983	282,985	112,611
Ancillary facilities[(2)]	4,887	20,678	6,275
Total GFA	2,637,903	1,772,349	1,042,430
Attributable GFA[(3)]	2,552,263	1,427,351	966,800

Notes:

(1) Includes the portion of GFA held by the Group as public facilities (not saleable or leasable).

(2) Includes primarily public facilities which are not saleable.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

Completed Projects

The following table sets forth a summary of the information about the Group's completed projects and corresponding project phases, if any, as at 31 December 2019:

Project	Location	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership Interest[2] (%)
Jinzhong										
1. East Lake Mall (東湖卅)	Jinzhong City, Shanxi Province	Retail outlets	July 2000	1,330	17,886	–	10,610	7,276	–	100.00
2. Grand International Mall & Apartments (君豪國際)	Jinzhong City, Shanxi Province	Residential/ Commercial	June 2007	7,465	65,544	9,081	8,241	48,222	–	100.00
3. Blossom Gardens (錦綉新城)	Jinzhong City, Shanxi Province	Residential	April 2007	5,261	39,080	–	–	39,080	–	100.00
4. Xin Xing International Cultural Town (新興國際文教城)										
Phase I	Jinzhong City, Shanxi Province	Residential	December 2005	5,600	24,602	–	–	24,602	–	100.00
Phase II	Jinzhong City, Shanxi Province	Residential/ Commercial	April 2012	17,968	93,060	–	–	92,909	151	100.00
Phase III	Jinzhong City, Shanxi Province	Residential/ Commercial	December 2009	255,918	545,046	2,587	–	542,459	–	100.00
Phase IV	Jinzhong City, Shanxi Province	Residential/ Commercial	July 2016	30,987	71,103	2,941	–	68,162	–	100.00
Phase V	Jinzhong City, Shanxi Province	Residential/ Commercial	July 2016	22,578	50,438	3,265	–	46,138	1,035	100.00
5. Upper East Gardens (上東庭院)										
Phase I	Jinzhong City, Shanxi Province	Residential/ Commercial	November 2006	19,361	47,926	–	–	47,926	–	100.00
Phase II	Jinzhong City, Shanxi Province	Residential/ Commercial	December 2011	24,343	75,889	–	–	75,889	–	100.00
6. Riverside Gardens – Zuoquan (左權濱河嘉園)	Jinzhong City, Shanxi Province	Residential/ Commercial	December 2007	73,035	98,545	–	–	97,990	555	100.00
7. SOLO Apartments (尚座公寓)	Jinzhong City, Shanxi Province	Commercial/ Complex	September 2009	2,411	9,783	255	–	9,528	–	100.00

Project	Location	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership Interest[2] (%)
8. Riverside Gardens – Heshun (和順濱河小區)										
Stage I	Jinzhong City, Shanxi Province	Residential	June 2008	60,100	62,507	–	–	62,167	340	100.00
Stage II	Jinzhong City, Shanxi Province	Residential	October 2012	5,898	51,217	–	–	51,217	–	100.00
9. Mandarin Gardens – Taigu (太谷文華庭院)	Jinzhong City, Shanxi Province	Residential/ Commercial	May 2011	30,690	51,525	–	–	51,525	–	100.00
10. Shuncheng Street Underground Space (順城街地下空間)	Jinzhong City, Shanxi Province	Retail outlets	August 2015	–	897	–	–	897	–	100.00
Taiyuan										
1. Yosemite Valley Town – Taiyuan (龍城優山美郡)										
– Southern District, Phase I	Taiyuan City, Shanxi Province	Residential/ Commercial	December 2014	117,128	406,164	36,991	–	369,173	–	100.00
– Northern District, Phase I	Taiyuan City, Shanxi Province	Residential/ Commercial	November 2016	108,005	395,096	21,292	–	303,425	70,379	100.00
Mianyang										
1. Yosemite Valley Town (優山美郡)	Mianyang City, Sichuan Province	Residential/ Commercial	May 2012	74,124	126,329	5,679	–	118,805	1,845	83.89
2. Elite Gardens (天璽)	Mianyang City, Sichuan Province	Residential/ Commercial	September 2014	68,529	116,816	1,505	–	114,624	687	83.89
3. Chang Xing Star Gardens Phase I (長興星城一期)	Mianyang City, Sichuan Province	Residential/ Commercial	June 2017	68,150	288,450	63,245	–	223,884	1,321	83.89
Total				**998,881**	**2,637,903**	**146,841**	**18,851**	**2,395,898**	**76,313**	
Total Attributable GFA[3]				**964,921**	**2,552,263**	**135,495**	**18,851**	**2,322,225**	**75,692**	

Notes:

(1) Includes the GFA held by the Group as public facilities (not saleable or leasable).

(2) Calculated based on the Group's actual ownership interests in the respective project companies.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

Properties under Development and Properties Held for Future Development

The following table sets forth a summary of the information about the Group's projects under development and corresponding project stages, if any, and properties held for future development as at 31 December 2019:

					Under development			Held for future development		
Project	Location	Project type	Site area (sq.m.)	Actual/ Estimated completion date	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Jinzhong										
1. Phase I of Longtian Project (龍田項目一期)			**129,049**		**449,634**	**428,000**	**30,059**	**–**	**–**	**51.00**
Stage I	Jinzhong City, Shanxi Province	Residential/ Commercial/ Parking Space	14,346	December 2020	78,954	74,203	30,059	–	–	51.00
Stage II	Jinzhong City, Shanxi Province	Residential/ Commercial/ Parking Space	24,367	December 2020	110,725	101,386	–	–	–	51.00
Stage III	Jinzhong City, Shanxi Province	Residential/ Commercial/ Parking Space	26,682	December 2020	126,120	121,061	–	–	–	51.00
Stage IV	Jinzhong City, Shanxi Province	Commercial/ Parking Space	13,422	December 2020	28,819	28,819	–	–	–	51.00
Stage V	Jinzhong City, Shanxi Province	Commercial/ Parking Space	50,232	December 2020	105,016	102,531	–	–	–	51.00
2. Yijun Community (頤郡小區)			**104,865**		**116,657**	**106,707**	**55,754**	**154,347**	**–**	**51.00**
Stage I	Jinzhong City, Shanxi Province	Residence	46,763	December 2020	116,657	106,707	55,754	–	–	51.00
Stage II	Jinzhong City, Shanxi Province	Commercial	16,410	December 2021	–	–	–	44,157	–	51.00
Stage III	Jinzhong City, Shanxi Province	Residential/ commercial	41,691	December 2021	–	–	–	110,190		51.00
3. Chenxing Yijun (辰興頤郡)			**197,285**		**130,237**	**89,228**	**5,003**	**356,400**	**–**	**100.00**
Stage I	Jinzhong City, Shanxi Province	Residential/ commercial	56,601	December 2021	130,237	89,228	5,003	–	–	100.00
Stage II	Jinzhong City, Shanxi Province	Residential/ commercial	37,462	December 2022	–	–	–	99,500	–	100.00
Stage III	Jinzhong City, Shanxi Province	Residential/ commercial	85,669	December 2022	–	–	–	209,300	–	100.00
Stage IV	Jinzhong City, Shanxi Province	Residential/ commercial	17,554	December 2022	–	–	–	47,600	–	100.00

					Under development			Held for future development		
Project	Location	Project type	Site area (sq.m.)	Actual/ Estimated completion date	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
4. Shiguang Zhicheng (時光之城)	Jinzhong City, Shanxi Province	Commercial	**28,296**	December 2020	**112,382**	**53,880**	**–**	**–**	**–**	**100.00**
5. Xiyuan (熙苑)	Jinzhong City, Shanxi Province	Residential/ commercial	**46,603**	December 2020	**67,400**	**66,971**	**52,789**	**–**	**–**	**33.66**
6. Jinxiu SOHO (錦綉中心)	Jinzhong City, Shanxi Province	Commercial	**3,461**	October 2021	**–**	**–**	**–**	**20,507**	**–**	**100.00**
Taiyuan										
1. Yosemite Valley Town – Taiyuan (龍城優山美郡)			**193,357**		**591,429**	**559,297**	**371,334**	**–**	**–**	**100.00**
Phase II	Taiyuan City, Shanxi Province	Residential/ commercial	111,477	July 2020	374,549	355,271	291,998	–	–	100.00
Phase III	Taiyuan City, Shanxi Province	Residential/ commercial	60,080	November 2021	204,261	204,026	79,335	–	–	100.00
Phase IV	Taiyuan City, Shanxi Province	Primary school	21,800	September 2020	12,619	–	–	–	–	100.00
Mianyang										
1. Chang Xing Star Gardens (長興星城)										
Phase II	Mianyang City, Sichuan Province	Residential/ commercial	**36,158**	December 2020	**141,543**	**140,586**	**112,801**	**–**	**–**	**83.89**
Haikou										
1. Shangpinhui (尚品匯)	Haikou City, Hainan Province	Commercial	**43,795**	March 2021	**98,139**	**–**	**–**	**–**	**–**	**100.00**
2. Yousheng (友升)	Haikou City, Hainan Province	Residence	**87,021**	December 2021	**–**	**–**	**–**	**104,426**	**–**	**100.00**
Wuzhishan										
1. Feicui Yijun (翡翠頤郡)			**92,522**		**48,013**	**–**[3]	**–**	**88,409**	**–**	**100.00**
Phase I	Wuzhishan City, Hainan Province	Commercial	28,745	January 2021	48,013	–[3]	–	–	–	100.00
Phase II	Wuzhishan City, Hainan Province	Residence	23,827	September 2021	–	–[3]	–	35,274	–	100.00
Phase III	Wuzhishan City, Hainan Province	Residence	18,244	December 2023	–	–[3]	–	26,666	–	100.00
Phase IV	Wuzhishan City, Hainan Province	Residence	21,706	December 2023	–	–[3]	–	26,469	–	100.00

Project	Location	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development			Held for future development		
					GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Xishuangbanna			**223,837**		**16,915**	**–**	**–**	**318,341**	**–**	**100.00**
1. International Health City (國際健康城)										
Phase I	Xishuangbanna Autonomous Prefecture, Yunnan Province	Residential/ Commercial	11,290	October 2020	16,915	–	–	–	–	100.00
Phase II	Xishuangbanna Autonomous Prefecture, Yunnan Province	Residential/ Commercial	66,820	December 2021	–	–	–	100,085	–	100.00
Phase III	Xishuangbanna Autonomous Prefecture, Yunnan Province	Residential	145,727	December 2022	–	–	–	218,256	–	100.00
Total			**1,186,249**		**1,772,349**	**1,444,669**	**627,740**	**1,042,430**	**–**	
Total Attributable GFA [2]					**1,427,351**	**1,115,586**	**532,499**	**966,800**	**–**	

Notes:

(1) Calculated based on the Group's actual ownership interests in the respective project companies.

(2) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

(3) On 28 September 2017, Hainan Provincial People's Government issued the "Hainan Provincial People's Government's Opinion on Further Deepening the Policy of 'Two Suspensions' to Promote the Steady and Healthy Development in Real Estate" (《海南省人民政府關於進一步深化「兩個暫停」政策促進房地產業平穩健康發展的意見》) (Qiong Fu [2017]No. 76), and proposed "to permanently suspend the construction of new real estate projects for foreign sale in four central ecological core areas of Wuzhishan, Baoting, Qiongzhong and Baisha; while the Provincial Housing and Urban-Rural Development Department would work together with the Provincial Planning Commission, the Provincial Department of Land Resources and other departments to formulate another implementation plan with consideration of the situation of commercial residential land use in the central ecological core area of the four cities and counties, which will be promulgated for implementation after approval by the Provincial Government." "Cities and counties, especially the four central ecological core areas, are encouraged to regulate the use of land in accordance with the law, re-direct the existing supply of commercial residential land to the development in business operation properties such as tourism, culture, education, medical care, health care and commercial use, and promote the transformation of property development. For the existing commercial residential land that cannot be used for residential development due to the factors of planning adjustment, the municipal and county governments can use different approaches in accordance to the laws, including the recovery of land use rights, replacement, extension of the limitation on construction period and arrangement of temporary use, etc." As of now, the government has not yet to release its implementation plan. The Group's Wuzhishan project is affected by the policy and there is uncertainly with its subsequent development.

The table below sets forth a summary of the information about the Group's investment properties as at 31 December 2019:

Project	Location	Property type	held for investment Total GFA (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the year ended 31 December 2019 (RMB million)	2018 (RMB million)
Grand International Mall & Apartments (君豪國際)	Jinzhong City, Shanxi Province	Retail outlets	8,241	433	8.9	0.8	1.9
East Lake Mall (東湖井)	Jinzhong City, Shanxi Province	Retail outlets	10,610	8,161	85.2	1.5	2.2
Office Building of West Yingbin Street (迎賓西街辦公樓)	Jinzhong City, Shanxi Province	Retail outlets	2,762	2,762	100.0	3.7	3.2
Total			**21,613**	**11,356**	**—**	**6.0**	**7.3**

The table below sets forth the Group's land bank as at 31 December 2019 by geographic location:

	Completed	Under development	Future development	Total land bank[1]	Percentage of total land bank	Average land cost
	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA Under Development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)	(RMB/sq.m.)
Jinzhong	18,130	876,311	531,254	1,425,695	48.2	850.1
Taiyuan	58,282	591,428	—	649,710	21.9	393.5
Mianyang	70,429	141,543	—	211,972	7.2	643.5
Haikou	—	98,139	104,426	202,565	6.8	1,851.7
Wuzhishan	—	48,013	88,409	136,422	4.6	1,145.2
Xishuangbanna	—	16,915	318,341	335,256	11.3	836.8
Total	**146,841**	**1,772,349**	**1,042,430**	**2,961,620**	**100.0**	**751.8**

Note:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

The table below sets forth the Group's land bank as at 31 December 2019 by property type:

	Completed	Under development	Future development	Total land bank[1]	Percentage of total land bank
	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Mid-rise	2,728	181,074	425,086	608,888	20.6
High-rise	47,845	836,430	218,256	1,102,531	37.2
Townhouses	1,472	5,354	107,259	114,085	3.9
Multi-story garden apartments	3,959	26,350	61,940	92,249	3.1
Available-for-sale office/ commercial properties	43,727	308,119	79,227	431,073	14.6
SOHO apartments	58	—	31,775	31,833	1.1
Hotels	—	111,359	—	111,359	3.8
Parking spaces	47,052	282,985	112,612	442,649	14.9
Ancillary facilities[2]	—	20,678	6,275	26,953	0.9
Total	**146,841**	**1,772,349**	**1,042,430**	**2,961,620**	**100.0**

Notes:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

(2) Mainly includes public facilities not saleable.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB1,307.1 million, representing an increase of approximately 22.8% as compared with approximately RMB1,064.7 million in the same period last year. The increase was mainly due to the completion of parking space and northern district commercial of Phase I of Yosemite Valley Town-Taiyuan generated a substantial increase in revenue.

During the Reporting Period, the Group's revenue from property development amounted to approximately RMB1,262.8 million, representing an increase of approximately 19.4% as compared with the same period last year. The increase was mainly due to the increase in revenue from property development of the Company in relation to Phase I of Yosemite Valley Town-Taiyuan and Chang Xing Star Gardens Phase I.

Sales and Services Cost

The Group's sales and services cost increased by approximately 36.9% from approximately RMB698.0 million for the year ended 31 December 2018 to approximately RMB955.6 million for the Reporting Period, which was mainly due to a corresponding increase in cost of sales with the increase in sales revenue.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB351.5 million, representing a decrease of approximately 4.1% as compared with approximately RMB366.7 million in the same period last year. During the Reporting Period, the gross profit margin was approximately 27%, as compared with approximately 34% in the same period last year.

During the Reporting Period, the Group's gross profit from property development was approximately RMB338.1 million, representing a decrease of 5.9% as compared with approximately RMB359.4 million in the same period last year, which was mainly due to the decrease of sale price for destocking and the increase of sales and services cost. During the Reporting Period, the Group's gross profit margin of property development was approximately 27%, representing a decrease of approximately 7% as compared with approximately 34% in the same period last year, and the decrease was mainly due to the decrease of the sale price of parking space of Yosemite Valley Town and Elite Gardens in Mianyang and the increase of sales and services cost of northern district of Yosemite Valley Town-Taiyuan.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB39.8 million, representing an increase of approximately 13.4% as compared with approximately RMB35.1 million in the same period last year. The increase was primarily due to the increase in bank interest income and the increase in interest income from loans to an associate.

Net Profit Attributable to Owners of the Company

During the Reporting Period, the net profit attributable to owners of the Company was approximately RMB106.0 million, representing a decrease of approximately 15.1% from approximately RMB124.9 million in the same period last year. The decrease in the net profit attributable to owners of the Company was mainly due to the decrease in gross profit margin resulted from the decrease of sales price for destocking and the increase of the Group's sales and service cost of principal activities.

Change in Fair Value of Investment Properties

The fair value of the Group's investment properties decreased by approximately 2.8% from approximately RMB145 million as at 31 December 2018 to approximately RMB141 million as at the end of the Reporting Period, and the decrease was primarily due to the impairment of Grand International Mall & Apartments.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 40.8% from approximately RMB55.1 million for the year ended 31 December 2018 to approximately RMB77.6 million for the Reporting Period, and the increase was primarily due to the increase in the advertising and publicity expense for sales promotion of new projects.

Administrative Expenses

The Group's administrative expenses increased by approximately 12.0% from approximately RMB73.4 million for the year ended 31 December 2018 to approximately RMB82.2 million for the Reporting Period, and the increase was primarily due to the increase in staff cost resulted from newly established or acquired companies, as well as the increase in professional service fee caused by the acquisition activities.

Finance Costs

The Group's financing expenses increased by approximately 12.7% from approximately RMB19.7 million for the year ended 31 December 2018 to approximately RMB22.2 million for the Reporting Period, and the increase was primarily due to the increase in loans during the Reporting Period.

Income Tax Expenses

The Group's income tax expenses decreased by approximately 7.1% from approximately RMB95.5 million for the year ended 31 December 2018 to approximately RMB88.7 million for the Reporting Period, and the decrease was primarily due to the decrease in the profit before tax.

Total Profit and Comprehensive Income for the Year

As a result of the foregoing, the Group's total profit and comprehensive income for the year decreased by approximately 61.8% from approximately RMB132.5 million for the year ended 31 December 2018 to approximately RMB50.6 million for the Reporting Period, which was primarily due to the decrease of fair value of equity investments designated at fair value through other comprehensive income and the decrease of the profit for the year.

Cash Position

As at the end of the Reporting Period, the Group's cash and cash equivalents were approximately RMB1,107.2 million, representing a decrease of approximately 23.5% as compared to approximately RMB1,447.2 million as at 31 December 2018, and the decrease was primarily due to the increase in payment for construction costs and other various operation costs during the Reporting Period.

Net Operating Cash Flow

The Group recorded a negative operating cash flow of approximately RMB1,501.3 million as at the end of the Reporting Period, while the Group recorded a positive operating cash flow of approximately RMB867.5 million as at 31 December 2018, and the decrease was primarily due to the increase in payment for construction costs and other various operation costs during the Reporting Period.

Borrowings

The Group had outstanding bank borrowings and other borrowings of approximately RMB2,816.0 million as at the end of the Reporting Period while the Group had outstanding bank borrowings and other borrowings of approximately RMB858.6 million as at 31 December 2018.

Pledged Assets

Certain of the Group's borrowings were secured by properties under development, completed properties held for sale, investment properties, as well as buildings or a combination of the above items. As at the end of the Reporting Period, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB700.2 million.

Financial Guarantees and Contingent Liabilities

In line with the market practice, the Group has entered into agreements of arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct any independent credit checks on customers, but relies on the credit checks conducted by mortgagee banks. As with other PRC property developers, the banks usually require the Group to guarantee its customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at the end of the Reporting Period, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to approximately RMB1,796.9 million.

During the Reporting Period, the Group had no material contingent liabilities.

Gearing Ratio

As at the end of the Reporting Period, based on the Group's total debt of approximately RMB2,816.0 million and total equity of approximately RMB1,374.6 million, the gearing ratio of the Group was approximately 205% (31 December 2018: approximately 72%). Gearing ratio is calculated by dividing total debt over total equity, and total debt includes interest-bearing bank and other borrowings. The increase in gearing ratio was mainly due to the increase of interest-bearing bank and other borrowing during the Reporting Period.

Foreign Currency Risk

The Group operates primarily in the PRC and most of its revenues and expenses are settled in RMB. The Group is exposed to foreign currency risks because its bank balances are denominated in HK dollar and the value of which will fluctuate with exchange rate fluctuations. The exchange rate between RMB and HK dollar may fluctuate as a result of various factors, such as changes in China's political and economic conditions. The Board expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the Group. The Group does not have a hedging policy in relation to the foreign currency risk.

Material Acquisitions and Disposals and Material Investments

On 12 December 2018, Chenxing Real Estate Development Co, Ltd. (辰興房地產發展有限公司) ("**Chenxing Real Estate**"), a wholly-owned indirect subsidiary of the Company, entered into an equity transfer agreement with Xishuangbanna Haoyuan Tourism Development Co., Ltd.* (西雙版納昊緣旅遊發展有限公司) ("**Haoyuan Company**"), pursuant to which Chenxing Real Estate acquired 49% of equity interests in Xishuangbanna Jingyuan Investment Development Co., Ltd.* (西雙版納景緣投資開發有限公司) ("**Jingyuan Company**") and assumed the loans provided by Haoyuan Company to Jingyuan Company plus interest, at an aggregate consideration of approximately RMB256.85 million (equivalent to approximately HK$300.26 million) (the "**49% Acquisition**"). On 4 January 2019, Chenxing Real Estate entered into an equity transfer agreement with Beijing Sunshine Real Estate Comprehensive Development Co., Ltd.* (北京陽光房地產綜合開發有限公司) ("**Sunshine Comprehensive**"), pursuant to which Chenxing Real Estate acquired 51% equity interest of Jingyuan Company and assumed the loans provided by Sunshine Comprehensive to Jingyuan Company plus interest, at an aggregate consideration of approximately RMB418.56 million (equivalent to approximately HK$489.30 million) (the "**51% Acquisition**"). For details of the acquisitions, please refer to the Company's announcements dated 12 December 2018 and 4 January 2019, and the Company's circular dated 30 September 2019. Since the 49% Acquisition and 51% Acquisition (together, the "**100% Acquisitions**") when treated as standalone transactions or when aggregated together are classified as major transactions under the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), it is necessary to seek approval from the shareholders of the Company ("**Shareholders**") for the 100% Acquisitions at an extraordinary general meeting. At the extraordinary general meeting of the Company held on 23 October 2019, the 100% Acquisitions were approved by the Shareholders.

On 28 June 2019, Chen Xing Real Estate (as limited partner) entered into the limited partnership agreement with Runhui Enterprise (Shenzhen) Limited* (潤惠實業（深圳）有限公司) (as general partner) and Hengqin Runchuang Investment Fund (Limited Partnership)* (橫琴潤創投資基金（有限合夥）) (as limited partner). Pursuant to the limited partnership agreement, the partners thereto agreed to, among other things, invest in the limited partnership with an aggregate capital of RMB500 million. The capital commitment to be made by the Group to the limited partnership will be RMB250.5 million, representing 50.1% of the total capital commitment to be made by all partners of the limited partnership, and to be satisfied in cash on or before 30 June 2024. For details of the limited partnership investment, please refer to the Company's announcement dated 28 June 2019.

During the Reporting Period, these investment activities added a number of suitable investment projects to the Company, which are playing a positive role in the development of the Company and are in the interests of the Company and the Shareholders as a whole. The Company is of the view that these investment activities will also contribute to the Company's diversification strategy, generate significant positive impact for the Company's development and bring substantial benefits to the Company and its Shareholders in the coming years.

Save as disclosed in this report, the Group did not have any material acquisition and disposal and significant investment during the Reporting Period.

Other Significant Events during the Reporting Period

On 28 February 2019, the Group completed the equity capital raising activity in which one rights share was issued on the basis of every five existing shares held as at the record date at the subscription price of HK$1.50 per rights share. Valid applications and acceptances in respect of a total of 130,896,578 rights shares had been received, representing 130.9% of the 99,999,989 total number of rights shares available for subscription under the rights issue. A total of 99,999,989 rights shares were allotted and issued on 7 March 2019 pursuant to the rights issue and the number of issued shares of the Company as at the date of this report is 599,999,989 shares. The proceeds from the rights issue will be used for the payment of unpaid registered capital of Jinzhong Chenxinghui Science & Trade Co., Ltd.* (晉中辰興匯科貿有限公司) and general working capital of the Group. Dealings in the fully-paid rights shares on the Stock Exchange have commenced at 9:00 a.m. on Friday, 8 March 2019. For details of the rights issue, please refer to the Company's announcements dated 11 January and 6 March 2019 and the prospectus of the Company dated 13 February 2019.

On 29 May 2019, Chenxing Real Estate and Guangdong Jinglong Construction Group Co., Ltd.* (廣東景龍建設集團有限公司) ("**Guangdong Jinglong**") entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") pursuant to which the parties shall cooperate to form a strategic alliance in the development and management of various commercial properties, residential properties, cultural tourism projects and health and wellness projects for a fixed term of five years. Guangdong Jinglong, a well-established decoration project design and decoration supplier, and its subsidiaries form a group of companies, which principally engages in property development projects and offers various property development related services including construction materials logistics, project management, architectural design, cost consulting, advertisement and property management. Pursuant to the Strategic Cooperation Agreement, On 21 June 2019, Chenxing Real Estate and Guangdong Jinglong established a company, namely Shanxi Chenxing Jinglong Decoration Engineering Co., Ltd.* (山西辰興景龍裝飾工程有限公司) ("**Chenxing Jinglong**"), which mainly engages in the business of building decoration engineering design, construction, engineering and technical consultancy services, residential interior decoration, etc. Chenxing Jinglong has commenced operation and regularly reports work to both parties. For details of the Strategic Cooperation Agreement, please refer to the Company's announcement dated 29 May 2019.

On 27 June 2019, Chenxing Real Estate (as investor), entered into the cornerstone investment agreement with Jinshang Bank Co., Ltd. ("**Jinshang Bank**") (as issuer), CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited (as joint sponsors and joint representatives) and Jinzhong Chenxinghui Science and Trade Co., Ltd.* (晉中辰興匯科貿有限公司), a wholly-owned indirect subsidiary of the Company (as guarantor), pursuant to which Chenxing Real Estate has agreed to pay a consideration of US$22 million to acquire the shares of Jinshang Bank at the offer price as part of the international offering through the joint representatives (and/or their affiliates) in their capacity as the representatives of the international underwriters of the relevant portion of the international offering. Jinshang Bank is a joint stock company incorporated in the PRC with limited liability and was listed on the Main Board of the Stock Exchange on 18 July 2019. It is principally engaged in the business of corporate banking, retail banking and treasury business. Completion of the cornerstone investment took place on 4 July 2019. For details of the cornerstone investment, please refer to the Company's announcement dated 27 June 2019.

Significant Investments held

The Group did not have any significant investments held as at 31 December 2019.

Events after the Reporting Period

On 2 January 2020, Chenxing Real Estate, a wholly-owned indirect subsidiary of the Company, entered into a short-term loan extension agreement with Xishuangbanna Yunchen Real Estate Co., Ltd.* (西雙版納雲辰置業有限公司) ("**Yunchen Real Estate**"), an associate of the Group, pursuant to which Chenxing Real Estate agreed to extend the maturity date of the loan agreement between Chenxing Real Estate and Yunchen Real Estate dated 2 January 2019 (the "**Loan Agreement**") by 12 months to 2 January 2021, while other terms and provisions of the Loan Agreement remain unchanged and are in full force and effect. For details of the Loan Agreement, please refer to the Company's announcements dated 2 January 2019 and 3 April 2020.

As at the date of this report, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of the circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.

Saved as disclosed above, as at the date of this report, the Group has no other significant events that require additional disclosures or adjustments occurred after the financial year ended 31 December 2019.

Future Plans for Material Investments or Capital Assets

The Company will continue to invest in property development projects and acquire suitable land parcels in selected cities as appropriate. Internal resources and bank borrowings are expected to be sufficient to meet the necessary funding needs. Save as disclosed in the prospectus and above, the Group has no future plans of material investment as at the date of this report.

Employees and Remuneration Policies

As at the end of the Reporting Date, the Group had 278 employees. During the Reporting Period, the Group had incurred the employee costs of approximately RMB43.5 million. Employee compensations generally include salaries and quarterly performance bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

The Group has established the remuneration committee to review the remuneration policy and structure of the Group for the remuneration of all Directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the Directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of the Group. Such policies are consistent with the business strategies and development objectives of the Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

Employee Training

In order to enhance the professional quality and work ethics of the employees of the Group, to raise their service awareness and service level, to boost the cohesion, attractiveness, centripetal force and combatant power of the Group, to reduce errors at work and to increase efficiency at work, the Group cultivates talents for the Group. Along with the development of the Group, the Group puts emphasis on the training of new employees. Through new employees training, the Group promotes the history of the Group, the organizational structure, the corporate culture and personnel policies, and increase employees' organization ability, communication skills, team spirit, etc. The Group helps strengthen organizational discipline so that employees can adapt to the new environment and the corporate culture as soon as possible. Each department is asked to hold departmental and positional training for new employees so that they can get used to the new working environment as soon as possible and increase their efficiency at work. In order to push the employees' development further and to enrich their professional knowledge, the Group conducts internal training according to departmental needs, and pay for external training expenses. Other than professional and technical training, the Group also improves management skills of the middle and senior levels. Training includes total budget, leadership, executive power, etc.

Share Option Scheme

The Company has adopted a share option scheme ("**Share Option Scheme**") on 12 June 2015. Since the adoption, the Company has not granted any share options under the Share Option Scheme.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be convened on Friday, 29 May 2020. Notice of the AGM will be issued and sent to the Shareholders of the Company in due course.

FINAL DIVIDEND

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2019 (31 December 2018: nil).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xuankui (白選奎), aged 68, is one of the founders and controlling shareholders of the Group. He is also an executive Director, chairman of the Board, chairman of the nomination committee as well as the chairman of Chen Xing. Mr. Bai Xuankui is also a director of White Empire (PTC) Limited, one of the controlling shareholders of the Company. Mr. Bai Xuankui has over 20 years of experience in property development, management and operation.

Mr. Bai Xuankui founded the Group in 2004 and since then has been leading the Group to engage in property development. Before founding the Group, Mr. Bai Xuankui worked at Xinxing Construction Ltd. (新興建築公司) where he successively served as assistant manager and manager from April 1983 to May 1992. In July 1993, he was appointed as deputy director of Yuci City Enterprise Management Bureau (榆次市城區企業管理局). From April 1998 to October 2001, he was appointed by People's Congress of Yuci City as commissioner of Yuci City Industrial Economic Commission (榆次市工業經濟委員會). From December 2001 to October 2010, he served as the chairman of Jinzhong City Yuci Region Federation of Industry & Commerce (晉中市榆次區工商業聯合會). From June 2007 to January 2015, Mr. Bai Xuankui had also been the vice chairman of Jinzhong City Federation of Industry & Commerce (晉中市工商業聯合會).

Mr. Bai Xuankui obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. In December 2008, he obtained the qualification as a senior engineer from Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會).

Mr. Bai Wukui (白武魁), aged 57, is the brother of Mr. Bai Xuankui and an executive Director and the chief executive officer of the Company. He is also the vice chairman and general manager of Chen Xing, executive director and general manager of Wuzhishan Chenxing Real Estate Development Co., Limited (五指山辰興房地產開發有限公司), an indirect subsidiary of the Company, executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), an indirect holding company of the Company, and the chairman of Jinzhong Development Zone Real Estate Development Co., Ltd. (晉中開發區房地產開發有限公司), an indirect holding company of the Company.

Mr. Bai Wukui is also one of the founders of the Group. He has been the chief executive officer of the Group since December 2004. He was appointed as a director of the Group in February 2015. Mr. Bai Wukui is also a director of White Legend Global Holdings Limited.

Before founding the Group, Mr. Bai Wukui served as director and chief executive officer of Yuci Xinxing Real Estate Development Co., Ltd. (榆次新興房屋開發有限公司) from January 1997 to August 2007.

Mr. Bai Wukui obtained a professional certificate in civil engineering specialty (long distance learning) (工民建專業文憑（函授）) issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1990 and later obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. He obtained the qualification as an engineer from Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) and Jinzhong Township (Privately-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in February 2001 and December 2008, respectively. In February 2010, he obtained the qualification as a senior engineer from Shanxi Township Industrial Engineering Series Senior Engineer Evaluation Committee (山西鄉鎮工業工程系列高級工程師職務評審委員會).

Mr. Bai Guohua (白國華), aged 44, is the son of Mr. Bai Xuankui and executive Director and executive vice president of the Company. He is also an executive director of Jinzhong Chenxing Commercial Management Co., Limited (晉中辰興商業管理有限責任公司), an indirect subsidiary of the Company, and executive director and general manager of Shanxi Chenxing Property Services Co., Limited (山西辰興物業服務有限公司), an indirect subsidiary of the Company. Mr. Bai Guohua joined the Group in December 2004 and successively served as associate administration manager, secretary of the board and assistant general manager. Mr. Bai Guohua was appointed as a Director of the Company on 3 November 2014 and the executive vice president of the Group in February 2016. Mr. Bai Guohua is also a director of White Dynasty Global Holdings Limited, one of the controlling shareholders of the Company.

Mr. Bai Guohua obtained a professional certificate in law (法學專業文憑) issued by Shanxi Politics and Law Institute for Administration (山西政法管理幹部學院), the PRC in July 1998. He then undertook and completed an undergraduate degree in law from Shanxi University (山西大學), the PRC, in June 2001. Mr. Bai Guohua has studied business administration at Arizona State University, the United States, and obtained an executive master degree.

Mr. Dong Shiguang (董世光), aged 63, is an executive Director of the Company and a director of Chen Xing.

Mr. Dong joined the Group in December 2005 and successively served as manager in branch offices of Chen Xing (Heshun) and Chen Xing (Taigu). He served as the executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), a majority-owned subsidiary of the Group, from December 2007 to February 2012. Mr. Dong was appointed as a Director of the Group in November 2007. He was appointed as a Director of the Company in February 2015 and later was redesignated as an executive Director in June 2015. Mr. Dong is also a director of Honesty Priority Global Holdings Limited.

Mr. Dong obtained the qualification as an engineer granted by Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) in December 2000 and later as a senior engineer granted by Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會) in February 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong (顧炯), aged 48, is an independent non-executive Director, the chairman of the audit committee and members of the remuneration committee and the nomination committee of the Company. He has been appointed as an independent non-executive Director of the Company since 12 June 2015. From July 1995 to April 2004, Mr. Gu worked at Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. He subsequently joined UT Starcom Inc. (stock code: UTSI), the shares of which are listed on Nasdaq from April 2004 to December 2009, and left as a chief financial officer. Mr. Gu then served as the chief financial officer of BesTV New Media Co., Ltd. (stock code: 600637), the shares of which are listed on Shanghai Stock Exchange from January 2010 to September 2013. Since September 2013 and October 2015, Mr. Gu has served as the chief financial officer of CMC Capital Partners (華人文化產業投資基金), an investment fund specializing in media and entertainment investment in the PRC and globally, and CMC Holdings Limited (華人文化有限責任公司), an investment platform focusing on media and entertainment investments, respectively.

Mr. Gu obtained a bachelor degree in financial management from Fudan University (復旦大學), the PRC in July 1995. He has been a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2004.

Since June 2015, Mr. Gu has been an independent non-executive director of Xinming China Holdings Limited (stock code: 2699). Since March 2017, Mr. Gu has been appointed as the independent director of Amlogic (Shanghai) Co., Ltd. (stock code: 688099). Since April 2018, Mr. Gu has been an independent non-executive director of Ascletis Pharma Inc. (stock code: 1672). Since September 2018, Mr. Gu has been an independent non-executive director of Dafa Properties Group Limited (stock code: 6111). Since March 2019, Mr. Gu has been an independent non-executive director of Tu Yi Holding Company Limited (stock code: 1701). Since April 2019, Mr. Gu has been an independent non-executive director of Mulsanne Group Holding Limited (stock code: 1817). From October 2016 to January 2019, Mr. Gu was an alternate director of Shaw Brothers Holdings Limited (Stock code: 953).

Mr. Tian Hua (田華), aged 57, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company. He has been appointed as an independent non-executive director of the Company since 12 June 2015.

Mr. Tian joined Shanxi Zhongyu Certified Public Accountants (山西中宇會計事務所) in August 1998 as the chief accountant until December 2008. From December 2008 to present, he has been working at Shanxi He Pu Hua Certified Public Accountants (山西禾譜華會計事務所) as an accountant.

Mr. Tian obtained a professional certificate in accountancy issued by Shanxi Finance & Taxation College (山西財政稅務專科學校), the PRC in July 2001. He has been a practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999.

Mr. Qiu Yongqing (裘永清), aged 55, is an independent non-executive Director and members of the audit committee and the nomination committee of the Company. He has been appointed as an independent non-executive director of the Company since 12 June 2015. Mr. Qiu was appointed as the chairman of Shanxi

Jintai Venture Capital Co., Ltd. (山西金泰創業投資有限公司) in April 2004 and vice chairman and general manager of Shanxi Small & Medium Enterprises Financing Guarantee Co., Ltd. (山西中小企業發展融資擔保有限公司) in May 2012. He was also appointed as member of the Jinzhong City's Committee of Chinese People's Political Consultative Conference (晉中市政協委員) in April 2005, senior expert jointly appointed by Shanxi and Jinzhong Municipal Committee (山西省及晉中市委) in December 2011 and vice chairman of Taiyuan Professional Manager Association (太原職業經理人協會) in March 2014.

Mr. Qiu obtained a certificate in engineering issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1989. He then undertook and completed a course in business administration from School of Management of Xian Jiaotong University (西安交通大學管理學院) in July 2000. He obtained a master of business administration degree from Arizona State University, the United State, in May 2011. In April 2013, Mr. Qiu obtained the qualification as a senior economist granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳).

SENIOR MANAGEMENT

Mr. Jiao Wuli (焦悟理), aged 59, is the deputy general manager in engineering of the Group. He joined the Group in March 2008, is responsible for managing the design, procurement, bidding and construction cost of the Group's projects. He was later promoted to the deputy general manager in engineering of Chen Xing in January 2011.

Before joining the Group, Mr. Jiao worked at Shanxi Third Construction Engineering Co., Ltd. (山西省第三建築工程公司) as technical deputy director from February 1990 to January 1994, and deputy manager and chief engineer from January 1994 to March 1996. In March 1996, he joined Shanxi Construction Engineering (Group) Corporation (山西省建築工程（集團）總公司) and worked at its Wuhan Branch as deputy manager and deputy chief engineer.

Mr. Jiao obtained a professional certificate in civil engineering specialty (工業與民用建築專業文憑) from Taiyuan Institute of Technology (太原工業學院), the PRC in December 1981. Later, he obtained the qualification as a senior engineer granted by Shanxi Construction Profession Senior Engineer Technical Position Evaluation Committee (山西省建設工程專業高級工程師技術職務評審委員會) in April 2004.

Mr. Wang Binzhou (王斌周), aged 43, is the deputy general manager in administration of the Group. Mr. Wang joined the Group in March 2009 and later he served as the general counsel from March 2009 to January 2010 and administrative officer of the board and secretary of the chairman from January 2010 to February 2012. He was promoted to the deputy general manager in administration in February 2012.

Before joining the Group, Mr. Wang worked at Shanxi Shenghe Law Offices (山西聖合律師事務所) as a lawyer from May 2007 to March 2009.

Mr. Wang undertook and completed the bachelor degree in law from Tianjin School of Commerce (天津商學院), the PRC in July 1998 and then master degree in law from Tsinghua University (清華大學), the PRC in July 2008. In December 2002, Mr. Wang obtained the qualification as a legal advisor granted by Department of Personnel of Shanxi Province (山西省人事廳) and then was qualified to practice law in the PRC in March 2004.

Mr. Bai Aijing (白皚晶), aged 43, is nephew of Mr. Bai Xuankui and Mr. Bai Wukui and the chief financial officer of the Group.

Mr. Bai Aijing joined the Group in March 2004 and served as the accounting officer from March 2004 to March 2011 and officer of asset management centre from March 2011 to January 2013. He was later promoted to chief financial officer in January 2013.

Mr. Bai Aijing obtained a professional certificate in enterprise management from Beijing Metallurgy Cadre College (北京冶金幹部學院), the PRC in July 1998. He then obtained a professional certificate in accountancy granted by Finance Commission of Yuci Region (榆次區財政局) in March 2011.

Mr. Zhao Haijun (趙海軍), aged 45, is the deputy general manager of operation of the Group.

Mr. Zhao joined the Group in December 2005 as the marketing manager and later he was promoted to the deputy general manager of operation in February 2009.

Mr. Zhao obtained a professional certificate in project cost and management, which is an online learning course, issued by Harbin Institute of Technology (哈爾濱工業大學), the PRC in July 2010. He obtained the qualification as an engineer granted by Jinzhong Township (Private-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in December 2008. He then obtained the qualification as a registered real estate appraiser granted by Finance Department of Shanxi Province (山西省財政廳) in April 2015.

COMPANY SECRETARY

Ms. Ng Wing Shan (吳詠珊), is the company secretary of the Company. She was appointed as company secretary of the Company on 6 February 2015.

Ms. Ng is a fellow member of The Hong Kong Institute of Charted Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Ng is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and is primarily responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field.

DIRECTORS' REPORT

DIRECTORS' REPORT

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

PRINCIPAL BUSINESS

The Company is an investment holding company. Its principal subsidiaries are engaging in property development operations in China, and focusing mainly on the development of residential and, to a less extent, commercial property development projects.

An analysis of the revenue generated by the principal business of the Group for the Reporting Period is set out in note 5 to the consolidated financial statements.

RESULTS

The Group's profit for the Reporting Period is set out in the financial statements on pages 296 to 402.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

For detailed discussions on business review for the year and future developments of the Group, please refer to pages 206 to 208 of the chairman's statement. The Group's financial risk management objectives and policies are set out in note 42 to the consolidated financial statements.

The Group's analysis of its annual performance using financial key performance indicators is set out in pages 209 to 226 of management discussion and analysis.

PERMITTED INDEMNITY CLAUSE

During the Reporting Period, pursuant to the articles of association of the Company ("**Articles of Association**"), all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by Directors of the Company may be indemnified by the assets and profits of the Company.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group continued to use new environmental construction materials in order to meet or stay ahead of environmental standards. The Group kept on strengthening its management of construction sites of on-going projects by controlling and reducing dust and noise pollutions. The Group has implemented energy saving and water conservation measures persistently in office premises, and continued the internal recycling plans for consumables (such as paper, etc.) to reduce the impact of operations on the environment and natural resources.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group always upholds the importance of understanding and compliance with the requirements of laws and regulations, non-compliance with the relevant laws and regulations may render the Group's normal operation. The Group has a designated legal department to exercise comprehensive management and control over the Company's sustainable and legal operations. Through effective communication, good working relationship has been maintained with various regulatory authorities.

The Company did not expect that there would be significant change in government policies or regulations that would cause materially impact to the operation of the Company. The Company will continue to watch out for significant government policies and regulations, monitor their impact on the Company, assess their impact and make appropriate response accordingly.

MAJOR RISKS AND UNCERTAINTIES

The Group's businesses are mainly located in Jinzhong and Taiyuan in Shanxi Province, Mianyang in Sichuan Province, Haikou and Wuzhishan in Hainan Province and Xishuangbanna Autonomous Prefecture in Yunnan Province in China. As the development target of the Group is to further penetrate the markets in Shanxi Province, central and western China and southern China, the operations of the Group are highly dependent on the performance of the real estate markets in these areas.

The real estate market in China has been growing rapidly over the years. However, as the concerns over people's purchasing power and sustainability of growth continue to mount in the market, and the divergence of property markets between ultra-large cities in the eastern region and small and medium-sized cities in the central and western regions become more intense, there may be uncertainties which impact the business of the Group.

RELATIONSHIP WITH SIGNIFICANT STAKEHOLDERS

The Group's success is also dependent on the support of the employees, customers, suppliers and shareholders of the Group.

Employees

The Group's employees are regarded as the most important and most valuable assets of the Group. The most important objective of the Group's human resources management is to reward the employees with outstanding performance through proper compensation and benefits and implementation of a comprehensive appraisal and evaluation system. With proper training and development, the Company's employees are provided with opportunities for career development and promotions.

Customers

Most of the Group's customers are home purchasers. The Group strives to develop high quality residential properties for the improvement of the customers' quality of living.

In order to fulfill the Group's commitment for enhancing customer satisfaction persistently, the Group ensures to adopt the best concepts and use products of the highest qualities in development projects. In terms of customer service, the Group has always focused on the overall qualities of frontline staff by providing them with regular training to ensure consistently high service quality.

Suppliers

The service providers of the Group are mainly construction companies and suppliers of construction materials. The Group has good cooperation relationship with all the suppliers, and has signed strategic cooperation agreements with a number of high quality suppliers to ensure higher quality in construction work and materials supplied. The Group upholds the win-win principle to achieve common growth together with the suppliers.

Shareholders

One of the important corporate objectives of the Group is to maximize the value created for shareholders. The Group continues to promote business developments for the sustainable growth in profits. The Group will strive to deliver stable dividends for the shareholders, after considering the adequacy of capital, liquidity conditions and requirements for business development of the Group.

DIVIDEND POLICY

The Company aims to provide stable and sustainable returns to the shareholders of the Company (the "**Shareholders**") and strives to maintain a stable dividend policy.

Any declaration of dividends will be proposed by the Board and the amount of any dividends will depend on various factors, including, among others, the following:

- market conditions;
- the strategic plans and prospects of the Company;
- the business opportunities of the Company;
- the profit and financial position of the Company;
- the working capital requirements and anticipated cash needs of the Company;
- the contractual restrictions and obligations of the Company;
- payments by subsidiaries of cash dividends to the Company;
- legal, tax and regulatory restrictions; and
- any other factors as the Directors may deem relevant.

Subject to the Cayman Islands Companies Law and the Articles of Association, the Company may declare dividends through a general meeting in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provides that dividends may be declared and paid out of profit, realized or unrealized, or from any reserve set aside from profits at the Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the Company's share premium account or any other fund or account authorised for this purpose in accordance with the Cayman Islands Companies Law and the Articles of Association.

The Board may from time to time pay dividends to the Shareholders as considered by the Board to be justified by the profits of the Group.

The Directors will declare future dividends, if any, in Hong Kong dollars with respect to shares on a per share basis and the Company will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to the Shareholders will depend upon the Company's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. Any final dividend shall be subject to the approval of the Shareholders. Future dividend payments will also depend upon the availability of dividends received from the subsidiaries of the Company incorporated in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. The PRC laws also require the PRC-incorporated enterprises to set aside part of their after-tax profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from the Company's subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future. Such restrictive covenants in bank credit facilities include a restriction on distributions by subsidiaries of the Company should they default on repayment obligations in accordance with the terms of the credit facilities.

This dividend policy and the declaration and/or payment of future dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/or payment of dividends will be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations. The Board is committed to maintaining a balance between meeting Shareholders' expectations and prudent capital management through a sustainable dividend policy.

The Board will continually review this dividend policy and reserve the right in its sole and absolute discretion to update, amend, modify and/or cancel this dividend policy at any time.

This dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and in no way obligate the Company to declare a dividend at any time or from time to time.

FINAL DIVIDEND

The Board resolved not to declared the payment of final dividend for the year ended 31 December 2019 .

ANNUAL GENERAL MEETING

The annual general meeting will be convened on Friday, 29 May 2020, a notice of which will be published and delivered to the Company's shareholders at the appropriate time.

SHARE CAPITAL

The Company allotted and issued 99,999,989 ordinary shares of the Company (the "**Rights Issue**") by way of the Rights Issue on 7 March 2019. For details of the Rights Issue, please refer to the announcements of the Company dated 11 January and 6 March 2019 and the prospectus of the Company dated 13 February 2019.

As at 31 December 2019, the total number of issued shares of the Company was 599,999,989 shares with a total share capital of RMB4,855,000 (as at 31 December 2018, the total number of issued shares of the Company was 500,000,000 shares with a total share capital of RMB4,003,000). Details of movements in share capital of the Company during the Reporting Period are set out in note 32 to the consolidated financial statements.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 7 March 2019, the Company completed a Rights Issue pursuant to which the Company has issued 99,999,989 ordinary shares of the Company at HK$1.50 per rights share on the basis of one rights share for every five existing shares held on 11 February 2019. Valid applications and acceptances in respect of a total of 130,896,578 rights shares had been received, representing approximately 130.9% of the 99,999,989 total number of rights shares available for subscription under the rights issue. The closing price per Share as quoted on the Stock Exchange on the last trading day (11 January 2019) was HK$1.59. The Directors believe that the Rights Issue will better enhance the Company's ability to fund and develop the Group's business.

The net proceeds of the Rights Issue of the Company (after deducting professional fees and other related expenses) were approximately HK$147.31 million (equivalent to approximately RMB125.58 million based on the exchange rate of RMB1 to HK$1.173). The net proceeds from the Rights Issue are to be used in the following manner:

Intended use	Percentage (%)	Amount of proceeds (HK$ million)	Amount utilized as at 31 December 2019 (HK$ million)	Amount not utilized as at 31 December 2019 (HK$ million)
Used to pay for the unpaid registered capital of Jinzhong Chen Xing Hui for future investment opportunities (if appropriate opportunities arise) in Jinzhong Chen Xing Hui's construction materials and decorative materials trading business	82.11	120.95	110.00	10.95
Used as the Company's general working capital	17.89	26.36	—	26.36

As at 31 December 2019, the Company utilised HK$110.0 million, representing approximately 74.7% of the net proceeds from the Rights Issue. The Company will continue to use the net proceeds from the Rights Issue on or before 31 December 2020 for the purposes as disclosed in the prospectus of the Company dated 13 February 2019.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement.

PROPERTY, PLANT AND EQUIPMENT

The details of changes in property, plant and equipment of the Group for the Reporting Period are set out in the note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

The details of changes in the investment properties of the Group for the Reporting Period are set out in note 14 to the consolidated financial statements.

RESERVES

The details of changes in the reserves of the Group for the Reporting Period are set out in the consolidated statement of changes in equity on pages 300 to 301 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group amounted to RMB695.2 million for the Reporting Period (for the year ended 31 December 2018: distributable reserves of RMB599.2 million).

BANK LOANS AND OTHER BORROWINGS

The details of bank loans and other borrowings of the Group as at the end of the Reporting Period are set out in the note 30 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

The Directors for the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

Biographies of all Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" herein.

Pursuant to the Article 84(1) of the Articles of Association, Mr. Bai Guohua, Mr. Gu Jiong and Mr. Tian Hua shall retire by rotation at the AGM, and being eligible, have offered themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors on his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the independent non-executive Directors were independent persons during the year ended 31 December 2019.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and may be terminated subject to the relevant terms of the service contracts.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years and may be terminated subject to the relevant terms of the appointment letters.

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

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors or their connected entities and controlling Shareholders had direct or indirect material interest in any transaction, arrangement or contract which was significant to the business of the Group and the Company or any of its subsidiary was a party thereto.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract was or had been signed in relation to the management and administrative matters of the Company's business as a whole or any material portion thereof.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchases from the largest supplier of the Group represented approximately 12.5% of the total purchases of the Group, and the amount of purchases from the five largest suppliers of the Group represented approximately 20.6% of the total amount of purchases of the Group.

During the Reporting Period, the amount of sales to the largest customer of the Group represented approximately 2.6% of the total sales of the Group, and the amount of sales to the five largest customers of the Group represented approximately 5.3% of the total sales of the Group.

None of the Directors or any of their close associates or any Shareholders of the Company has any interest in the five largest customers and suppliers of the Group.

DISCLOSURE OF INTERESTS

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

As at 31 December 2019, the following Directors and chief executives of the Company had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of Appendix 10 to the Listing Rules:

Long Positions in the Shares of the Company

Name of Director/chief executive	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings (Note 1)
Mr. Bai Xuankui ("**Mr. Bai**") (Note 2)	Settlor of a discretionary trust	346,944,000	57.82%
Mr. Bai Wukui (Note 3)	Interest of a controlled corporation	64,944,000	10.82%
Mr. Bai Guohua (Note 4)	Beneficiary of a discretionary trust	346,944,000	57.82%
Mr. Dong Shiguang ("**Mr. Dong**") (Note 5)	Interest of a controlled corporation	10,481,740	1.75%

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company was 599,999,989 shares.

2. The shares were held by White Dynasty Global Holdings Limited ("**White Dynasty BVI**") in the capacity of a legal beneficial owners, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian ("**Mrs. Bai**", the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

3. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

Long Positions in the Shares of Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings
Mr. Bai	White Dynasty BVI (Note 1)	Settlor of a discretionary trust	10,000	100%
Mr. Bai	White Empire BVI (Note 1)	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI (Note 1)	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI (Note 1)	Beneficiary of a discretionary trust		100%

Note:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai was the settlor of the family trust.

As at 31 December 2019, save as disclosed above, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Year or as at the end of the Year, none of the Company, its holding company or any of their subsidiaries or fellow subsidiaries had participated in any arrangement which enabled the Directors of the Company to gain benefits through purchasing of shares or debentures of the Company or any other corporations.

INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019 , to the best knowledge of the Company and the Directors, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Percentage of shareholdings (Note 1)
White Dynasty BVI (Note 2)	Beneficial owner	346,944,000	57.82%
White Empire BVI (Note 2)	Interest of a controlled corporation	346,944,000	57.82%
White Legend BVI (Note 3)	Beneficial owner	64,944,000	10.82%
Mrs. Bai (Note 4)	Beneficiary of a discretionary trust	346,944,000	57.82%
Ms. Zhang Lindi (Note 5)	Interest of spouse	346,944,000	57.82%
Ms. Gan Xuelin (Note 6)	Interest of spouse	64,944,000	10.82%
Hwabao Trust Co. Ltd	Trustee	62,160,000	10.36%

Notes:

1. As at 31 December 2019, the Company had a total number of 599,999,989 shares in issue.

2. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the family trust.

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the family trust, Mrs. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

6. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

As at 31 December 2019, save as disclosed above, the Company was not aware of any other persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Group for the Reporting Period are set out in the note 39 to the consolidated financial statements. Apart from the transactions with Shanxi Wanjia Property Service Co., Ltd. and Shanxi Wanzhong Heating Co., Ltd. which are fully exempt continuing connected transactions, these transactions do not constitute connected transactions or continuing connected transactions in the meaning of Chapter 14A of the Listing Rules. All the transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements.

ANNUAL REVIEW AND DISCLOSURE REQUIREMENT OF DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, for the Reporting Period, none of the Directors or their respective associates engaged in or had any interest in any business which was or might be in competition with the business of the Group.

REMUNERATION POLICY

The Group has established the Remuneration Committee to review the remuneration policy and structure of the Group for the remuneration of all Directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the Directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of the Group. Such policies are consistent with the business strategies and development objectives of the Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 June 2015. No share option was granted by the Company under the Share Option Scheme since the date of its adoption.

A summary of the key terms of the Share Option Scheme is set out below. The terms of the Share Option Scheme have complied with the requirements of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Eligible Participants

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant share options to the following persons (collectively, the "Eligible Participants"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including executive, non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(c) Total number of shares that may be issued

The maximum number of shares that may be issued pursuant to the Share Option Scheme is 50,000,000 shares, equivalent to 10% of the issued shares of the Company after completion of the global offering and 8.33% of the issued shares of the Company as at the date of this annual report.

(d) Maximum number of options granted to any individual

The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares in issue of the Company.

Any further grant of options in excess of the above limit shall be subject to separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates are required to abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(e) Maximum number of options granted to connected persons

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board determines to grant options to a substantial Shareholder or any independent non-executive Director or any of their respective associates, the maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each substantial Shareholder or any independent non-executive Director or any of their respective associates in any 12-month period shall not exceed 0.1% of the shares in issue of the Company or such other percentage as may be from time to time provided under the Listing Rules, and the aggregate value calculated based on the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange as at each date of grant shall not exceed HK$5,000,000 or such other amount as may be from time to time provided under the Listing Rules.

If any further grant will exceed the above limit on options, such further grant shall be subject to a separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates shall abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(f) When the options may be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(g) Required minimum holding period before the exercise of an option

There is no minimum holding period required before an option may be exercised.

(h) Acceptance of offer

Upon acceptance of an option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(i) Basis for the determination of the exercise price

The share subscription price in respect of any specific option granted under the Share Option Scheme shall be determined at the sole discretion of the Board on the relevant price, but such price shall not be less than the highest of the following:

(i) the official closing market price of the shares as stated in the daily quotation sheet of the Stock Exchange as at the date of grant, which must be a day when the Stock Exchange is open for securities trading business);

(ii) the average official closing market price of the shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately before the date of grant; and

(iii) par value of the shares.

(j) Residual term of the Share Option Scheme

The Share Option Scheme shall remain valid until 11 June 2025. Unless its early termination is approved by the general meeting of Shareholders or by the Board of the Company, the Share Option Scheme shall remain valid and effective for a period of 10 years from the date when it was adopted.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands that will oblige the Company to offer new shares to the existing Shareholders on a pro-rata basis.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. During the Reporting Period, the Company has complied with the code provisions under the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Information about the corporate governance practice adopted by the Company is set out in Corporate Governance Report on page 249 of this annual report.

SUFFICIENT PUBLIC FLOAT

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

AUDITOR

The Group's consolidated financial statements for the year ended 31 December 2019 have been audited by Ernst & Young.

Ernst & Young will retire and be eligible for re-appointment at the AGM. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be submitted to the AGM for approval. There has not been any change of auditors since the listing of the Company.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If Shareholders of the Company are not sure about the tax effect of the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

By Order of the Board
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

Jinzhong, Shanxi, China
30 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICE

The Company is always committed to maintain high standard of corporate governance with a view to assuring the conduct of management of the Company and protecting the interests of the Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance can maximize Shareholders' interests.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Company has complied with the CG Code throughout the Reporting Period..

The Company shall review and strengthen its corporate governance practice from time to time, and strengthen internal control with the help of its PRC and Hong Kong legal advisors, so as to ensure compliance with the Corporate Governance Code.

The Board consists of four executive Directors and three independent non-executive Directors. The Board is responsible for the operation and coordination of the development of the Company and monitoring the Company's business, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, while the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess professional qualifications and related management experience in the areas of financial accounting, corporate governance, etc. and have contributed to the Board with their professional opinions.

Mr. Bai Xuankui ("**Chairman Bai**") is an executive director and the chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions. The Company believes that Chairman Bai's servicing as Director and Chairman since the establishment of the Company is conducive to the Company's formulating a correct development strategy. In terms of business operations, the Company's senior management, which comprises experienced and high caliber individuals from various sectors, will ensure decisions made by the Board be thoroughly implemented.

THE BOARD

Duties

The Board is responsible for the operation and planning of the Group's development. It oversees the business, strategic decision-making and performance of the Group and timely understands all relevant information of the Group's business. The Board has delegated the day-to-day management and operation powers and duties to the senior management. For overseeing particular areas of affairs of the Company, the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees duties as set out in their terms of reference. Some of the independent non-executive Directors have certain qualifications and relevant management experience on financial accounting and corporate governance aspects and provide professional opinions to the Board.

All the Board members should ensure that they shall exercise their duties with integrity and comply with applicable laws and regulations, which is all times in the interests of the Company and its Shareholders.

Composition of the Board

The Board comprises of four executive Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, and Mr. Dong Shiguang) and three independent non-executive Directors (namely Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing). The biographical details of each Director are set out in the "Biographical Details of Directors and Senior Management" section of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, none of the Board members have any financial, business, family, or any other substantial relationships.

During the Reporting Period, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive Directors must be appointed and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the number of independent non-executive Directors accounts for one-third of the Board members, which complies with the requirement under Rule 3.10A of the Listing Rules.

The Company has received confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

All the Directors (including the independent non-executive Directors) have broad and valuable business experience, expertise and professional skills for the effective operation of the Board. The independent non-executive Directors are appointed as members of the Audit Committee, Remuneration Committee, and Nomination Committee.

Pursuant to code provision A.6.6 of the Corporate Governance Code, each Director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. All Directors have consented to disclose to the Company for the above provision on a timely basis.

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are Mr. Bai Xuankui and Mr. Bai Wukui, both being executive Directors, respectively. The separation of roles of Chairman and chief executive officer enables balance of power and delegations, preventing the job responsibilities be concentrated on either one of them. The chairman is responsible for leadership work and the effective operation of the Board, whilst the chief executive officer is delegated for the effective management of business of the Group. The separation of responsibilities between the chairman and the chief executive officer is clearly defined and set out in written form.

Directors' Training and Continuous Professional Development

All the Board members understand the responsibilities as Directors and the operation and business activities of the Company. The Company is responsible for arranging induction programmes, continuous training and professional development for the Directors, and providing funding therefor. Accordingly, the Company shall arrange induction programmes for any newly appointed Director before formal appointment, ensuring that he/she have certain understanding on the business and operations of the Group and be fully aware of the responsibilities and obligations set out in the Listing Rules and relevant laws and regulations.

The Company arranges seminars regularly, providing the Directors with the development and amendment updates of the Listing Rules and other relevant laws and regulations. The Directors also regularly receive updates on the performance, conditions and outlook of the Company to enable the Board to work as a whole and the Directors to exercise each of their own duties. The Company updates and provides written training materials about Directors' roles, functions and duties from time to time, and encourages Directors to read such materials. Each Director has to submit a training record each year.

During the Year, all Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing) attended formal and all-rounded training. From 8 to 10 January 2019, four executive Directors of the Company completed an 18-hour training program offered by the Hong Kong Institute of Directors. The training program covered topics such as market misconduct, key requirements for corporate governance under the Listing Rules, the principal rules and regulations of a listed company in Hong Kong and the duties of being a director of a listed company. The Company has received each Director's training record for the Year.

Appointment and Re-election of Directors

The Nomination Committee is responsible for reviewing Board composition and monitoring the appointment, re-election and succession planning of Directors. Procedures and process for the appointment, re-election and removal of Directors are set out in the Articles of Association.

Each executive Director entered into service contract with the Company for a term of three years. The service contract can be terminated according to its terms.

Each independent non-executive Director entered into a letter of appointment with the Company for a term of three years. The service contract can be terminated according to its terms.

None of the Directors has entered into a service contract with the Group which is not terminable within one year without compensation (other than statutory compensation).

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

According to the Article 84(1) of the Articles of Association, Mr. Bai Guohua, Mr. Gu Jiong and Mr. Tian Hua shall retire by rotation at the AGM and are eligible and offer themselves for re-election.

Board Meetings

The Company has adopted the practice of holding at least four regular Board meetings each year (approximately once in a quarter). Notice of regular Board meetings shall be distributed to all the Directors at least 14 days before the meeting. Discussion matters shall be set out in the agenda of each meeting. Notices of other Board Committee meetings shall normally be delivered according to the requirements of the terms of reference. Meeting agenda and relevant meeting papers shall be sent to the Directors and Board Committee members at least 3 days before the meeting to ensure that they have adequate time for the review of the documents. If the Directors and the Board Committee members are unable to attend the meetings, they shall be notified of the discussion matters and provide their views to the chairman of meeting before the meeting. Minutes of Board meetings and Board Committee meetings shall be kept by the Company, a copy of which shall be circulated to the Directors and relevant Board Committee members for reference and for records.

Minutes of Board meetings and Board Committee meetings shall record the matters considered and the decisions reached in the meetings, including the questions raised by the Directors and the Board Committee members. Draft of the minutes of Board meetings and Board Committee meetings shall be provided to Directors and relevant Board Committee members in reasonable time for consideration and comments. The Directors are entitled to inspect the minutes of Board meetings and Board Committee meetings.

During the year, the Company held four Board meetings and two general meetings. Attendance of Directors at such meetings is set out in the following table:

Directors	Number of Board meetings attended/held during his tenure	Number of general meetings attended/held during his tenure
Mr. Bai Xuankui	4/4	2/2
Mr. Bai Wukui	4/4	2/2
Mr. Bai Guohua	4/4	2/2
Mr. Dong Shiguang	4/4	2/2
Mr. Gu Jiong	4/4	2/2
Mr. Tian Hua	4/4	2/2
Mr. Qiu Yongqing	4/4	2/2

The Chairman of the Board convened a meeting with the independent non-executive Directors without the presence of the executive Directors during the Year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the Model Code during the Reporting Period.

DELEGATION OF THE BOARD

The Board retains the decision making rights for major matters of the Company, including approving and monitoring all policy affairs, overall strategy and budget, internal control and risk management systems, major transactions (especially those with possible conflict of interests), financial information, appointment of directors and other major financial and operational matters. The Directors may seek independent professional advice when exercising their duties, the cost of which is borne by the Company. The Directors are also encouraged to conduct independent consultation with the senior management of the Company.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. The Board regularly reviews the functions and duties delegated to the senior management of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board understands that corporate governance is a shared responsibility among all Directors. The Board has delegated the corporate governance functions to the Audit Committee, including:

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

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Year, the Audit Committee has exercised the aforementioned corporate governance functions, and has reported to the Board.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises of three members, including one executive Director, Mr. Bai Xuankui (chairman), and two independent non-executive Directors, Mr. Qiu Yongqing and Mr. Gu Jiong. Therefore, the majority of members are independent non-executive Directors. The major duties of the Nomination Committee include:

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

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors; and

(iv) assess the independence of independent non-executive Directors.

The Nomination Committee shall assess the candidates or the current candidates according to standards, including integrity, experience, skills, time commitment and dedication, and ability to exercise duties and responsibilities.

The terms of reference of the Nomination Committee is posted on the websites of the Stock Exchange and the Company.

In order to enhance the effectiveness of the Board and corporate governance standards, the Board shall maintain a balance of composition of executive and non-executive Directors (including independent non-executive Directors) to enable high level independence of the Board for effective demonstration of independent judgment. During the Year, the Nomination Committee held one meeting. Attendance of the Nomination Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Bai Xuankui	1/1
Mr. Qiu Yongqing	1/1
Mr. Gu Jiong	1/1

During the Reporting Period, the Nomination Committee has reviewed the structure, size and composition of the Board, made recommendations to the Board on the re-appointment of Directors, and assessed independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Policy"). Pursuant to the Policy, the selection of Board candidates will be based on a range of diverse perspectives through the consideration of a number of factors, including but not limited to age, gender, cultural and educational background, professional and industrial experience, quality, independence and diversity of the candidates, so as to achieve Board diversity. The Nomination Committee is responsible for monitoring the implementation of the Policy and evaluating the balance and composition of the Board members' skills, experience and diverse points of views. The Nomination Committee also reviews the Policy and makes recommendations to the Board for consideration and approval if necessary. The Board considers that it has made progress on achieving diversity of the Board including members of a wide range of ages, and professional qualifications and provide constructive advice on the decisions of the Board. The Board will continue to promote Board diversity in accordance with the Policy.

Remuneration Committee

The Remuneration Committee comprises of three members, including two independent non-executive Directors, Mr. Tian Hua (chairman) and Mr. Gu Jiong, and one executive Director, Mr. Bai Xuankui. Therefore, the majority of members are independent non-executive Directors. Major duties of the Remuneration Committee include:

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

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to ensure that no Director or any of his associates be involved in deciding his own remuneration; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee is posted on the websites of the Stock Exchange and the Company.

During the Year, the Remuneration Committee held one meeting. Attendance of the Remuneration Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Tian Hua	1/1
Mr. Gu Jiong	1/1
Mr. Bai Xuankui	1/1

The Remuneration Committee has reviewed the remuneration policy and structure for all Directors and senior management of the Company, reviewed the remuneration of individual Directors and senior management and made recommendations to the Board.

Audit Committee

The Audit Committee comprises of three independent non-executive Directors, including Mr. Gu Jiong (chairman), Mr. Tian Hua and Mr. Qiu Yongqing.

The major duties of the Audit Committee include:

(i) to monitor and review financial statements, annual report and account, interim report and quarterly report (if any)), and review material comments regarding financial reporting as set out therein, and consider any material or unusual items put forward by the internal control department or the external auditor before presenting relevant documents to the Board;

(ii) to review the relationship with the external auditor according to the duties of the auditor, their fees and engagement terms, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

(iii) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and relevant procedures, including resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

The terms of reference of the Audit Committee is posted on the websites of the Stock Exchange and the Company.

During the Year, the Audit Committee held two meetings. Attendance of the Audit Committee members at such meetings is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Gu Jiong	2/2
Mr. Tian Hua	2/2
Mr. Qiu Yongqing	2/2

During the Year, the Audit Committee reviewed the annual results of the Group for the year ended 31 December 2018, the interim results of the Group for the six months ended 30 June 2019, the financial reporting systems, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget for accounting and financial reporting functions), risk management systems and process. The Board has not deviated from the recommendation of the Audit Committee on selection, appointment, resignation and removal of external auditor.

The Audit Committee also reviewed the annual results of the Group for the year ended 31 December 2019, and the audit report prepared by the external auditor related to accounting issues and material findings during the audit process.

REMUNERATION OF DIRECTORS AND FIVE EMPLOYEES WITH HIGHEST REMUNERATION

Details of the remuneration of the Directors and five employees with the highest remuneration for the Year are set out in note 8 and note 9 to the consolidated financial statements, respectively.

REMUNERATION OF SENIOR MANAGEMENT

During the Year, the remuneration of senior management of the Group fell within the following bands:

	Number of individuals
HK$300,000 or below	3
HK$300,001 to HK$400,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019, which gives a true and fair view of the financial position of the Group.

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval.

The Board is not aware of any material uncertainties relating to events or factors that may cast significant doubt upon the Group's ability to operate as a going concern.

The statement by the Company's auditors about their reporting responsibilities on the consolidated financial statements is set out in Independent Auditor's Report on page 289 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for monitoring the risk management and internal control systems, and ensuring the proper maintenance and effectiveness of the risk management and internal control systems. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal systems, and the management provides the Board with confirmation on the effectiveness of the relevant systems. The Board considers that such systems aim at managing, instead of eliminating, the risk of failure in performing business objectives, and merely giving reasonable but not absolute guarantee to the absence of unmaterial fact, statement or loss.

The Board is responsible for the risk management and internal control system. It performs a review on the effectiveness of the risk management and internal control systems at least once a year. The Company has established an internal control department, which plays an important role in monitoring the risk management and internal control systems of the Group. Through the Audit Committee, the Board will continuously review the effectiveness of the risk management and internal control systems, including monitoring procedures for finance, operations, compliance, risk identification and assessment, and implementation of risk response measures. The audit procedures include:

(1) the internal control department of the Group assessing the relevant systems;

(2) the management ensuring the maintenance of effective risk management and internal control systems; and

(3) the external auditors discovering internal control problems when carrying out statutory audits.

The management and internal control department, supported by the Board, are responsible for the design, implementation and monitoring of the risk management and internal control systems, as well as reporting to the Board and the Audit Committee.

During the Year, the management and internal control department reported to the Board and the Audit Committee periodically in relation to the adequacy and effectiveness of internal controls, including but not limited to any indications of failings or material weaknesses in the control procedures.

The following key processes are used to identify, evaluate and manage the Group's significant risks:

(1) the Board and the Audit Committee set up the targets for risk management;

(2) internal control department identifies the risks, which may potentially impact the normal operation of the Company, and analyses the and evaluates the significance of such risks;

(3) the management, internal control and various departments assess the adequacy of existing controls, determine and adopt plans to mitigate the risks;

(4) the management monitors the risk mitigation activities; and

(5) reports regularly to the Board and the Audit Committee.

The Company has adopted policies and procedures for assessing the effectiveness of the risk management and internal control systems, and requiring the management to provide confirmation to the Board periodically on the effectiveness of the systems. The Board has also established a set of reporting procedures, whereby employees, customers, suppliers and other cooperative partners can report any actual or suspected occurrence of misconduct involving the Group, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner.

The Company strictly regulates the handling and dissemination of inside information to ensure such information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During the Reporting Period, the management and internal control department have performed extensive assessments on special risks faced by the Group and conducted a review on the effectiveness of the risk management and internal control systems of the Group. The Board and the Audit Committee were not aware of any areas of concern that would have material impact on the Group's financial position or operating results, and considered the risk management and internal control systems to be generally effective and adequate, including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions.

NON-COMPETITION UNDERTAKING

Mr. Bai Xuankui, Mr. Bai Guohua, Ms. Cheng Guilian, White Dynasty Holdings Limited and White Empire (PTC) Limited, the controlling shareholders of the Company, have confirmed in writing with the Company that they have complied with the undertakings under the deed of non-competition during the period from the date of signing the Deed of Non-competition until 31 December 2019.

The independent non-executive Directors have also reviewed the compliance with the undertakings under the Deed of Non-competition by the Controlling Shareholders during the Reporting Period and confirmed that there was no breach of undertakings under the Deed of Non-competition by any of the Controlling Shareholders.

AUDITOR'S FEES

For the year ended 31 December 2019, the audit services and non-audit services fees payable to its external auditor, Ernst & Young, amounted to approximately RMB2.15 million and RMB1.43 million respectively. The non-audit services of RMB1.43 million comprised (i) assurance services relating to circulars for acquisitions of approximately RMB1.20 million; and (ii) assurance services relating to circulars for the rights issue of approximately RMB0.23 million.

COMPANY SECRETARY

To maintain sound corporate governance and ensure the compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Ms. Ng Wing Shan, the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (company secretarial services provider), to act as the company secretary of the Company, and her primary contact person at the Company is Mr. Bai Guohua, an executive Director.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Ng Wing Shan took no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is very important for strengthening investor relations and allowing investors to understand the Group's business, performance and strategy. The Company is also convinced of the importance of timely and non-selective disclosure of Company information for Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunities for Shareholders to communicate with the Directors directly. Chairman of the Board and chairmen of each Board Committee will attend the annual general meeting and answer questions raised by the Shareholders. The external auditor will also attend the annual general meeting and answer questions regarding audit work, preparation of auditor's report and its content, accounting policies and independence of auditor.

To promote effective communication, the Company has adopted the Shareholders' communication policy, with a view to establishing relationship and communication between the Company and its Shareholders. A website (www.chen-xing.cn) is also established. The Company shall post on its website updated information related to its business operations and development, financial information, corporate governance practices and other information for the review of the public.

SHAREHOLDERS' RIGHTS

For the protection of Shareholders' benefits and rights, the Company shall propose separate resolutions for each question (including the election of each Director) at a general meeting.

All resolutions proposed at a general meeting shall be voted on by poll according to the Listing Rules, the results of which shall be posted on the websites of the Stock Exchange and the Company after the date of the general meeting in due course.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND THE PROPOSAL OF RESOLUTIONS

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (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. The procedures for Shareholders to convene an extraordinary general meeting are set out in the document entitled "Procedures for Shareholders to Convene a General Meeting", which is posted on the Company's website.

The Articles of Association and the laws of the Cayman Islands do not stipulate the procedures for Shareholders to propose resolutions at annual general meetings. Should the Shareholders wish to propose resolutions, they may refer to the "Procedures for Shareholders to Convene a General Meeting".

Regarding the procedures for nomination of Directors, please refer to "Procedures for Shareholders to Nominate Candidates for Directors" posted on the website of the Company for details.

ENQUIRY TO THE BOARD

Shareholders may send by email to the Company's email address (cxfz@chen-xing.cn) or by post to the Company's Hong Kong principal place of business (40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong) to raise enquiries regarding the Company to the Board.

AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company has not made any amendments to the Company's memorandum and articles of association during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About the ESG Report

We are pleased to release the Group's fourth Environmental, Social and Governance Report (the "**Report**"). The purpose of the Report is to provide details in respect of our sustainable development concept and the implementation of corporate social responsibility in all aspects. The Board has the overall responsibility for our ESG strategies and reporting, identifying, evaluating and managing material ESG-related issues as well as reviewing progress made against ESG-related goals and targets. The Board has reviewed and approved the Report.

The ESG Reporting Guidelines

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "Guide") set out in Appendix 27 to "The Rules Governing the Listing of Securities" on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The contents of the Report are also in compliance with the reporting requirements under the Guide.

The Scope of the ESG Report

The Report contains the performance of the Group in implementing sustainable development during the period from 1 January 2019 to 31 December 2019 (the "**Year**" or "**Reporting Period**"). Unless otherwise stated, the contents of the Report cover the businesses directly controlled by the Group. For detailed disclosure of our corporate governance, please refer to the Corporate Governance Report of this annual report or the official website of the Group (http://www.chen-xing.cn).

The ESG Reporting Language

This Report is issued in both Traditional Chinese and English. Should there be any discrepancies, the Traditional Chinese version shall prevail.

Feedback to the Report

Your opinions towards the improvement of our performance of sustainable development will be highly valued by the Group. If you have any enquiries or advices about the Report or the sustainable development strategies of the Group, please contact us via email (cxfz@chen-xing.cn).

Sustainable Development Strategies

The Group is aware of the importance of sustainable development and have always been adhering to the operating principle of "people-oriented corporate culture, honest business operation, responsible property development and harmonious society contribution" so as to reduce the negative impact of our business operations on the environment and society. The board of directors of the Group assumes full responsibility for the environmental, social and governance strategies and reporting. It is responsible for evaluating and determining the risks associated with environmental, social and governance, ensuring that effective environmental, social and governance risk management and internal control systems are in place and supervising the management to review the effectiveness of the systems. The Group aligns its environmental, social and governance philosophies with its development strategies so as to create long-term value for stakeholders.

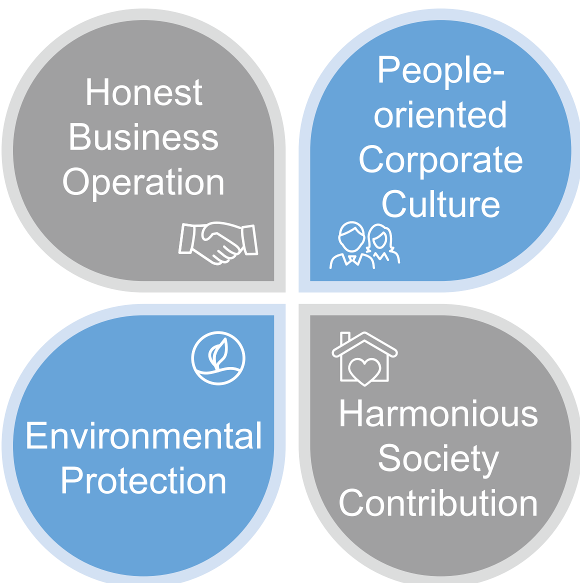
Stakeholders Engagement

The Group has been actively communicating with internal and external stakeholders and considers their opinions and expectations on environmental, social and governance related issues to determine the short-term and long-term sustainable development strategies of the Group. During the Year, we engaged with stakeholders from different sectors through various channels, including customers, employees, shareholders/investors, business partners, regulatory agencies, suppliers, media, and community/non-governmental organizations.

Stakeholders	Key Issues of Concern	Communication Channels
Customers	• Customer service • Customers' interests	• Customer service centre • Customer satisfaction survey and feedback form • Daily operation/communication • Telephone • Email
Employees	• Benefit packages • Occupational safety and health • Training and development	• Work performance meetings/appraisal • Labor union meetings • Face-to-face meetings/panel discussions • Employee intranet
Shareholders/investors	• Economic performance • Compliance operation	• Annual general meetings and other shareholders' meetings • Investor meetings • Interim reports and annual reports • Corporate correspondence • Result announcements • Shareholders' visits
Business partners	• Common development	• Meetings • Reports • Visits

Stakeholders	Key Issues of Concern	Communication Channels
Regulatory authorities	• Compliance operation	• Compliance reports • Written replies to public inquiries • Meetings
Suppliers	• Sustainable supply chain	• Supplier management procedures • Supplier/contractor assessment system • Meetings • On-site visits
Media	• Information dissemination	• News releases/press conferences • Media gatherings
Community/ non-governmental organizations	• Community integration	• Community activities • Donations • Seminars/lectures/workshops • Meetings

Through communication with stakeholders, the Group understands their concerns on issues including business operations, workforce, the environment and the community and formulate sustainable development strategies. During the Year, the Group's sustainable development strategies mainly comprised four categories, namely "Honest Business Operation", "People-oriented Corporate Culture", "Environmental Protection" and "Harmonious Society Contribution".



Honest Business Operation

The Group has always been adhering to the principle of "building our brand name with good faith and improving earnings through a quality brand" in its business operation. By establishing a sound internal control system, we adhere to integrity and compliance operations and provide high quality products and services in the areas of residential and commercial property development, business management, manufacturing and installation of doors and windows and property services to build brand integrity.

Strengthening Anti-corruption Efforts

We strictly comply with anti-corruption laws and regulations, such as the *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》), the *Anti-Money Laundering Law* (《反洗錢法》), *Guidelines for Financial Institutions on Risk Assessment of Money Laundering and Terrorist Financing and Customer Classification Management* (《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》) and the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (《打擊洗錢條例》), the *Drug Trafficking (Recovery of Proceeds) Ordinance* (《販毒(追討得益)條例》), the *Organized and Serious Crimes Ordinance* (《有組織及嚴重罪行條例》) of the Hong Kong Special Administrative Region, and the *United Nations (Anti-Terrorism Measures) Ordinance* (《聯合國(反恐怖主義措施)條例》) and continuously reinforce our anti-corruption efforts. In order to strengthen internal control and prevent bribery and financial crimes, the Group carries out anti-corruption supervision, education and professional ethics education to our employees from time to time. We have also signed "*Integrity Agreement*" (《廉政公約》) with our employees, which prohibits our employees from accepting any kind of benefits (including gifts, bribes, sum of money, etc.) offered by any related party of the Group, nor introducing his/her family or friends to relative business departments to engage in economic activities related to the Group's business operation such as supplying equipment or subcontracting in the process of purchasing and tendering. During the Reporting Period, the Group was not aware of any legal cases against the Group or our employees regarding bribery, extortion, fraud and money laundering.

Customer Service

The Group highly values the feedbacks from customers. We proactively collect their opinions through different channels including a satisfaction survey platform on WeChat and an opinion collection box. We have also arranged a specialist to conduct regular satisfaction interviews with customers in order to improve our customer service continuously. The Group has established a sound customer complaint mechanism. Customers can express their opinions and advices towards our services through a designated customer service hotline and complaints are tracked and managed by a customer service specialist to ensure we provide timely and satisfactory solutions. During the Year, the Group received no complaints from customers regarding our service arrangements which received a high customer service satisfaction rate of 92%.

Business Ethics

The Group attaches great importance to business ethics and strives to protect the interests of all stakeholders. In terms of protecting information security, the Group strictly abides by the relevant laws and regulations of the People's Republic of China, such as the *Regulations on Security Protection of Computer Information Systems* (《電腦資訊系統安全保護條例》), the *Administrative Measures for Security Protection of International Networking of Computer Information Networks* (《電腦資訊網路國際聯網安全保護管理辦法》), the *Provisions on Technical Measures for Security Protection of Internet* (《互聯網安全保護技術措施規定》), the *Requirements for Security Protection of Interactive Internet Services* (《互聯網互動式服務安全保護要求》), the *Basic Procedures and Requirements for Security Assessment of Internet Services* (《互聯網服務安全評估基本程式及要求》), and the *Personal Data (Privacy) Ordinance* (《個人資料（私隱）條例》) of the Hong Kong Special Administrative Region. We have signed non-disclosure agreements with employees and third-party companies to clearly define their confidentiality responsibilities for the Group's business secrets and customer information. We require third-party companies to carry out strict security management on document archives, and regularly conduct security checks on the archive rooms where customer information is stored. We have also strengthened the security and confidentiality of the Group's office system and financial system, by restricting the access rights of employees through the establishment of a firewall and password setting to provide multiple securities for customers' data.

In terms of disclosure of business information, the Group strictly abides by relevant regulations such as the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), the *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》), the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) and the *Regulations on the Customs Protection of Intellectual Property Rights* (《知識產權海關保護條例》), relevant regulations such as the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and *Provisions on the Release of Real Estate Advertisement* (《房地廣告發佈規定》) as well as *Trade Descriptions Ordinance* (《商品説明條例》) of the Hong Kong Special Administrative Region. The Group strives to safeguard all legal rights of the Group and our business partners including intellectual property rights, patents, trademarks and copyrights, ensures the provision of complete and correct information to the public and eliminates all acts of deceiving customers by using false and misleading trade descriptions.

Supply Chain Management

The Group pays attention to supply chain sustainability and has formulated a clearly defined tendering process to ensure fairness, justice and transparency in the selection of suppliers. We conduct stringent background checks on suppliers, requiring them to provide a set of relevant documents to understand their business nature and basic information and to ensure the authenticity of their qualifications. We evaluate the quality of suppliers based on grading items including whether the suppliers are certified with *ISO9001 Quality Management System*, whether they are experienced in similar projects and whether they have the abilities to perform their duties according to laws and regulations, etc. By investigating and evaluating the performance of suppliers in fulfilling their social responsibilities, the Group is dedicated to developing a stable and sustainable supply chain together with the suppliers.

The Group carries out follow-up evaluation regularly on qualified suppliers. To ensure the quality of the suppliers' services and products for construction projects, we carry out inspections for development projects at different construction stages according to material inspection standards such as the *Code for Acceptance of Construction Quality of Underground Waterproof* (《地下防水工程質量驗收規範》) *(GB50208-2002)*, *Unified Standard for Constructional Quality Acceptance of Building Engineering* (《建築工程施工質量驗收統一標準》) *(GB50300-2001) and Steel for the Reinforcement of Concrete* (《鋼筋混凝土用鋼》) *(GB1499-2007)*.

People-oriented Corporate Culture

The Group regards our employees as our most valuable asset and strives to create a safe and healthy working environment for our employees. We are determined to promote a "people-oriented" corporate culture through providing our employees with competitive benefits, all-rounded training and career development opportunities to strengthen their loyalty to the Group.

Employment Practices

The Group strictly abides by relevant statutory employment regulations including the *Labour Law* (《勞動法》), the *Labour Contract Law* (《勞動合同法》), the *Protection of Minors* (《未成年人保護法》) and the *Provisions on the Prohibition of Using Child Labour* (《禁止使用童工的規定》) of the People's Republic of China. The Group formulates a human resource management system to eliminate workplace discrimination, exploitation and harassments and create a diverse, equal, harmonious and inclusive working atmosphere with no harassments nor discrimination.

The Group recruits employees in a fair, impartial and open manner. In examining candidate applications, we carry out background checks and consider the applicant's educational background, work experience, skills and the alignment of his/her credentials with the position's requirements. Background factors such as the candidate's gender, age, nationality, religion, family status, race and other legally protected categories shall not affect his/her interview and employment opportunities. During the recruitment process, the Group strictly verifies the identity of new employees according to our internal policy to prevent the employment of child labour. In addition, the Group also implements a standard working hour system restricting the working hours of all employees to no more than eight hours a day and forty hours a week to prevent forced labour or exploitation. During the Reporting Period, the Group did not violate any law or regulation in relation to remuneration and termination of employment, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labor or forced labour, and did not identify any case of child labour or forced labour.

Employee Welfare

The Group has compiled the "Staff Handbook" (《員工手冊》), "Chen Xing Development Salary System Design Plan" (《辰興發展薪酬體系設計方案》) and "Staff Welfare System" (《員工福利制度》) which set out the Group's salary and welfare policies in details. The Group also attracts and retains talents with favourable employee benefits. Remuneration for the employees comprises basic salary, assessment-based bonus, performance-based bonus and seniority bonus. We distribute assessment-based bonus and performance-based bonus to our employees according to regular employee performance appraisal results and pay seniority bonus according to the employee's time of service in the Group.

In terms of employee welfare, acting in compliance with the *Labour Law of the People's Republic of China* (《勞動法》) and other relevant laws and regulations, the Group provides eligible employees with basic pension insurance, unemployment insurance, basic medical insurance, employment injury insurance, maternity insurance and housing provident fund. Employees are also entitled to statutory holidays, including festival holiday, annual leave, wedding leave, compassionate leave and maternity leave. Depending on circumstances, we also provide our employees with transportation subsidies, allowances for working under high temperature, heating fees and allowances for working in the Mid-Autumn Festival and the Chinese New Year. In addition, we provide the employees with study and examination leaves, sick leaves, work-related injury leaves, etc.

Training and Promotion

The Group concerns about the career development of our employees. Through the establishment of a sound employee training system and a well-defined corporate ladder for employees' promotion and development, we strive to improve the comprehensive capability, working attitudes and behaviour patterns of our employees, with an aim to build a highly efficient professional team and enhance the core competitiveness of the Group.

In response to the Group's business development needs, we put emphasis on training of new employees. During the Year, the Group organised a one-month training for new employees, covering various aspects such as finance, human resources, administration and marketing. We provide in-depth introduction on the development history, organisational structure, corporate culture and other rules and regulations of the Group and adopt initiatives including lectures, case studies and site visits to improve the new employees' organisational, communication and team cooperation capabilities so that they can adapt to the working environment as soon as possible and integrate into the corporate culture. To monitor the effectiveness of employee training, we have implemented a training feedback and results evaluation mechanism. New employees who have received training can only start working after passing the assessment.

To ensure career development opportunities of our employees, we have formulated the "Administration of Employee Promotion Competition for Chen Xing Development" (《辰興發展員工晉升競聘管理辦法》). We will give employees opportunities for promotion according to the results of periodic employee performance assessments. An employee's personal quality, ability and performance at work are all considered as the basis for his/her promotion. When there is a job vacancy, we will first consider an internal transfer before external recruitment. In addition to the career path of vertical promotion, the Group also allows a path of horizontal development promotion. Employees can be re-allocated to different promotional paths according to their career development objectives, professional knowledge and working skills.

Health and Safety

The Group pays great attention to occupational safety and the physical and mental health of our employees. We strictly abide by relevant laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Law of the People's Republic of China on Work Safety* (《中華人民共和國安全生產法》), the *Regulations on Supervision and Administration of Occupational Health in Workplace* (《工作場所職業衛生監督管理規定》), the *Regulation on Work-Related Injury Insurances* (《工傷保險條例》) and the *Occupational Safety and Health Ordinance* (《職業安全及健康條例》) of the Hong Kong Special Administrative Region. We uphold the principle of "safety is first, precaution is crucial" in implementing the safety management system.

In order to ensure the workers' safety during construction processes, the Group regularly identifies sources of hazards and assesses the impact of the relevant risk factors. According to the assessment results, the Group will implement corresponding protective and technical safety measures and provide the employees with corresponding protective equipment. Employees of all departments and ranks are required to execute prevention and protective measures with respect to occupational safety according to the "Emergency Plan for Project Site Safety" (《專案現場安全應急預案》) and make appropriate responses and arrangements at times of incidents, so as to reduce production risks of the Company. In addition, the Group also arranges regular body checks for our employees, conveys the safety concept of "safety is first, precaution is crucial and comprehensive rectification" to our employees through targeted occupational safety training and introduces correct safety standards and procedures to prevent accidents. During the Reporting Period, the Group did not have any accident involving work-related injury or fatality.

In addition to the above, the Group has formulated the "Project Supervision Management System" (《工程監理管理制度》) and the "Requirements for Environmental Protection and Occupational Health and Safety Control in Construction Processes" (《施工過程環保和職業健康安全控制要求》), which regulate the production safety management of project supervision units and contractors. We require contractors to strictly abide by national, local and industrial laws and regulations with respect to environmental protection and health and safety, and to establish comprehensive construction management plans, safety inspection systems and project safety production responsibility systems according to the national mandatory industry standard *Construction Safety Inspection Standard* (《建築施工安全檢查標準》

(JGJ59-99). The Group will record all safety inspections and implementation of safety measures, which will serve as the basis for investigating the safety incidents and preventing the similar accidents in the future. During the Reporting Period, the Group did not violate any relevant laws and regulations regarding the provision of a safe working environment and the protection of employees from occupational hazards, nor did it have any project that was not accepted for safety reasons.

Apart from creating a safe working environment, the Group has organised a series of activities for the employees, including the "Fun Sports Day" with the theme of "national fitness, happy work and healthy life" and a team-building activity with the theme of "reaching the peak, forging ahead", to advocate a balanced work life and allow employees to relax physically and mentally.

"Fun Sports Day" with the Theme of "National Fitness, Happy Work and Healthy Life"

Team-Building Activity with the Theme of "Reaching the Peak, Forging Ahead"

Environmental Protection

The Group strictly abides by relevant laws and regulations on environmental protection and is committed to sound environmental management. We have been actively incorporating the concept of environmental protection into our daily business operations and continuously identifying and managing the impacts of our daily operations on the use of resources and the environment to promote green corporate culture. During the Reporting Period, the Group did not violate any environmental protection law nor cause any major accident that affects the environment and natural resources, nor did we receive any penalty and litigation notice on environmental issues.

Greenhouse Gas Emissions Management

In response to climate change, the PRC issued a series of policies including the *National Plan for Tackling Climate Change (2014–2020)* (《國家應對氣候變化規劃（2014-2020年）》), the *Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (2016–2020)* (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》(2016–2020)), the *National Climate Change Adaptation Strategy* (《國家適應氣候變化戰略》) and the *China's Policies and Actions for Addressing Climate Change (2019)* (《中國應對氣候變化的政策與行動2019年度報告》) to actively control carbon emissions. In line with China's climate change strategies, the Group has disclosed and set out the comparison of the greenhouse gas (GHG) emissions and energy consumption in the Report with reference to the recommendation of the Task Force on Climate-related Financial Disclosures ("TCFD"), with an aim to reduce the carbon footprint of our operations as well as promote green production and low-carbon corporate culture.

We have conducted a GHG emissions evaluation for the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office in accordance with the *Greenhouse Gas Protocol* (《溫室氣體盤查議定書》) issued by the World Resources Institute and the World Business Council for Sustainable Development and the *ISO14064-1* formulated by the International Organization for Standardization. In order to plan and set strategic goals for energy conservation and emission reduction and addressing climate change in the next few years, the Group has not only updated the calculation method of GHG emissions, but also included more categories of measurable GHG emissions in our calculations. We have used the updated GHG emissions data in 2018 as the baseline data for comparison with the GHG emissions data during the Reporting Period to reflect the carbon footprint of the Group's operations. A summary of the GHG emissions during 2018 and the Reporting Period is as follows:

GHG emissions performances	Unit	2018^	2019
GHG Emissions			
Direct GHG emissions (Scope 1)	tonnes CO_2 equivalent (CO_2e)	196.10	206.72
Direct GHG removals (Scope 1)	tonnes CO_2e	/	0.23
Indirect GHG emissions (Scope 2)	tonnes CO_2e	4,680.60	4,542.65
Other Indirect GHG emissions (Scope 3)	tonnes CO_2e	207.73*	188.30
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	5,084.42	4,937.45
GHG Emissions Intensity			
Per square metre (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.52	0.50
Per staff (Scope 1, 2 & 3)	tonnes CO_2e/staff	34.35	34.05

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group and removals.

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

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

^ The updated GHG emissions data of 2018 (i.e. from 1 January 2018 to 31 December 2018)

* The Scope 3 GHG emissions data disclosed in the 2018 annual report only included the GHG emissions generated by water consumption in the Group's business operation, business trips of employees and paper consumption. The updated Scope 3 data for the Reporting Period included more categories of GHG emissions, including the GHG emissions data of water consumption in the Group's business operation, business trips of employees, waste landfill, wastewater treatment and paper consumption.

During the Reporting Period, the total amount of GHG emissions of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office was 4,937.45 tonnes CO_2e. The GHG emissions intensity per square metre and per staff was 0.50 and 34.05 tonnes CO_2e respectively, which were similar to the GHG emissions intensity data of last year. In the coming year, the Group will consider gradually expanding the scope of GHG emissions evaluation and work on identifying, quantifying and reporting climate risks and opportunities. We will also propose environmental protection measures to reduce our environmental impacts or lower the costs according to the business nature so as to improve our overall environmental performance.

To further strengthen the management of GHG emissions, apart from conducting GHG emissions evaluation, the Group also advocates green travel. We promote and educate our employees to develop environmental protection habits (e.g. reducing the use of lifts, taking public transport as much as possible, holding video conference to eliminate unnecessary overseas trips and taking direct flights for unavoidable business travel) from time to time through different media channels such as email, posters and intranet.

Green Operations

The Group strictly abides by the relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) and the *Regulations on Environmental Protection Management of Construction Projects* (《建設專案環境保護管理條例》), and has formulated the "Environmental Protection Management System for Construction Projects" (《建設項目環境保護管理制度》) to regulates development projects that have potential impacts on the environment. The Group's environmental protection management leading group is responsible for routine environmental management such as environmental assessment of our development projects and environmental protection check and acceptance of completed projects. It also strictly monitors the environmental quality of development and construction projects to ensure that the Group's environmental protection policies are fully implemented in its construction sites, residential buildings and commercial properties and that environmental protection policies and measures are implemented in our daily operations.

Green Buildings

When planning construction projects, the Group considers sustainable development elements. We have compiled the "Design Concept Brochure for Green Building Projects" 《綠色建築項目的設計概念小冊子》 and try our best to adopt designs that integrate with the nature in our construction projects. For example, we adopt natural lighting, widely incorporate planting, prefer to use highly effective thermal materials, energy-efficient equipment and solar water heating systems to improve energy efficiency and create a sustainable living environment for the residents or tenants.

Energy Management

The Group is committed to saving energy and reducing consumption in all aspects of our business operations. Our offices maximize the use of daylight and are divided into different areas with independent controllable lighting switches so that the employees can use the lighting system flexibly. We also call on our employees to shut down electronic equipment not in use, measure the brightness of different areas in the offices to reduce the number of lamps in areas brighter than required and installed motion sensor lights in places that are not frequently used. In addition, the Group adopts a water-cooled air-conditioning system with a variable speed drive and variable refrigerant flow system and stipulates that the air conditioning temperature in the office area should not be lower than 25.5 degrees Celsius. We regularly clean the lighting and the filters of air conditioning systems to improve their energy efficiencies. To reduce the demand for air conditioning, we allow employees to wear casual attire at work, if not affecting the image of the Company.

During the Year, the total electricity consumption of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office in business operations was 5,137.00 MWh and the electricity consumption intensity was 0.52 MWh per square metre, which were similar to those of the previous year. In the next year, we will continue to monitor the electricity consumption of the Group to implement appropriate energy saving measures.

Air Quality Management

The Group pays special attention to the air quality of the construction environment and abides by the laws and regulations in respect of air pollution regulations in the management of the major sources of air pollutants emitted from our construction projects such as construction dust, transportation dust and vehicle exhaust emissions. We require the contractors to ensure that the cement storage area in the construction sites remains closed, store all powder construction materials in bags and cover them or put them behind fences or in sheds. The contractors are also required to timely clean up the sites and spray water regularly on powder materials in the construction sites to prevent dust from spreading with wind. For dust control with regard to transportation, we sprinkle regularly on the roads in the construction sites with water and grow plants in green areas. We also require all vehicles to cover or seal with tarpaulin sheets when they are entering or leaving the construction sites. Moreover, the Group strengthens our repair and maintenance of vehicles to ensure they are in good condition, and use fuels with higher efficiency so as to reduce the emissions of exhaust gas.

Noise Control

To control construction noise, noise sources in the construction sites and transportation noise, the Group strictly abides by the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise* (《中華人民共和國環境噪聲污染防治法》) to control the noises produced during different construction stages and requires contractors to assume the responsibilities of noise management. The Group implements various measures to reduce construction noise in accordance with the national and local announcements on construction and requirements with regard to construction hours. Before construction, we build fences and other temporary facilities to effectively prevent the noise from spreading and prohibit construction operators from throwing steel tools at all stages of the construction. We also take measures in the design of construction sites, such as putting mechanical devices which generate noises at the same place and enclosing the sites with sound insulation materials. We use mechanical equipment which generates less noises and is in good condition, and conduct regular inspection and maintenance to all mechanical equipment and vehicles to ensure smooth operations and reduce chances of noise pollution.

Water Resources Management

In our daily operations, we have been promoting the good use of water resources. Water conservation signs are posted in washrooms to remind our employees to turn the running water off after using. We also choose to use sensor faucets and dual flush toilets. We check the water meter regularly, carry out pipeline leakage detection and arrange faucet repairs when appropriate to avoid water leakage. During the Reporting Period, the total water consumption of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office in business operations was 60,143.00 m^3 and the water consumption intensity was 6.11 m^3 per square metre, representing a decrease of approximately 7% compared with 6.59 m^3 per square metre last year.

In terms of wastewater management, the Group strictly complies with the *Integrated Wastewater Discharge Standard* (《污水綜合排放標準》) *(GB8978-1996)*, which restricts the discharge of domestic sewage produced by the Group into the urban drainage pipe network and ensures with proper handling. For the sewage generated from construction projects, we have formulated various supervision guidelines and measures. Before the construction projects start, the Group will declare and register sewage discharge in accordance with relevant regulations of local environmental protection departments, and establish rainwater drainage system. During construction, the contractors are required to adopt the well-point dewatering method and set up sedimentation tanks to deposit silt-containing sewage for reusing or discharging into the municipal drainage pipe system in order to minimise the negative impact on the society and the environment.

Paperless Office

To control paper consumption, the Group makes good use of the electronic office system to replace the office administrative system that based on paper records. We encourage employees to apply electronic communication technology to convey information as much as possible to reduce paper consumption. The default printing mode for the Group's printers is double-sided printing with ink saving. We also put up notices at conspicuous places near the printers to remind employees to reuse paper or use both side of paper as far as possible. During the Year, the total paper consumption of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office in business operations was 2,516.56 kg and the paper consumption intensity was 17.36 kg per staff, which were similar to those of the previous year. In the next year, we will continue to collect office paper consumption data regularly to achieve a paperless office.

Waste Management

The Group strictly complies with the laws and regulations regarding waste disposal. For non-hazardous waste, we will pile it up, classify it and then transport it to the designated places. As for the disposal of construction waste, we will collect, treat and monitor the relevant waste according to the requirements of local environmental protection authority where the construction project is located. We require contractors to establish waste records and a sound management system. Hazardous wastes are stored separately from general waste, and the places and containers where hazardous waste is stored are clearly marked for identification. Due to the potential risks of storing hazardous waste, we adopt rigorous rainproof, seepage-proof and fire-proof measures for the storage places, and strictly comply with the relevant requirements of risk prevention facilities for inflammable and explosive articles. Hazardous waste is transported to hazardous waste storage sites by specific vehicles. During transportation, we take pollution prevention measures to reduce pollution to the environment.

The total amount of non-hazardous waste produced by the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office during the Year was 52.00 tonnes and the non-hazardous waste produced intensity was 5.29 kg per square metre, representing a decrease of nearly 10% from 5.79 kg per square metre last year. Hazardous waste produced include 27 computers and 280 used ink cartridges/toner cartridges. The Group will continue to monitor the amount of non-hazardous and hazardous waste produced and strengthen our measures of pollution prevention and control.

Harmonious Society Contribution

While promoting our business development, the Group has always been concerned about the society and actively fulfills its social responsibilities by adhering to the development concept of "honesty and kindness, social commitment, gratitude and giving". We have established a volunteer team consisting of 63 employees. During the Year, the Group has invested a total of RMB240,000 and organised public welfare activities with a total of approximately 160 hours and over 7,000 participants.

The Group organised diversified social welfare activities to actively strengthen the connection with the communities and create a harmonious society. We organised different kinds of activities in Yosemite Valley Town such as free medical consultation, film festival and hiking activities to meet the needs of people at different ages in the communities. Furthermore, in response to the 2nd National Youth Games opened in Taiyuan on 8 August 2019, we jointly organized a sports activity with the theme of "Taiyuan in motion" with Taiyuan Traffic Radio and Feilite Fitness Club (飛力特健身俱樂部), with an aim to encourage people in the community to do exercise actively, advocate the philosophy of "exercise makes me healthy and happy", and promote a healthy culture in the community.

Film Festival

We pay special attention to the rights and interests of the underprivileged. During the Year, the "Dandelion Project" held by the Group focused on family education and care for the healthy growth of children. We organised a number of charitable visits to deliver stationery and warm supplies to the children to convey our love and care.

"Dandelion Project" — "A Love Visit to Mother Kong's House"

"Dandelion Project" — a Visit to Taiyuan Social (Children) Welfare Institute"

Future Prospects

The Group will continue to adhere to the operating principle of "people-oriented corporate culture, honest business operation, responsible property development, harmonious society contribution". While continuously improving our internal control system with a sound human resources management system and solid environmental management in place, we are committed to providing high-quality products and services in each business sector to create long-term value for all stakeholders.

APPENDIX I: SUSTAINABILITY DATA STATEMENTS

A summary of the environmental sustainability data of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office is as follows:

Environmental	Unit	2019
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2e	206.72
Direct GHG removals (Scope 1)	tonnes CO_2e	0.23
Indirect GHG emissions (Scope 2)	tonnes CO_2e	4,542.65
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	188.30
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	4,937.45
GHG emissions intensity per square metre (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.50
GHG emissions intensity per staff (Scope 1, 2 & 3)	tonnes CO_2e/staff	34.05
Energy Consumption		
Purchased electricity consumption	MWh	5,137.00
Purchased electricity consumption intensity per square metre	MWh/m^2	0.52
Natural gas consumption of fixed equipment	m^3	8,100.00
Diesel oil consumption of fixed equipment	kg	37.00
Motor vehicle gasoline consumption	tonnes	51.70
Water Consumption		
Total water consumption	m^3	60,143.00
Water consumption intensity per square metre	m^3/m^2	6.11
Paper Consumption		
Total paper consumption	kg	2,516.56
Paper consumption intensity per staff	kg/staff	17.36
Waste Produced		
Total amount of non-hazardous waste produced	tonnes	52.00
Non-hazardous waste produced intensity per square metre	$tonnes/m^2$	5.29
Hazardous waste produced (computer)	sets	27
Hazardous waste produced (ink cartridges, toner cartridges)	pieces	280

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Indicator			Relevant section
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Environmental Protection — Greenhouse Gas Emissions Management; Environmental Protection — Green Operations
	A1.1	The types of emissions and respective emissions data.	Environmental Protection — Greenhouse Gas Emissions Management; Sustainability Data Statements
	A1.2	Greenhouse gas emissions in total and intensity.	Environmental Protection — Greenhouse Gas Emissions Management; Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.	Environmental Protection — Green Operations; Sustainability Data Statements

Indicator			Relevant section
	A1.4	Total non-hazardous waste produced and intensity.	Environmental Protection — Green Operations; Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection — Green Operations
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection — Green Operations
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources.	Environmental Protection — Green Operations
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection — Green Operations; Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	Environmental Protection — Green Operations; Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection — Green Operations
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Protection — Green Operations

Indicator			Relevant section
	A2.5	Total packaging material used for finished products and, with reference to per unit produced.	Not applicable, for the business of the Company does not involve packaging material
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection — Greenhouse Gas Emissions Management; Environmental Protection — Green Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection — Greenhouse Gas Emissions Management; Environmental Protection — Green Operations
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented Corporate Culture — Employment Practices; People-oriented Corporate Culture — Employee Welfare; People-oriented Corporate Culture — Training and Promotion; People-oriented Corporate Culture — Health and Safety
	B1.1	Total workforce by gender, employment type, age group and geographical region.	The Group will consider making relevant disclosures in the future

Indicator			Relevant section
	B1.2	Employee turnover rate by gender, age group and geographical region.	The Group will consider making relevant disclosures in the future
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People-oriented Corporate Culture — Health and Safety
	B2.1	Number and rate of work-related fatalities.	People-oriented Corporate Culture — Health and Safety
	B2.2	Lost days due to work injury.	People-oriented Corporate Culture — Health and Safety
	B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	People-oriented Corporate Culture — Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented Corporate Culture — Training and Promotion
	B3.1	The percentage of employees trained by gender and employee category.	The Group will consider making relevant disclosures in the future
	B3.2	The average training hours completed per employee by gender and employee category.	The Group will consider making relevant disclosures in the future

Indicator			Relevant section
B4: Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	People-oriented Corporate Culture — Employment Practices
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	People-oriented Corporate Culture — Employment Practices
	B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented Corporate Culture — Employment Practices
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Honest Business Operation — Supply Chain Management
	B5.1	Number of suppliers' by geographical region.	The Group will consider making relevant disclosures in the future
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Honest Business Operation — Supply Chain Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Honest Business Operation — Business Ethics; People-oriented Corporate Culture — Health and Safety; Environmental Protection — Green Operations

Indicator			Relevant section
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	People-oriented Corporate Culture — Health and Safety
	B6.2	Number of products and service related complaints received and how they are dealt with.	Honest Business Operation — Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Honest Business Operation — Business Ethics
	B6.4	Description of quality assurance process and recall procedures.	People-oriented Corporate Culture — Health and Safety; Environmental Protection — Green Operations
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Honest Business Operation — Business Ethics
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Honest Business Operation — Strengthening Anti-corruption Efforts
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Honest Business Operation — Strengthening Anti-corruption Efforts

Indicator			Relevant section
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Honest Business Operation — Strengthening Anti-corruption Efforts
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Harmonious Society Contribution
	B8.1	Focus areas of contribution.	Harmonious Society Contribution
	B8.2	Resources contributed to the focus area.	Harmonious Society Contribution

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Chen Xing Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 296 to 402, 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

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
Net realisable value of properties under development and completed properties held for sale	
As at 31 December 2019, the Group's properties under development and completed properties held for sale amounted to RMB8,997,082,000 and RMB411,983,000, respectively, which represented in aggregate 75.63% of the total assets of the Group. The assessment of whether the carrying values of the properties were higher than their net realisable values, and consequently, whether a provision to reduce the carrying values was required, was made by management through the application of judgement and the use of subjective assumptions such as the expected 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. The Group's disclosures about the provision for properties under development and completed properties held for sale are included in notes 2.4, 3, 7, 15 and 22 to the financial statements, which also explain the accounting policies and management's accounting estimates.	We evaluated the basis for the provision assessment by understanding the assumptions used to determine the net realisable values of properties under development and completed properties held for sale. We evaluated the assumptions used by checking, on a sample basis, the selling prices of properties to latest sale transactions and the forecasted selling prices and reviewing the pre-sale status of other projects in the same location to evaluate the saleability. We assessed the costs to complete or sell the properties by reviewing budgets and contractor agreements signed for other similar projects. We also performed gross profit margin analysis for projects with completed properties held for sale.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2019, the Group's investment properties amounted to RMB141,000,000 and were measured at fair value. It is the Group's policy to have investment property valuations performed by an independent professional valuer at least once a year, to assist management in the fair valuation process. The valuations of the investment properties were highly dependent on estimates such as current and future market rents and yields, which were subject to uncertainty and might materially differ from the actual results. The Group's disclosures about the valuation of investment properties are included in notes 2.4, 3 and 14 to the financial statements, which also explain the accounting policies and management's accounting estimates.	We evaluated the objectivity of the valuation process and expertise of the independent professional valuer. We involved our internal valuation specialists to assist in evaluating the methods applied, the underlying assumptions and parameters adopted in the valuation of investment properties performed by management and the independent professional valuer. We assessed the property-related data used as inputs for the valuations by checking to existing rental agreements, the rates of rent quoted for similar properties and the occupancy rates of the properties. We also reviewed the related disclosures in the financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of buildings and prepaid land lease payments	
As the carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2019, the Group performed impairment tests on its buildings and prepaid land lease payments with carrying values of RMB53,685,000 and RMB1,329,000, respectively. These impairment tests involved significant estimation and judgements around assumptions used, including current and future market rents, yields and available data from market transactions of similar assets. Management determined that no provision for impairment of buildings and prepaid land lease payments was required. The Group's disclosures about the impairment testing of non-financial assets, which included buildings and prepaid land lease payments, are included in notes 2.4 and 3 to the financial statements, which explain the accounting policies and management's accounting estimates.	We evaluated management's identification of indicators of impairment. We assessed the inputs used for the estimation of recoverable amounts by comparing to rentals quoted for similar assets and observable prices from market transactions. We also involved our internal valuation specialists to assist in evaluating the methodology used, and the underlying assumptions and parameters adopted by management to estimate the recoverable amounts of the buildings and prepaid land lease payments.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, which are expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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.

- 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.

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

- 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 Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**1,307,084**	1,064,690
Cost of sales		**(955,554)**	(697,999)
Gross profit		**351,530**	366,691
Other income and gains	5	**39,845**	35,110
Selling and distribution expenses		**(77,560)**	(55,063)
Administrative expenses		**(82,219)**	(73,395)
Other expenses		**(6,957)**	(26,633)
Finance costs	6	**(22,168)**	(19,679)
Share of profits and losses of:			
Joint ventures		**1,198**	(295)
Associate		**(10)**	(10)
PROFIT BEFORE TAX	7	**203,659**	226,726
Income tax expense	10	**(88,666)**	(95,540)
PROFIT FOR THE YEAR		**114,993**	131,186
Attributable to:			
Owners of the parent		**106,028**	124,889
Non-controlling interests		**8,965**	6,297
		114,993	131,186
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	12	**RMB0.18**	RMB0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**114,993**	131,186
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,144**	1,348
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**5,144**	1,348
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(92,739)**	—
Income tax effect	**23,185**	—
	(69,554)	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(69,554)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(64,410)**	1,348
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**50,583**	132,534
Attributable to:		
Owners of the parent	**41,618**	126,237
Non-controlling interests	**8,965**	6,297
	50,583	132,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**74,234**	76,683
Investment properties	14	**141,000**	145,000
Right-of-use assets	16(b)	**2,929**	—
Prepaid land lease payments	16(a)	**—**	1,329
Properties under development	15	**601,408**	474,331
Intangible assets	17	**163**	9
Investments in joint ventures	18	**1,393**	195
Investment in an associate	19	**48,980**	22,490
Equity investments designated at fair value through other comprehensive income	20	**62,898**	—
Deferred tax assets	31	**225,551**	207,183
Total non-current assets		**1,158,556**	927,220
CURRENT ASSETS			
Properties under development	15	**8,395,674**	4,836,741
Completed properties held for sale	22	**411,983**	841,439
Inventories	21	**16,561**	13,250
Trade receivables	23	**5,679**	—
Prepayments, other receivables and other assets	24	**1,142,309**	607,538
Tax recoverable		**133,214**	70,418
Financial assets at fair value through profit or loss	25	**1,500**	111,774
Pledged deposits	26	**68,257**	40,171
Restricted bank balance	26	**—**	103,000
Cash and cash equivalents	26	**1,107,248**	1,447,161
Total current assets		**11,282,425**	8,071,492
CURRENT LIABILITIES			
Trade payables	27	**1,036,422**	703,162
Other payables and accruals	28	**1,831,239**	1,848,303
Contract liabilities	29	**5,335,734**	4,342,213
Interest-bearing bank and other borrowings	30	**429,556**	224,620
Tax payable	10	**34,121**	42,469
Total current liabilities		**8,667,072**	7,160,767
NET CURRENT ASSETS		**2,615,353**	910,725
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,773,909**	1,837,945

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**2,386,478**	633,949
Deferred tax liabilities	31	**12,846**	6,169
Total non-current liabilities		**2,399,324**	640,118
Net assets		**1,374,585**	1,197,827
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**4,855**	4,003
Reserves	33	**1,241,307**	1,074,966
		1,246,162	1,078,969
Non-controlling interests		**128,423**	118,858
Total equity		**1,374,585**	1,197,827

Bai Xuankui
Director

Bai Wukui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000 (note 32)	Share premium account RMB'000 (note 32)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	4,003	219,418	101,849	109,882	23,331	10,624	564,762	1,033,869	87,584	1,121,453
Profit for the year	–	–	–	–	–	–	124,889	124,889	6,297	131,186
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	1,348	–	1,348	–	1,348
Total comprehensive income for the year	–	–	–	–	–	1,348	124,889	126,237	6,297	132,534
Capital contribution by a non-controlling shareholder	–	–	703	–	–	–	–	703	24,977	25,680
Transfer to statutory reserve	–	–	–	8,620	–	–	(8,620)	–	–	–
Final 2017 dividend declared	–	–	–	–	–	–	(81,840)	(81,840)	–	(81,840)
At 31 December 2018	4,003	219,418*	102,552*	118,502*	23,331*	11,972*	599,191*	1,078,969	118,858	1,197,827

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 (note 32)	Share premium account RMB'000 (note 32)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	4,003	219,418	102,552	118,502	23,331	–	11,972	599,191	1,078,969	118,858	1,197,827
Profit for the year	–	–	–	–	–	–	–	106,028	106,028	8,965	114,993
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(69,554)	–	–	(69,554)	–	(69,554)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	5,144	–	5,144	–	5,144
Total comprehensive income for the year	–	–	–	–	–	(69,554)	5,144	106,028	41,618	8,965	50,583
Issue of shares	852	126,993	–	–	–	–	–	–	127,845	–	127,845
Share issue expenses	–	(2,270)	–	–	–	–	–	–	(2,270)	–	(2,270)
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	600	600
Transfer to statutory reserve	–	–	–	9,987	–	–	–	(9,987)	–	–	–
At 31 December 2019	4,855	344,141*	102,552*	128,489*	23,331*	(69,554)*	17,116*	695,232*	1,246,162	128,423	1,374,585

* These reserve accounts comprise the consolidated reserves of RMB1,241,307,000 at 31 December 2019 (2018: RMB1,074,966,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**203,659**	226,726
Adjustments for:			
Depreciation of property, plant and equipment	13	**10,330**	9,369
Amortisation of intangible assets	17	**56**	291
Depreciation of right-of-use assets/recognition of prepaid land lease payments	16(b)	**2,239**	45
Other interest income from financial assets at fair value through profit or loss	5	**(4,051)**	(11,370)
Finance costs	6	**21,981**	19,679
Gain on disposal of items of property, plant and equipment	5	**(58)**	—
Changes in fair value of investment properties	14	**4,000**	18,000
Share of profits and losses of joint ventures and an associate		**(1,188)**	305
Interest income	5	**(21,993)**	(4,195)
		214,975	258,850
Increase in properties under development		**(2,875,191)**	(1,035,667)
Decrease in completed properties held for sale		**429,456**	607,108
Increase in inventories		**(3,311)**	(11,090)
Increase in trade receivables		**(5,679)**	—
Increase in prepayments, other receivables and other assets		**(404,828)**	(50,630)
Increase in pledged deposits		**(28,086)**	(17,866)
Decrease in restricted bank balance		**103,000**	839
Increase/(decrease) in trade payables		**310,104**	(50,236)
Decrease in advances from customers		**—**	(2,889,441)
Increase in contract liabilities		**993,521**	4,078,661
(Decrease)/increase in other payables and accruals		**(86,910)**	181,319
Cash generated from/(used in) operations		**(1,352,949)**	1,071,847
Tax paid		**(148,316)**	(204,379)
Net cash flows (used in)/from operating activities		**(1,501,265)**	867,468

CONSOLIDATED STATEMENT 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		**(7,545)**	(14,842)
Proceeds from disposal of items of property, plant and equipment		**114**	—
Purchases of other intangible assets	17	**(158)**	—
Purchases of financial assets at fair value through profit or loss		**(109,000)**	(2,456,042)
Purchases of financial assets at fair value through other comprehensive income		**(155,637)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**218,400**	2,518,752
Acquisition of subsidiaries	35	**(617,670)**	—
Purchase of a shareholding in an associate		**(26,500)**	(22,500)
Purchase of a shareholding in a joint venture		**—**	(490)
Prepayments for acquisition of a subsidiary		**—**	(50,000)
Advances of loans to an associate	39(a)	**(116,294)**	—
Income from financial assets at fair value through profit or loss		**4,925**	10,496
Interest received		**10,253**	4,195
Net cash flows used in investing activities		**(799,112)**	(10,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32	**127,845**	—
Share issue expenses	32	**(2,270)**	—
Capital contribution from a non-controlling shareholder		**600**	25,680
Principal portion of lease payments	37(b)	**(2,229)**	—
New bank and other loans		**2,864,000**	591,949
Repayment of bank and other loans		**(908,100)**	(179,380)
Dividends paid		**—**	(81,840)
Tax paid on financing activities		**—**	(9,940)
Interest paid		**(124,528)**	(40,210)
Net cash flows from financing activities		**1,955,318**	306,259
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(345,059)**	1,163,296
Cash and cash equivalents at beginning of year		**1,447,161**	282,513
Effect of foreign exchange rate changes, net		**5,146**	1,352
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**1,107,248**	1,447,161

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in property development.

In the opinion of the directors, the ultimate controlling shareholders of the Group are Mr. Bai Xuankui and Mr. Bai Guohua.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chen Xing Investments Limited	British Virgin Islands	US$10,000	100%	—	Investment holding
Chen Xing International Holdings Limited	Hong Kong	HK$100	—	100%	Investment holding
Jinzhong Chen Xing Hui Technology and Trade Company Limited*	People's Republic of China/ Mainland China	RMB105,000,000	—	100%	Investment holding
Chenxing Real Estate Development Co., Ltd. ("Chen Xing")**	People's Republic of China/ Mainland China	RMB204,000,000	—	100%	Development and sale of properties
Sichuan Chenxing Real Estate Development Co., Limited ("Chen Xing Sichuan")**	People's Republic of China/ Mainland China	RMB119,200,000	—	83.89%	Development and sale of properties
Jinzhong Development Zone Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB100,000,000	—	51%	Development and sale of properties

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wuzhishan Chenxing Real Estate Development Co., Limited**	People's Republic of China/ Mainland China	RMB90,280,000	—	100%	Development and sale of properties
Hainan DeGao Investment Co., Ltd. ("**Hainan Degao**")**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Hainan Youshenghongtuo Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Shanxi Chenxing Zhida Trading Co., Ltd.**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Sale of construction materials
Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd.**	People's Republic of China/ Mainland China	RMB50,000,000	—	100%	Property construction
Jinzhong Chenxing Yijun Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB100,000,000	—	100%	Development and sale of properties
Jinzhong Chenxing Shiguang Zhicheng Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB50,000,000	—	100%	Development and sale of properties
Taiyuan Chenya Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Jinzhong Xiya Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB74,630,000	—	67%	Development and sale of properties

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd.**	People's Republic of China/ Mainland China	RMB50,000,000	—	80%	Property construction
Xishuangbanna Jingyuan Investment Development Co., Ltd. ("**Jingyuan**")**	People's Republic of China/ Mainland China	RMB290,314,400	—	100%	Development and sale of properties
Beijing Chenxing Real Estate Broker Co., Ltd. ("**Real Estate Broker**")**	People's Republic of China/ Mainland China	RMB100,000	—	100%	Real estate brokerage and exhibition
Mianyang Chenxing Yazhi Real Estate Development Co., Ltd. ("**Yazhi**")**	People's Republic of China/ Mainland China	RMB50,000,000	—	100%	Development and sale of properties

* The entity is registered as a wholly-foreign-owned enterprise under People's Republic of China ("PRC") law.

** These entities are limited liability enterprises established under PRC law.

During the year, the Group newly incorporated Chenxing Hi-Tech (Beijing) Technology Development Co., Ltd., Shanxi Chenxing Jinglong Decoration Engineering Co., Ltd., Yazhi and acquired Jingyuan and Real Estate Broker from independent third parties. Further details of acquisition of subsidiaries are included in note 35 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, wealth management products and equity investment 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).

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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 HKFRSs for the first time for the current year's financial statements.

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

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

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 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 HKFRSs are described below:

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

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

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

New definition of a lease

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

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

(a) *(continued)*

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties, machinery and other 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 HKFRS 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

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

(a) *(continued)*

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

Impact on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 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

Financial impact at 1 January 2019

The Group did not recognise assets and liabilities at the date of initial application for operating leases as the lease contracts were short-term leases that ends within 12 months before 1 January 2019.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 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 HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by 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 statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Fair value measurement

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

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

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

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 financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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 statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, 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.

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	1.90%–19.00%
Leasehold improvements	20.00%–33.33%
Motor vehicles	9.50%–19.40%
Machinery	9.50%–19.40%
Office equipment	9.50%–32.33%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) 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 the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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 asset 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 completed properties held for sale 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.

The Group determines whether completed properties held for sale would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, and the development has commenced; and (e) change in use is approved by a board resolution.

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale. Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Completed properties held for sale

Completed properties held for sale are stated in the statement 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.

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.

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:

Leasehold land	40 years
Buildings	1.25 to 3 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.

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Group as a lessee *(continued)*

(b) Lease liabilities *(continued)*

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(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 machinery and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, 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 the statement of 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 the statement of 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 the statement of profit or loss on the straight-line basis over the lease terms.

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, 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 for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 differences 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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

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

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

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

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

Simplified approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings 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 the statement of 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the statement of 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 there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

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:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(a) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the properties is transferred to the customer, generally on delivery of the properties.

(b) Sale of construction materials

Revenue from the sale of construction materials is recognised at the point in time when control of the assets is transferred to the customer, generally on delivery of the construction materials.

(c) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(d) Provision of real estate agency services

Revenue from the provision of agency services is recognised over the scheduled period on a straight-line basis because 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Other income

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

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).

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of 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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 5.23% to 15.00% has been applied to the expenditure on the individual assets.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 ruling at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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 financial statements:

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.

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 described below.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 23 and note 24 to the financial statements.

Estimation of fair value of investment properties

Investment properties were revalued based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties *(continued)*

In the absence of current prices in an active market for similar properties, the Group considers information from 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.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties was RMB141,000,000 as at 31 December 2019 (2018: RMB145,000,000).

Net realisable value of 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 and by reference to the latest selling prices of properties sold in the ordinary course of business by the Group or other developers in the same location.

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 judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly. The carrying amounts of properties under development and completed properties held for sale at 31 December 2019 were RMB8,997,082,000 (2018: RMB5,311,072,000) and RMB411,983,000 (2018: RMB841,439,000), respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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 all 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.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB1,349,000 (2018: RMB3,145,000). The amount of unrecognised tax losses at 31 December 2019 was RMB40,788,000 (2018: RMB23,728,000). Further details are included in note 31 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than properties under development and completed properties held for sale) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2019, the Company's market capitalisation was lower than the Group's net asset value which is an indicator of impairment for non-financial assets. 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 calculations of the fair value less costs of disposal are based on current prices in an active market for similar non-financial assets and use assumptions that are mainly based on market conditions existing at the end of the reporting period. In the absence of current prices in an active market for similar non-financial assets, the Group estimates the expected future cash flows from the non-financial assets and chooses a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill) *(continued)*

The key assumptions used in the fair value less costs of disposal calculations include current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. Where the expectation is different from the original estimates, the carrying value and provision for such non-financial assets in the period in which such estimates are changed will be adjusted accordingly. As at 31 December 2019, the carrying value of long-lived non-financial assets (other than properties under development in non-current assets) was RMB77,326,000 (2018: RMB78,021,000).

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

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

No information about major customers is presented as no revenue from sales to a single customer individually accounted for 10% or more of the Group's total revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**1,301,064**	1,057,344
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**6,020**	7,346
	1,307,084	1,064,690

Revenue from contracts with customers

(a) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Type of goods or services		
Sale of properties	**1,262,763**	1,057,344
Sale of construction materials	**36,670**	—
Construction services	**1,482**	—
Real estate agency services	**149**	—
Total revenue from contracts with customers	**1,301,064**	1,057,344
Timing of revenue recognition		
Goods transferred at a point in time	**1,299,433**	1,057,344
Services transferred over time	**1,631**	—
Total revenue from contracts with customers	**1,301,064**	1,057,344

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) 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	**1,106,126**	833,580

(b) Performance obligations

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

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required.

Sale of construction materials

The performance obligation is satisfied upon delivery of the construction materials and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations *(continued)*

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 1 year from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Real estate agency services

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

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	**3,575,162**	3,141,964
After one year	**1,909,853**	908,651
	5,485,015	4,050,615

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	**10,253**	4,195
Interest income from loans to an associate	**11,740**	—
Other interest income from financial assets at fair value through profit or loss	**4,051**	11,370
Gross rental income	**10,939**	11,563
Compensation income	**—**	7,752
Others	**908**	230
	37,891	35,110
Gains		
Foreign exchange gains, net	**1,896**	—
Gain on disposal of items of property, plant and equipment	**58**	—
	1,954	—
	39,845	35,110

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other loans	**129,344**	40,246
Interest on lease liabilities	**187**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**129,531**	40,246
Less: Interest capitalised	**(107,363)**	(20,567)
	22,168	19,679

7. 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		**924,740**	697,999
Cost of construction materials sold		**29,932**	—
Cost of services provided		**882**	—
Depreciation of property, plant and equipment	13	**10,330**	9,369
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	16(a), 16(b)	**2,239**	45
Amortisation of intangible assets*	17	**56**	291
Minimum lease payments under operating leases		**—**	364
Lease payments not included in the measurement of lease liabilities	16(d)	**410**	—
Auditor's remuneration		**3,580**	1,850
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**21,077**	15,465
Pension scheme contributions		**1,140**	231
Staff welfare expenses		**3,258**	2,713
		25,475	18,409
Impairment of trade receivables	23	**281**	—
Impairment of other receivables	24	**1,030**	614
Changes in fair value of investment properties	14	**4,000**	18,000
Gain on disposal of items of property, plant and equipment		**(58)**	—
Foreign exchange gains, net		**(1,896)**	—
Bank interest income		**(10,253)**	(4,195)
Interest income from loans to an associate		**(11,740)**	—
Other interest income from financial assets at fair value through profit or loss		**(4,051)**	(11,370)
Impairment of completed properties held for sale	22	**816**	1,829

* The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

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	**186**	182
Other emoluments:		
Salaries, allowances and benefits in kind	**1,247**	1,231
Performance related bonuses	**331**	342
Pension scheme contributions	**82**	89
	1,660	1,662
	1,860	1,844

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Mr. Gu Jiong	**106**	102
Mr. Tian Hua	**40**	40
Mr. Qiu Yongqing	**40**	40
	186	182

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019					
Executive directors:					
Mr. Bai Xuankui	—	542	108	—	650
Mr. Bai Wukui	—	495	120	31	646
Mr. Dong Shiguang	—	95	8	20	123
Mr. Bai Guohua	—	115	95	31	241
	—	1,247	331	82	1,660
2018					
Executive directors:					
Mr. Bai Xuankui	—	542	108	—	650
Mr. Bai Wukui	—	507	108	35	650
Mr. Dong Shiguang	—	82	18	19	119
Mr. Bai Guohua	—	100	108	35	243
	—	1,231	342	89	1,662

Mr. Bai Wukui is the chief executive officer and an executive director of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**638**	628
Performance related bonuses	**229**	174
Pension scheme contributions	**94**	105
	961	907

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**3**	3

The five highest paid employees did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is based on a tax rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2018: Nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

According to the requirements of the provisional regulations of the PRC on the land appreciation tax ("**LAT**") effective from 1 January 1994 onwards, and the detailed implementation rules on the provisional regulations of the PRC on LAT effective from 27 January 1995 onwards, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to 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 completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Major components of the Group's income tax expense are as follows:

	2019 RMB'000	2018 RMB'000
Current tax:		
Income tax charge	**44,070**	105,094
LAT	**33,102**	37,532
Deferred tax	**11,494**	(47,086)
Total tax charge for the year	**88,666**	95,540

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	**203,659**	226,726
Tax at the statutory tax rate	**50,821**	57,012
Provision for LAT	**33,102**	37,532
Tax effect of LAT provision	**(8,275)**	(9,383)
Effect of withholding tax at 10% on distributable profits of the Group's PRC subsidiaries	**6,668**	6,369
Expenses not deductible for tax	**4,259**	1,343
Income not subject to tax	**(2,174)**	(1,555)
Tax losses not recognised	**4,265**	4,222
Tax charge at the Group's effective rate	**88,666**	95,540

Tax payable in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
Tax payable		
— PRC corporate income tax	**34,121**	42,469

11. DIVIDENDS

The directors resolved not to declare a final dividend for the year ended 31 December 2019 (2018: Nil).

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

The calculation of the basic earnings per share amounts 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 584,384,000 (2018: 500,000,000) in issue during the year, as adjusted to reflected the right issue during the year.

The calculation of basic earnings per share is based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**106,028**	124,889

	Number of shares 2019 '000	 2018 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**584,384**	500,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019						
At 1 January 2019:						
Cost	75,713	30,303	840	16,226	—	123,082
Accumulated depreciation	(17,696)	(14,253)	(756)	(13,694)	—	(46,399)
Net carrying amount	58,017	16,050	84	2,532	—	76,683
At 1 January 2019, net of accumulated depreciation	58,017	16,050	84	2,532	—	76,683
Additions	—	2,715	618	2,835	1,377	7,545
Disposal	—	(55)	(1)	—	—	(56)
Acquisition of subsidiaries	—	310	—	82	—	392
Depreciation provided during the year	(4,332)	(4,320)	(51)	(1,374)	(253)	(10,330)
At 31 December 2019, net of accumulated depreciation	53,685	14,700	650	4,075	1,124	74,234
At 31 December 2019:						
Cost	75,713	34,408	1,363	19,538	1,377	132,399
Accumulated depreciation	(22,028)	(19,708)	(713)	(15,463)	(253)	(58,165)
Net carrying amount	53,685	14,700	650	4,075	1,124	74,234

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	66,753	20,351	791	14,606	—	102,501
Accumulated depreciation	(13,389)	(10,962)	(726)	(11,953)	—	(37,030)
Net carrying amount	53,364	9,389	65	2,653	—	65,471
At 1 January 2018, net of accumulated depreciation	53,364	9,389	65	2,653	—	65,471
Additions	8,960	9,952	49	1,620	—	20,581
Depreciation provided during the year	(4,307)	(3,291)	(30)	(1,741)	—	(9,369)
At 31 December 2018, net of accumulated depreciation	58,017	16,050	84	2,532	—	76,683
At 31 December 2018:						
Cost	75,713	30,303	840	16,226	—	123,082
Accumulated depreciation	(17,696)	(14,253)	(756)	(13,694)	—	(46,399)
Net carrying amount	58,017	16,050	84	2,532	—	76,683

At 31 December 2019, certain of the Group's buildings with a net carrying amount of approximately RMB36,418,400 (2018: Nil) were pledged to secure bank loans granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**145,000**	163,000
Net loss from a fair value adjustment	**(4,000)**	(18,000)
Carrying amount at 31 December	**141,000**	145,000

The Group's investment properties consist of three commercial properties in China. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., retail and office, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent professionally qualified valuer, at RMB141,000,000 (2018: RMB145,000,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

At 31 December 2019, the Group's investment properties with a carrying value of RMB141,000,000 (2018: Nil) were pledged to secure bank loans granted to the Group (note 30).

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:				
Retail properties	—	—	**96,000**	**96,000**
Office properties	—	—	**45,000**	**45,000**
	—	—	**141,000**	**141,000**

	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:				
Retail properties	—	—	100,000	100,000
Office properties	—	—	45,000	45,000
	—	—	145,000	145,000

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).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Retail properties RMB'000	Office properties RMB'000
Carrying amount at 1 January 2018	119,000	44,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	(19,000)	1,000
Carrying amount at 31 December 2018 and 1 January 2019	100,000	45,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	(4,000)	—
Carrying amount at 31 December 2019	**96,000**	**45,000**

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

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs 2019	2018
Retail properties	Income approach	Prevailing market rents	**RMB25 to RMB117**	RMB27 to RMB121
		Yield rate	**7%**	7%
Office properties	Income approach	Prevailing market rents	**RMB79 to RMB122**	RMB79 to RMB122
		Yield rate	**7%**	7%

Prevailing market rents are estimated based on recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

15. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**5,311,072**	3,838,538
Additions	**4,182,110**	1,565,254
Transfer to completed properties held for sale (note 22)	**(496,100)**	(92,720)
Carrying amount at 31 December	**8,997,082**	5,311,072
Less: Current portion	**(8,395,674)**	(4,836,741)
Non-current portion	**601,408**	474,331

Properties under development expected to be recovered:

	2019 RMB'000	2018 RMB'000
Within one year	**4,728,018**	3,484,951
After one year	**3,667,656**	1,351,790
	8,395,674	4,836,741

At 31 December 2019, certain of the Group's properties under development with a carrying value of approximately RMB462,244,900 (2018: RMB109,644,900) were pledged to secure bank loans granted to the Group (note 30).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties, machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1.25 and 5 years. Machinery and other equipment generally have 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) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	1,419
Recognised in profit or loss during the year	(45)
Carrying amount at 31 December 2018	1,374
Current portion included in prepayments, other receivables and other assets	(45)
Non-current portion	1,329

(b) Right-of-use assets

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

	Prepaid land lease payments RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2019	1,374	—	1,374
Additions	—	3,794	3,794
Depreciation charge	(45)	(2,194)	(2,239)
As at 31 December 2019	1,329	1,600	2,929

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	—
New leases	3,794
Accretion of interest recognised during the year	187
Payments	(2,416)
Carrying amount at 31 December	1,565
Analysed into:	
Current portion	1,036
Non-current portion	529

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

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

	2019 RMB'000
Interest on lease liabilities	187
Depreciation of right-of-use assets	2,239
Expense relating to leases of low-value assets (included in selling and distribution expenses)	190
Expense relating to leases of low-value assets (included in administrative expenses)	220
Total amount recognised in profit or loss	2,836

(e) The total cash flow for leases is disclosed in note 37(c) to the financial statements.

16. LEASES *(continued)*

The Group as a lessor

The Group leases its investment properties (note 14), office buildings and completed properties held for sale under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB16,959,000 (2018: RMB18,909,000), 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 RMB'000	2018 RMB'000
Within one year	**9,777**	9,300
After one year but within two years	**6,335**	6,003
After two years but within three years	**5,819**	5,957
After three years but within four years	**3,637**	4,794
After four years but within five years	**3,091**	2,991
After five years	**899**	3,523
	29,558	32,568

17. INTANGIBLE ASSETS

	Software RMB'000
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	9
Acquisition of subsidiaries	52
Additions	158
Amortisation provided during the year	(56)
At 31 December 2019	163
At 31 December 2019:	
Cost	1,962
Accumulated amortisation	(1,799)
Net carrying amount	163
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	300
Amortisation provided during the year	(291)
At 31 December 2018	9
At 31 December 2018:	
Cost	1,645
Accumulated amortisation	(1,636)
Net carrying amount	9

18. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	**1,393**	195

The Group's other receivable balances due from the joint ventures are disclosed in note 24 to the financial statements.

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

Company	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Shanxi Greentown Property Service Co., Ltd. ("**Shanxi Greentown Property**")	PRC/ Mainland China	RMB 6,000,000	49	Property management
Shenzhen Runchen Xinghua Industrial Development Partnership (Limited Partnership) ("**Runchen Xinghua**")	PRC/ Mainland China	RMB 500,000,000	50.1	Investment advisory

The above investments are held by an indirectly wholly-owned subsidiary of the Company.

In the opinion of the directors, the joint ventures are not material to the Group. The joint ventures are accounted for using the equity method and there is no quoted market price available for its shares.

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit for the year	**1,198**	(295)
Share of the joint ventures' total comprehensive income	**1,198**	(295)
Aggregate carrying amount of the Group's investments in the joint ventures	**1,393**	195

19. INVESTMENT IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets	**48,980**	22,490

The loans to an associate included in the Group's current assets totalling RMB128,739,000 (2018: Nil). The loan amount of RMB114,878,000 is secured by the pledge of 51% equity interest of this associate owned by another shareholder and the remaining loan amount of RMB13,861,000 is unsecured, bears interest at 12% per annum and the loans are due in January 2020 and November 2020, respectively. There was no recent history of default and past due amounts for loans to an associate. As at 31 December 2019, the loss allowance was assessed to be minimal.

Particulars of the Group's the associate are as follows:

Company	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Xishuangbanna Yunchen Real Estate Co., Ltd. ("**Yunchen Real Estate**")	PRC/ Mainland China	RMB 100,000,000	49	Development and sale of properties

The above investment is held by an indirectly wholly-owned subsidiary of the Company.

In the opinion of the directors, the associate is not material to the Group. The associate is accounted for using the equity method and there is no quoted market price available for its shares.

19. INVESTMENT IN AN ASSOCIATE *(continued)*

The following table illustrates the summarised financial information in respect of Yunchen Real Estate adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 RMB'000	2018 RMB'000
Share of the associate's profit for the year	**(10)**	(10)
Share of the associate's total comprehensive income	**(10)**	(10)
Carrying amount of the Group's investments in the associate	**48,980**	22,490

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Listed equity investment, at fair value		
JINSHANG BANK Co., Ltd.	**62,898**	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

21. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**16,542**	13,231
Low value consumables	**19**	19
	16,561	13,250

22. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**841,439**	1,448,547
Transfer from properties under development (note 15)	**496,100**	92,720
Transfer to cost of properties sold	**(924,740)**	(697,999)
Impairment during the year	**(816)**	(1,829)
Carrying amount at 31 December	**411,983**	841,439

At 31 December 2019, certain of the Group's completed properties held for sale with a carrying value of approximately RMB60,520,800 (2018: Nil) were pledged to secure bank loans granted to the Group (note 30).

23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**5,960**	—
Impairment	**(281)**	—
	5,679	—

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

23. TRADE RECEIVABLES *(continued)*

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**5,170**	—
Over 1 month	**509**	—
	5,679	—

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**—**	—
Impairment losses (note 7)	**281**	—
At end of year	**281**	—

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about current conditions and forecasts of future economic conditions. The loss rate applied as at 31 December 2019 was assessed to be minimal.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2019 RMB'000	2018 RMB'000
Prepayments		**13,072**	33,067
Prepaid land lease payments		**—**	45
Prepayments for land use rights		**355,087**	—
Deposits and other receivables		**345,196**	373,650
Due from a related party		**6,993**	—
Loans to an associate		**128,739**	—
Due from joint ventures		**516**	—
Cost to obtain contracts	(a)	**71,205**	45,305
Other tax recoverable		**233,647**	156,611
		1,154,455	608,678
Impairment allowance		**(12,146)**	(1,140)
		1,142,309	607,538

Note:

(a) Cost to obtain contracts are initially recognised for revenue earned from the sale of completed properties. Included in cost to obtain contracts for the sale of completed properties are sales commission and stamp duty. When the revenue from the related property sale is recognised, the amount recognised as cost to obtain contracts is charged out to selling and distribution expenses and administrative expenses. The increase in cost to obtain contracts in 2019 was the result of the increase in the ongoing sale of properties at the end of the year. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

The expected timing of recovery or settlement for cost to obtain contracts as at 31 December is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**30,015**	16,126
After one year	**41,190**	29,179
Total cost to obtain contracts	**71,205**	45,305

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

The movements in the loss allowance for impairment of other receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**1,140**	526
Acquisition of a subsidiary	**9,976**	—
Impairment losses (note 7)	**1,030**	614
At end of year	**12,146**	1,140

Deposits and other receivables mainly represent deposits with suppliers and governments. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2019 and 2018 was assessed to be minimal.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Unlisted investments, at fair value	**1,500**	111,774

The above unlisted investments were wealth management products issued by banks in Mainland China and bore expected yield rates of 2.3% to 4.7% (2018: 1.2% to 4.7%) per annum upon maturity in the current year. 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.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Total cash and bank balances, including pledged deposits	**1,175,505**	1,590,332
Less: Pledged deposits	**(68,257)**	(40,171)
Restricted bank balance	**—**	(103,000)
Cash and cash equivalents	**1,107,248**	1,447,161

At 31 December 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB951,928,000 (2018: RMB1,565,408,000). 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.

Restricted bank balance represents the deposit in an escrow account set up at a bank by the Group for the acquisition of a 100% equity interest in Hainan Degao, from two third party individuals (the "**Vendors**"), which could only be used after the approval by the Vendors. At 31 December 2018, RMB103,000,000 was frozen pursuant to the civil rulings issued by the Hainan Province Longhua District People's Court and was settled in 2019.

27. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	**421,071**	491,617
1 to 2 years	**433,577**	41,883
2 to 3 years	**25,151**	85,226
3 to 4 years	**83,689**	22,727
4 to 5 years	**19,489**	46,471
Over 5 years	**53,445**	15,238
	1,036,422	703,162

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Payroll and welfare payable		**7,530**	7,600
Payables to government authority		**3,038**	12,502
Deposits related to sales of properties		**4,891**	15,193
Deposits related to construction		**1,055**	2,852
Sales commission payable		**7,657**	3,150
Payables to third parties		**120,761**	89,939
Due to related parties		**1,684**	98,300
Due to a director		**93**	91
Advances from lessees		**6,263**	4,186
Interest payable		**6,291**	1,475
Advances from government			
— Phase I of Longtian Project	(a)	**1,649,254**	1,603,893
— Beiliubao Project	(b)	**3,914**	3,926
Taxes payable other than corporate income tax		**18,808**	5,196
		1,831,239	1,848,303

Notes:

(a) Represented the payment from the management committee and Finance Commission of the Economic Technology Development District, Jinzhong as development costs for the construction of Phase I of Longtian Project, which would be paid to the suppliers.

(b) Represented the payment from the Finance Commission of the Economic Technology Development District, Jinzhong as development costs for the construction of Beiliubao Project, which would be paid to the suppliers.

Other payables are unsecured, non-interest-bearing and repayable on demand.

29. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities	**5,335,734**	4,342,213

Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Sale of construction materials	**—**	10,000	—
Sale of properties	**5,335,734**	4,332,213	3,145,485
Total contract liabilities	**5,335,734**	4,342,213	3,145,485

Contract liabilities include the sales proceeds received from buyers in connection with the Group's pre-sales of properties and short-term advances received from customers to deliver construction materials. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in pre-sales of properties at the end of the year.

30. 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						
Lease liabilities (note 16(c))	4.75	2020	1,036	—	—	—
Current portion of long term bank loans — secured	5.23–6.80	2020	428,520	5.23–6.51	2019	150,620
Other loans — secured	—	—	—	7.00	2019	74,000
			429,556			224,620
Non-current						
Lease liabilities (note 16(c))	4.75	2021	529	—	—	—
Bank loans — secured	6.18–15.00	2022	2,385,949	5.23–6.60	2021	633,949
			2,386,478			633,949
			2,816,034			858,569

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	428,520	150,620
In the second year	1,897,949	337,000
In the third to fifth years, inclusive	488,000	296,949
	2,814,469	784,569
Other borrowings repayable:		
Within one year or on demand	1,036	74,000
In the second year	529	—
	1,565	74,000
	2,816,034	858,569

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(i) The bank borrowings of approximately RMB20,000,000 (2018: RMB143,000,000) are secured by the pledge of certain of the Group's properties under development of RMB109,644,900 (2018: RMB109,644,900) (note 15) and are guaranteed by the Company, a director of the Company and the Company's controlling shareholder.

(ii) The bank borrowings of approximately RMB246,000,000 (2018: Nil) are secured by the pledge of certain of the Group's completed properties held for sale of RMB60,520,800 (2018: Nil) (note 22), the Group's investment properties of RMB141,000,000 (2018: Nil) (note 14), the Group's buildings of RMB36,418,400 (2018: Nil) (note 13) and are guaranteed by the Company.

(iii) The bank borrowings of approximately RMB130,469,000 (2018: RMB131,569,000) are guaranteed by a non-controlling shareholder of a subsidiary of the Group.

(iv) The bank borrowings of approximately RMB325,000,000 (2018: RMB340,000,000) are guaranteed by a subsidiary of the Group and a non-controlling shareholder of a subsidiary of the Group.

(v) The bank borrowings of approximately RMB100,000,000 (2018: Nil) are guaranteed by three subsidiaries of the Group, a director of the Company and the Company's controlling shareholder.

(vi) The bank borrowings of approximately RMB1,450,000,000 (2018: Nil) are pledged by 100% equity interest of a subsidiary of the Group and are guaranteed by three subsidiaries of the Group, a director of the Company and the Company's controlling shareholder.

(vii) The bank borrowings of approximately RMB98,000,000 (2018: Nil) are secured by the pledge of certain of the Group's properties under development of RMB100,900,000 (2018: Nil) (note 15) and are guaranteed by a subsidiary of the Group.

(viii) The bank borrowings of approximately RMB295,000,000 (2018: Nil) are secured by the pledge of certain of the Group's properties under development of RMB251,700,000 (2018: Nil) (note 15) and 100% equity interest of a subsidiary of the Group and are guaranteed by a subsidiary of the Group.

(ix) The bank borrowings of approximately RMB150,000,000 (2018: Nil) are pledged by 100% equity interest of a subsidiary of the Group and are guaranteed by two subsidiaries of the Group.

31. DEFERRED TAX

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

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment arising from investment properties RMB'000	Withholding tax RMB'000	Gain on property revaluation RMB'000	Accrued LAT RMB'000	Cost to obtain contracts RMB'000	Total RMB'000
At 1 January 2018	–	25,665	9,740	7,777	2,011	9,511	54,704
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	–	(4,500)	(3,571)	–	11,639	1,815	5,383
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	–	21,165	6,169	7,777	13,650	11,326	60,087
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	400	(1,000)	6,668	–	11,083	6,475	23,626
Gross deferred tax liabilities at 31 December 2019	400	20,165	12,837	7,777	24,733	17,801	83,713

31. DEFERRED TAX *(continued)*

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

Deferred tax assets

	Lease liabilities RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Corporate income tax RMB'000	Tax losses RMB'000	Accrued payroll RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Impairment of property held for sale RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of trade receivables and other receivables RMB'000	Total RMB'000
At 1 January 2018	–	–	203,851	17	1,765	236	1,910	722	131	208,632
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	–	44,902	3,128	(186)	4,050	105	316	154	52,469
Gross deferred tax assets at 31 December 2018 and 1 January 2019	**–**	**–**	**248,753**	**3,145**	**1,579**	**4,286**	**2,015**	**1,038**	**285**	**261,101**
Deferred tax credited/(charged) to other comprehensive income during the year	**–**	**23,185**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,185**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**391**	**–**	**7,751**	**(1,796)**	**(343)**	**8,290**	**(1,880)**	**(609)**	**328**	**12,132**
Gross deferred tax assets at 31 December 2019	**391**	**23,185**	**256,504**	**1,349**	**1,236**	**12,576**	**135**	**429**	**613**	**296,418**

31. DEFERRED TAX *(continued)*

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

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**225,551**	207,183
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(12,846)**	(6,169)

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

	2019 RMB'000	2018 RMB'000
Tax losses	**40,788**	23,728

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise 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/arrangement between Mainland China and the jurisdiction of the foreign investors and the foreign investors are the beneficial owners of the dividends. The Group is therefore liable to withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

31. DEFERRED TAX *(continued)*

Deferred tax liabilities are recognised based on the estimated dividend to be distributed from the distributable earnings for the year ended 31 December 2019 from the subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries established in Mainland China will distribute the remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB578,013,000 as at 31 December 2019 (2018: RMB537,636,000).

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

32. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised:		
1,000,000,000 (2018: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000

	2019 RMB'000	2018 RMB'000
Issued and fully paid:		
599,999,989 (2018: 500,000,000) ordinary shares of HK$0.01 each	**4,855**	4,003

32. SHARE CAPITAL *(continued)*

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	500,000,000	4,003	219,418	223,421
Right issue (Note (a))	99,999,989	852	126,993	127,845
	599,999,989	4,855	346,411	351,266
Share issue expenses	—	—	(2,270)	(2,270)
At 31 December 2019	599,999,989	4,855	344,141	348,996

Note:

(a) A rights issue of one right share for every five existing shares held by members on the register of members on 28 February 2019 was made, at an issue price of HK$1.50 per rights share, resulting in the issue of 99,999,989 shares for a total cash consideration, before expenses, of HK$149,999,984 (equivalent to approximately RMB127,845,000).

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 300 to 301 of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are registered in the PRC as domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Capital reserve

Capital reserve of the Group represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

On 12 September 2013, Sichuan Changxing (Holdings) Limited ("Sichuan Changxing") injected additional capital of RMB139,200,000 into Chen Xing Sichuan. Upon completion of the capital contribution, the shareholding of the Group in Chen Xing Sichuan decreased from 100% to 83.89%. The difference between the contributed amount of RMB139,200,000 net of tax of RMB1,375,000 and the share of net assets of Chen Xing Sichuan by Sichuan Changxing was recorded as capital reserve.

On 24 December 2014 and as part of the reorganisation, the Group acquired Chen Xing from the shareholders of Chen Xing at a cash consideration of RMB203,809,000, which was fully paid in January 2015.

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans is included in note 30 to the financial statements.

35. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a subsidiary that does not constitute a business in the current year.

On 12 December 2018, the Group entered into an equity transfer agreement with Xishuangbanna Haoyuan Tourism Development Co., Ltd. for the acquisition of the 49% equity interest in Jingyuan at an aggregate consideration of approximately RMB256,850,000, of which RMB251,900,000 was for the acquisition of the equity interest in Jingyuan and RMB4,950,000 for the acquisition of loans inclusive of accumulated interests. On 4 January 2019, the Group entered into an equity transfer agreement with Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. for the acquisition of the 51% equity interest in Jingyuan at an aggregate consideration of approximately RMB418,560,000, of which RMB242,720,000 was for the acquisition of the equity interest in Jingyuan and RMB175,840,000 for the acquisition of loans inclusive of accumulated interests. Up to the date of the acquisition, Jingyuan has not carried out any significant business transactions except for holding three parcels of land located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC. Accordingly, the transaction is not accounted for as a business combination but an acquisition of an asset. The acquisition was completed on 29 January 2019 and Jingyuan has become a subsidiary of the Group. The net outflow of cash and cash equivalents included in cash flows from investing activities amounted to RMB617,670,000, representing cash consideration paid of RMB619,061,000 net of cash and cash equivalents acquired of RMB1,391,000. The remaining consideration payable of RMB56,352,000 was included in other payables as at 31 December 2019.

(b) Business combination

On 8 July 2019, the Group acquired 100% equity interest in Real Estate Broker which has not carried out any business operations from an independent third party for the purpose of providing real estate agency services. The purchase consideration for the acquisition was in the form of cash of RMB100,000, which had not been paid as at 31 December 2019.

36. 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	**2,787,064**	2,173,605
Capital contribution payable to joint ventures	**252,950**	2,450
	3,040,014	2,176,055

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to two 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	108

37. 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 RMB3,794,000 and RMB3,794,000, respectively, in respect of lease arrangements for buildings (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2019	—	858,569
Changes from financing cash flows	(2,229)	1,955,900
New leases	3,794	—
Interest expense	187	—
Interest paid classified as operating cash flows	(187)	—
At 31 December 2019	1,565	2,814,469

2018

	Interest-bearing bank and other borrowings RMB'000
At 1 January 2018	446,000
Changes from financing cash flows	412,569
At 31 December 2018	858,569

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(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	**597**
Within financing activities	**2,229**
	2,826

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**1,796,911**	1,545,762

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 for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to those banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends at the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the 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.

39. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Shanxi Wanjia Property Service Co., Ltd. ("Shanxi Wanjia")	Company controlled by the daughter of Mr. Bai Xuankui
Shanxi Wanzhong Heating Co., Ltd. ("Shanxi Wanzhong")	Company controlled by the daughter of Mr. Bai Xuankui
Xi'an Agile Consulting Co., Ltd. ("Xi'an Agile")	Shareholder of a subsidiary
Shanxi Greentown Property	A joint venture
Yunchen Real Estate	An associate
Ms. Bai Lihua	The daughter of Mr. Bai Xuankui

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
Loans to:		
Yunchen Real Estate	**116,294**	—
Interest income from:		
Yunchen Real Estate	**11,740**	—
Operation support fund from:		
Xi'an Agile	**—**	95,717
Operation support fund to:		
Xi'an Agile	**6,993**	—
Property management service from:		
Shanxi Greentown Property	**4,984**	800
Shanxi Wanzhong	**1,319**	—
Shanxi Wanjia	**340**	2,576
	6,643	3,376
Royalty fee to:		
Xi'an Agile	**4,050**	—
Leasing from:		
Ms. Bai Lihua	**480**	—

(b) Other transactions with related parties:

Mr. Bai Xuankui has guaranteed certain of the Group's bank loans up to RMB1,570,000,000 (2018: RMB143,000,000) as at the end of the reporting period (note 30).

39. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

Details of the Group's loans to and outstanding balances with its associate as at the end of the reporting period are included in notes 19 and 24 to the financial statements.

Details of the Group's outstanding balances with its joint ventures, related parties and a director as at the end of reporting period are disclosed in notes 24 and 28 to the financial statements. The balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**2,418**	2,599
Pension scheme contributions	**207**	229
Total compensation paid to key management personnel	**2,625**	2,828

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Mandatorily designated as such RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	—	481,444	—	481,444
Financial assets at fair value through profit or loss	—	—	1,500	1,500
Equity investments at fair value through other comprehensive income	62,898	—	—	62,898
Pledged deposits	—	68,257	—	68,257
Trade receivables	—	5,679	—	5,679
Cash and cash equivalents	—	1,107,248	—	1,107,248
	62,898	1,662,628	1,500	1,727,026

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2019

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**1,036,422**
Financial liabilities included in other payables and accruals	**140,579**
Interest-bearing bank and other borrowings	**2,816,034**
	3,993,035

2018

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss — Mandatorily designated as such RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	373,650	—	373,650
Financial assets at fair value through profit or loss	—	111,774	111,774
Pledged deposits	40,171	—	40,171
Restricted bank balance	103,000	—	103,000
Cash and cash equivalents	1,447,161	—	1,447,161
	1,963,982	111,774	2,075,756

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2018

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	703,162
Financial liabilities included in other payables and accruals	208,309
Interest-bearing bank and other borrowings	858,569
	1,770,040

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, loans to an associate, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to 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 chief financial officer. 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 currant transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the financial assets at fair value through profit or loss, which represent wealth management products issued by banks in Mainland China, 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 financial assets at fair value through profit or loss as at the end of the reporting period was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Management has assessed that the fair values of the non-current portion 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 an independent third party financial institution based on prevailing market interest rates.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	62,898	—	—	62,898
Financial assets at fair value through profit or loss	—	1,500	—	1,500
	62,898	1,500	—	64,398

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 fair value through profit or loss	—	111,774	—	111,774

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

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 for both financial assets and financial liabilities (2018: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, pledged deposits, trade receivables and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, other receivables and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit 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 chief financial officer reviews and agrees policies for managing each of these risks and they are summarised below:

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 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	**0.5%**	**(11,170)**
RMB	**(0.5%)**	**11,170**
2018		
RMB	0.5%	(3,923)
RMB	(0.5%)	3,923

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax RMB'000
2019		
If RMB weakens against HK$	**5**	**7,765**
If RMB strengthens against HK$	**(5)**	**(7,765)**
2018		
If RMB weakens against HK$	5	1,242
If RMB strengthens against HK$	(5)	(1,242)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the reporting period.

The credit risk of the Group's other financial assets, which mainly comprise pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

As at 31 December 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	95,150	556,430	2,529,025	3,180,605
Trade payables	1,036,422	—	—	—	1,036,422
Lease liabilities	—	629	447	530	1,606
Financial liabilities included in other payables and accruals	140,579	—	—	—	140,579
	1,177,001	95,779	556,877	2,529,555	4,359,212
Financial guarantees issued: Maximum amount guaranteed (note 38)	1,796,911	—	—	—	1,796,911

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Year ended 31 December 2018

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	107,133	163,818	670,374	941,325
Trade payables	703,162	—	—	—	703,162
Financial liabilities included in other payables and accruals	208,309	—	—	—	208,309
	911,471	107,133	163,818	670,374	1,852,796
Financial guarantees issued:					
Maximum amount guaranteed (note 38)	1,545,762	—	—	—	1,545,762

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure, which includes total equity, 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 is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings	**2,816,034**	858,569
Total debt	**2,816,034**	858,569
Total equity	**1,374,585**	1,197,827
Gearing ratio	**204.86%**	71.68%

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 January 2020, Chen Xing, a domestic subsidiary of the Group, entered into a short-term loan extension agreement with Yunchen Real Estate, an associate of the Group, pursuant to which Chen Xing provided Yunchen Real Estate with a loan of RMB102,600,000 with the interest rate of 12% per annum for a period of twelve months commencing from 3 January 2020 until 2 January 2021.

(b) At present, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.

44. 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 ASSET		
Investment in a subsidiary	**896**	876
CURRENT ASSETS		
Due from a subsidiary	**337,390**	228,643
Cash and cash equivalents	**37,546**	15,846
Total current assets	**374,936**	244,489
CURRENT LIABILITIES		
Due to a director	**3**	3
Due to subsidiaries	**14,849**	13,333
Total current liabilities	**14,852**	13,336
NET CURRENT ASSETS	**360,084**	231,153
TOTAL ASSETS LESS CURRENT LIABILITIES	**360,980**	232,029
NET ASSETS	**360,980**	232,029
EQUITY		
Share capital	**4,855**	4,003
Reserves (note)	**356,125**	228,026
TOTAL EQUITY	**360,980**	232,029

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	219,418	13,596	(4,035)	228,979
Final 2017 dividend declared	—	—	(81,840)	(81,840)
Total comprehensive income for the year	—	—	83,004	83,004
Exchange differences on translation of foreign operations	—	(2,117)	—	(2,117)
At 31 December 2018 and 1 January 2019	219,418	11,479	(2,871)	228,026
Total comprehensive loss for the year	—	—	(3,305)	(3,305)
Exchange differences on translation of foreign operations	—	6,681	—	6,681
Issue of shares	126,993	—	—	126,993
Share issue expenses	(2,270)	—	—	(2,270)
At 31 December 2019	344,141	18,160	(6,176)	356,125

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 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	**1,307,084**	1,064,690	1,076,685	1,081,989	966,213
Cost of sales	**(955,554)**	(697,999)	(700,354)	(745,308)	(684,824)
Gross profit	**351,530**	366,691	376,331	336,681	281,389
Other income and gains	**39,845**	35,110	25,673	10,248	292,871
Selling and distribution expenses	**(77,560)**	(55,063)	(46,611)	(58,879)	(47,420)
Administrative expenses	**(82,219)**	(73,395)	(45,190)	(38,104)	(60,778)
Other expenses	**(6,957)**	(26,633)	(7,356)	(9,823)	(19,553)
Finance costs	**(22,168)**	(19,679)	(6,806)	(3,763)	(6,894)
Share of profits and losses of:					
Joint ventures	**1,198**	(295)			
Associate	**(10)**	(10)			
PROFIT BEFORE TAX	**203,659**	226,726	296,041	236,360	439,615
Income tax expense	**(88,666)**	(95,540)	(116,473)	(89,398)	(151,583)
PROFIT FOR THE YEAR	**114,993**	131,186	179,568	146,962	288,032
Attributable to:					
Owners of the parent	**106,028**	124,889	170,519	151,832	290,103
Non-controlling interests	**8,965**	6,297	9,049	(4,870)	(2,071)
	114,993	131,186	179,568	146,962	288,032

FIVE YEAR FINANCIAL SUMMARY

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**12,440,981**	8,998,712	6,974,329	6,359,523	5,848,824
TOTAL LIABILITIES	**(11,066,396)**	(7,800,885)	(5,866,625)	(5,297,488)	(4,725,544)
NON-CONTROLLING INTERESTS	**(128,423)**	(118,858)	(88,583)	(79,534)	(84,404)
	1,246,162	1,078,969	1,019,121	982,051	1,038,876

CHEN XING