中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.
Stock Code : 00081

Together We Advance

Annual Report 2019

Contents

Corporate and Shareholders' Information

CORPORATE INFORMATION

REGISTERED OFFICE

Suites 701–702, 7/F., Three Pacific Place
1 Queen's Road East, Hong Kong

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
Website	:	www.cogogl.com.hk

COMPANY SECRETARY

Edmond Chong

SHARE REGISTRAR

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

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

LEGAL ADVISOR

Mayer Brown

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)

Agriculture Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Nanyang Commercial Bank (China) Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch

SHAREHOLDERS' INFORMATION

SHARE LISTING

The Company's shares are listed on the Stock Exchange.

ORDINARY SHARES (AS AT 31 DECEMBER 2019)

Shares outstanding	3,423,359,841 shares

STOCK CODE

SHARES

Stock Exchange	:	00081
Bloomberg	:	81: HK
Reuters	:	0081.HK

INVESTOR RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
E-mail	:	cogo.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
E-mail	:	cogo.pr@cohl.com

FINANCIAL CALENDAR

2019 annual results announcement	20 March 2020
Book closure period for annual general meeting	19 June 2020 to 24 June 2020 (both days inclusive)
Annual general meeting	24 June 2020
Book closure period for final dividend	2 July 2020
Despatch date of final dividend warrant	16 July 2020

Board of Directors and Committees

EXECUTIVE DIRECTORS

Zhuang Yong	*Chairman#*
Yang Lin	*Chief Executive Officer#*
Zhang Guiqing	*former Chief Executive Officer#*
Wang Man Kwan, Paul	*Chief Financial Officer*

NON-EXECUTIVE DIRECTORS

Yan Jianguo	*former Chairman#*
Yung Kwok Kee, Billy	*Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Zhuang Yong#	
Yang Lin#	
Yan Jianguo#	*former Authorized Representative*
Zhang Guiqing#	*former Authorized Representative*
Wang Man Kwan, Paul#	*(former Alternate Authorized Representative to Mr. Zhang Guiqing)*

AUDIT COMMITTEE

Chung Shui Ming, Timpson*
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE

Lam Kin Fung, Jeffrey*	
Yung Kwok Kee, Billy	
Chung Shui Ming, Timpson	
Lo Yiu Ching, Dantes	
Yang Lin#	
Zhang Guiqing#	*former member*

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes*	
Chung Shui Ming, Timpson	
Lam Kin Fung, Jeffrey	
Zhuang Yong#	
Yan Jianguo#	*former member*

* *Committee Chairman*

\# *appointed, redesignated or resigned w.e.f. 11 February 2020.*

Financial Highlights

For the year ended 31 December	2019	2018	Change
Contracted property sales# *(RMB Million)*	**53,732.8**	41,066.5*	30.8%
Key Consolidated Profit and Loss Items *(RMB Million)*			
Revenue	**28,590.9**	21,524.7*	32.8%
Gross profit	**9,527.8**	6,260.7*	52.2%
Gross margin[1]	**33.3%**	29.1%	4.2%^
Profit attributable to owners of the Company	**3,329.7**	2,043.2*	63.0%
Net margin[2]	**11.6%**	9.5%	2.1%^
As at 31 December	**2019**	**2018**	**Change**
Key Consolidated Statement of Financial Position Items *(RMB Million)*			
Inventories of properties	**86,397.3**	59,303.1*	45.7%
Contract liabilities	**54,618.7**	37,923.9*	44.0%
Cash reserves[3]	**27,426.7**	29,145.9*	-5.9%
Total borrowings[4]	**30,789.6**	28,622.6*	7.6%
Net debts/(Net cash)[5]	**3,362.9**	(523.3)*	N/A
Equity attributable to owners of the Company	**19,545.3**	17,040.4*	14.7%
Net gearing[6]	**17.2%**	N/A	N/A
Net asset per share[7] *(RMB)*	**5.7**	5.0*	14.7%
Land Bank *(Thousand sq.m.)*			
Development land reserves#	**24,009.3**	21,340.0	12.5%
Financial Year	**2019**	**2018**	**Change**
Return to Shareholders			
Return on equity[8]	**18.2%**	14.4%**	3.8%^
Earnings per share *(RMB cents)*	**97.3**	61.5*	58.2%
Dividends per share *(HK cents)*	**25.5**	14.2	79.6%

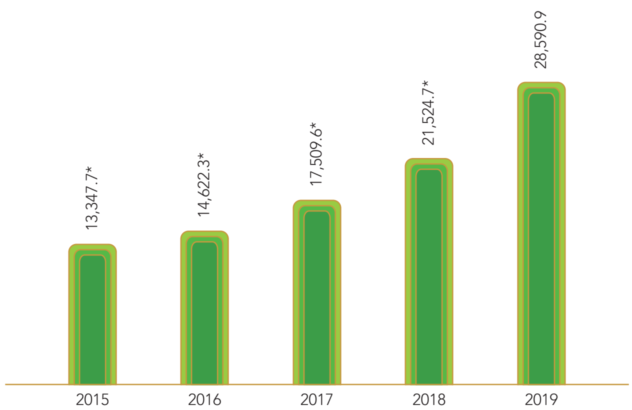
FORMULA OF FINANCIAL INFORMATION

(1) Gross margin	Gross profit / Revenue
(2) Net margin	Profit attributable to owners of the Company / Revenue
(3) Cash reserves	Cash and bank balances + Restricted cash and deposits
(4) Total borrowings	Borrowings + Guaranteed notes payable
(5) Net debts/(Net cash)	Total borrowings – Cash reserves
(6) Net gearing	Net debts / Equity attributable to owners of the Company
(7) Net asset per share	Equity attributable to owners of the Company / Number of Shares outstanding
(8) Return on equity	Profit attributable to owners of the Company / Average capital and reserves attributable to owners of the Company

Note: ^ Change in percentage points
* Re-presented
** Restated
# Included associates and joint ventures

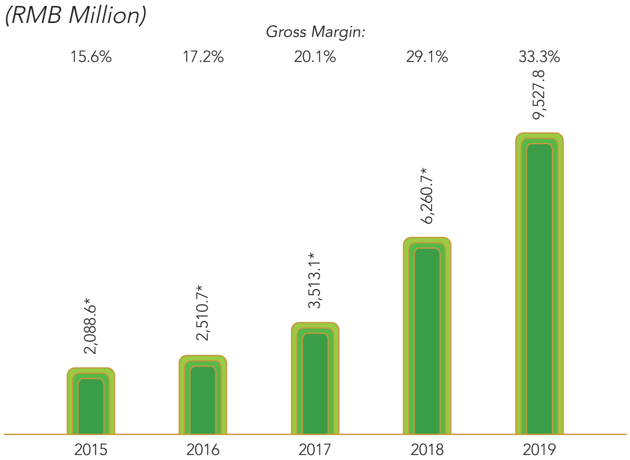
Revenue

(RMB Million)



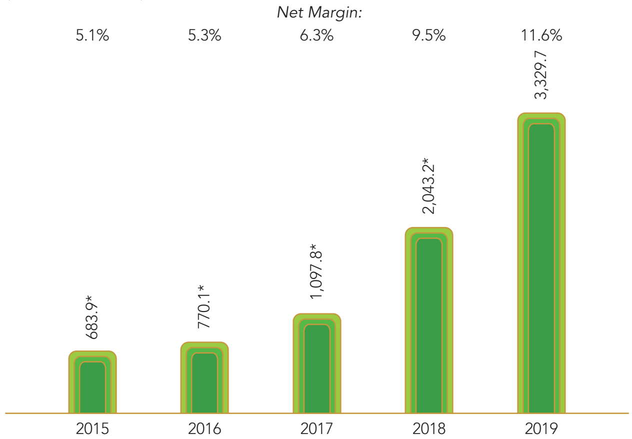
Gross Profit

(RMB Million)



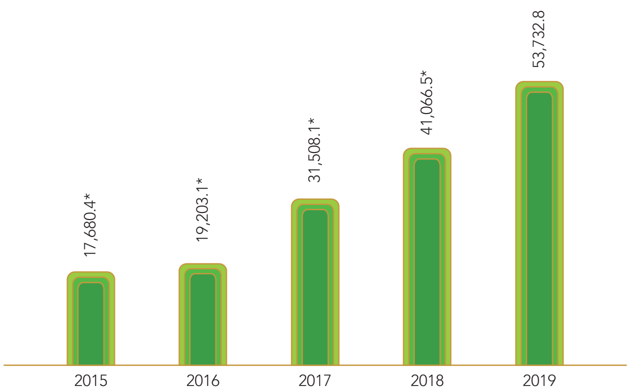
Profit Attributable to Owners of the Company

(RMB Million)

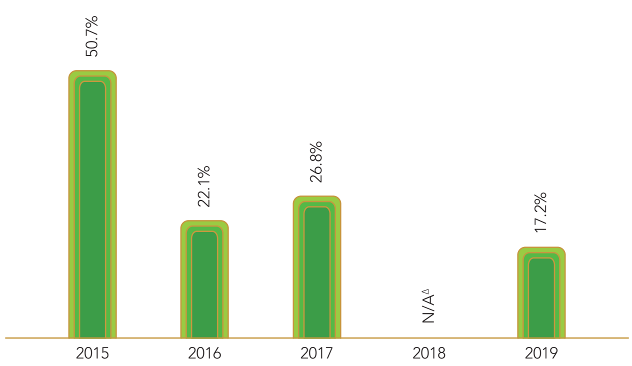


Contracted Property Sales#

(RMB Million)

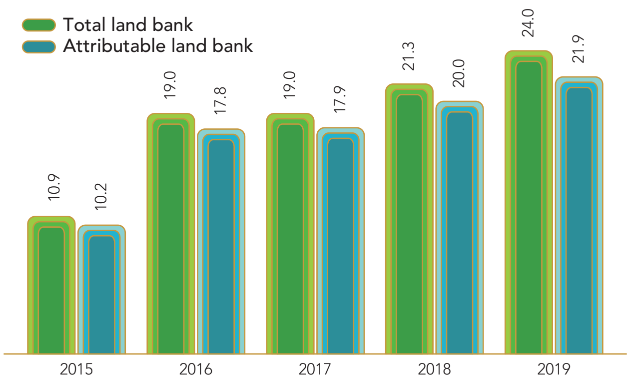


Net Gearing



Land Bank#

(Million sq.m.)



* Re-presented
\# Included associates and joint ventures
Δ Net cash

Hohhot – The Premier Mansion

Chairman's Statement

Ganzhou – The Cullinan

Chairman's Statement

For the year ended 31 December 2019, the Group's revenue increased by 32.8% to RMB28,590.9 million comparing with last year, while profit attributable to owners of the Company was RMB3,329.7 million, 63.0% higher than last year. Basic earnings per share were RMB97.3 cents.

The Group is confident in the development of the property market in China and remains fully committed to achieve sustainable, stable and healthy growth with high quality. In wake of continual progress of urbanization and government's long-term housing policy, the Group has set its sight on the growth in promising emerging cities with the best investment value and high growth potentials in China. Popular cities and popular locations are the primary focus of the project development. Moreover, development of residential properties in the range of middle to high-end remains the core business of the Group.

INTRODUCTION

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

For the year ended 31 December 2019, the Group's revenue increased by 32.8% to RMB28,590.9 million comparing with last year, while profit attributable to owners of the Company was RMB3,329.7 million, 63.0% higher than last year. Basic earnings per share were RMB97.3 cents.

Clouded with the uncertainties arising from the Sino-U.S. trade frictions and global economic slowdown, 2019 was another challenging year. Firmed up by on-going industrial structural upgrade, deepening of supply-side reform and strong economic fundamentals, the national economy, nevertheless, sustained the general stable momentum by pursuing progress while ensuring stability. The GDP of China still recorded a growth of 6.1% year-on-year in 2019. In view of the housing market in China, under the general principle of "housing is for living in, not speculation", enormous efforts were made by the government to promote steady and healthy growth of the real estate market and sustainable urban development. Thus, the property market was generally stable during the year.

Baotou – Glorioushire

The Group continuously evolved innovative marketing strategies and sales tactics to boost property sales. Well-timed promotional campaigns were launched in different cities to seize the best window for property sales. Amid complex market conditions, with relentless and additional sales efforts, the Group still managed to achieve an outstanding sales performance. The contracted property sales attained by the Group, together with its associates and joint ventures for the year, was RMB53,732.8 million (2018: RMB41,066.5 million), representing an increase of 30.8% against last year, which corresponded to an aggregated contracted area of 5,044,400 square meters (sq.m.) (2018: 3,998,500 sq.m.), representing an increase of 26.2% year-on-year. Of the contracted sales, an amount of RMB347.8 million (2018: RMB791.8 million) for an aggregated contracted area of 32,200 sq.m. (2018: 45,600 sq.m.) was contributed by associates and joint ventures. Besides, the balance of preliminary sales at the year-end pending the completion of formal sales and purchase agreements in the pipeline was RMB1,409.3 million for an aggregated contracted area of 116,200 sq.m..

The strong sales performance could not be accomplished without quality products and best of the class customer services. The Group continued to exploit new designs of its property products, enrich its product offerings and improve the quality of its properties to meet the requirements of the increasingly demanding customers. Customer services were also enhanced to provide the customers with premium sales and after-sales experiences.

Nanning – International Community

To support the rapid business growth, management information system and the operational structure have been reviewed and enhanced by the management continuously. The Group is well positioned to tackle the fierce competition in a dynamic business environment.

In line with the business development plan, the Group was active in land acquisition in the year so as to secure a solid foundation for sustainable growth of the business and expand its operating scale gradually. Firmly adhered to its prudent investment principle, the Group replenished and enlarged its land bank with high quality projects at reasonable costs. In a divided market, the Group has been cautious in picking the right cities and land pieces in good value for investment in order to generate good returns to its shareholders. The acquisition of property projects in Weinan, Shaanxi province from China Overseas Holdings Limited completed in August 2019 allowed the Group to extend its property development business to a new city with development potential. On top of that, the Group also extended its footprints to Quanzhou, Fujian province and Qingyuan, Guangdong province during the year. Apart from the projects in Weinan, the Group bagged a total of thirty one parcels of land with a total gross floor area of about 6,192,100 sq.m. (attributable to the Group: 5,390,800 sq.m.) in 2019 and other than the new cities mentioned above, the land pieces are located in Guilin, Shaoxing, Changzhou, Xuzhou, Lanzhou, Jilin, Hohhot, Nanning, Hefei, Nantong, Weifang, Jining, Yangzhou, Shantou, Jiujiang and Yancheng. As at 31 December 2019, the gross floor area of total land bank of the Group and its joint ventures in China reached about 24,009,300 sq.m., of which, about 67,700 sq.m. is held by joint ventures. The gross floor area of land bank attributable to the Group (including the interests in joint ventures) is about 21,941,700 sq.m.. The Group held a land bank distributed in 26 cities as at 31 December 2019.

DIVIDEND

The existing dividend policy remains unchanged that approximately 20-30% of the Group's consolidated net profit attributable to shareholders for each financial year will be distributed by the Company.

The interim dividend paid in October 2019 was HK6 cents per share (2018: HK3 cents per share). After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board of the Company recommended the payment of a final dividend of HK19.5 cents per share (2018: HK11.2 cents per share) for the year ended 31 December 2019. Total dividends for the financial year will, thus, amount to HK25.5 cents per share (2018: HK14.2 cents per share). The dividend payout ratio for the year is 23.0%.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting 2020.

PROSPECTS

THE ECONOMY

Amid tumultuous changes and highly uncertain of political and economic environment whereas "black swans" and "grey rhinos" arrives unexpectedly and suddenly, the Group is committed to achieving a long-term sustainable and stable growth for its shareholders.

In 2020, the central government continued to ensure progress of economy with stability. After months of negotiations, China and the United States signed phase one trade agreement in January 2020, representing the moving forward of trade war to "win-win" situation, which has a positive impact on the long-term development of the Chinese economy.

At present, the outbreak of coronavirus is under control in China, but it is spreading in other countries around the world. The epidemic has dragged down China's economic growth, and the possibility of dragging down global economic growth and triggering a greater crisis is increasing. The Group maintains the prudent financial strategy it has always pursued, with abundant funds, financial stability and significant counter-cyclical.

REAL ESTATE DEVELOPMENT

The property policies aiming at "stabilizing land prices, housing prices, and market expectations" lead the stable and healthy development of the market. The outbreak of coronavirus deferred the release of house purchases demands but would not eliminate it. The "city-specific policies" and "one city, one policy" are more targeted and flexible to address the property market of different locations, which would bring different opportunities for different markets.

In the short term, property sales in the period would be under pressure as a result of the epidemic. Nevertheless, with the measures supporting stable development of the real estate industry have been announced and implemented gradually, property sales are believed to pick up and stabilize progressively. In the medium and long term, while China's economy is progressing with stability, the foundation for a stable and healthy development of property market remains solid. On one hand, urbanization rate may further improve, thanks to the central government's uplift of limits on household registration for cities with permanent resident population under three million, which would promote the growth of population in major third- and fourth-tier cities. Besides, the market orientation reform for interest rates would also further reduce home buyers' purchase costs and increase demand for home purchases. On the other hand, as notable achievements have been attained in the city-specific controlling policies on property market and land pieces have been supplied in a regulated manner, the risks of market volatility have been contained, facilitating the stable development of the property market.

After intensive cultivations in recent years, the Group has earned increasing brand influence and customer satisfaction in different regions. While market shares among the property developers are increasingly concentrated, the Group is confident in its future development and achieving sustainable and healthy growth.

GROUP STRATEGY

In the first quarter of 2020, the Group fought against the widespread of coronavirus with full force that ensured the safety protection of each employee, actively implemented the epidemic prevention and control in its properties and communities, donated anti-epidemic materials to relevant agencies and speeded up the resume of work and production orderly.

In the long-term, the Group is still confident in the development of the property market in China and remains fully committed to achieve sustainable, stable and healthy growth with high quality.

In wake of continual progress of urbanization and government's long-term housing policy, the Group has set its sight on the growth in promising emerging cities with the best investment value and high growth potentials in China. Popular cities and popular locations are the primary focus of the project development. Moreover, development of residential properties in the range of middle to high-end remains the core business of the Group.

The Group continues its efforts in soliciting new projects cautiously, as the management fully believes that it is of paramount importance to build up and maintain a scaled high quality land bank at competitive costs for sustainable growth and maximizing shareholders' returns in long term. At appropriate and sustainable capital and debt structures, the Group will diligently seek for new development opportunities with good returns in an orderly manner.

The development pace of property markets in difference regions of China is not the same. Stick firmly to its prudent investment approach, the Group closely monitors operating environment and land acquisition opportunities in different regions. After undertaking comprehensive reviews and detailed assessments, qualified property projects in cities with high investment value will be selected for business expansion to support the growth of the Group. To further execute strategic development plan, the Group not only will replenish land in its well-performed cities, but will also actively explore to penetrate into some new cities, mainly regional economic centres closed to metropolitan areas and with high growth potential, and districts where synergies can be achieved with the existing cities being operated.

Open market land auction remains the major and most important source of land addition to the Group. However, the Group keeps on exploring diversified land acquisition channels to accelerate the development pace and maintain a balanced land bank with satisfactory investment returns. For right property projects, the Group will continue to develop jointly with reliable business partners, including but not limited to reputable local property developers and trustworthy financial institutions, to broaden its earnings base and balance its risks.

Realizing the importance of value creation to its customers in its long term development, the Group is determined to offer customers with good products and good services. The customer service team maintains close touch with property buyers and potential buyers and conducts market surveys regularly to identify areas for continuous improvement. Through the amelioration of customer experiences, the Group strikes to become the market leader in the area of customer satisfaction and accumulate loyal customers for sustainable business growth.

Developing popular products with high-quality, green, healthy, wisdom and technology remains the focus of product strategies of the Group, amidst keen market competition and growing customer demands on quality properties. The Group adheres to the spirit of excellence in craftsmanship by conducting multi-dimensional research in the aspects of functions and living experiences. The design team establishes research and development workshops to build model houses in the layouts of popular residential products to study and evaluate each product details. Taking into account the characteristics of the cities its projects located, the Group integrates the architectural aesthetics of the East with the West to build its property products with professionalism. With the development and introduction of new products, the Group taps into needs of different customer segments in order to lead the market and safeguard its profitability.

Hefei – Lakeville

In the light of a complicated and ever-changing market condition, the Group pledges to further accelerate the sell-through rate of inventory. The Group continues to closely monitor the business environment and grasp the best timing to launch sales program to promote its products. Innovative marketing methodologies and strategies will continue to be adopted to speed up sales while project development cycle will be optimized to match the rhythm of property sales.

The operating environment is filled with challenges, but also opportunities. The Group will further enhance its management information system and digital platform to facilitate the decision making process so as to improve its competitiveness in this fast-changing industry. Built on the standardized operation systems, the Group will keep on streamlining its operating processes, reinforcing its internal controls, tightening its cost controls and strengthening its risk management system to raise efficiency and effectiveness, and extend its competitive edge and earning capability.

As a responsible corporation strictly observed financial disciplines, the Group maintains professional and prudent financial management of the financial resources and will continue to enhance its financial management capability. Liquidity is critical to a capital intensive business. With financial and capital market becoming more volatile nowadays, cashflow will be monitored closely while debt structure and profile will be reviewed regularly and will be maintained at a healthy level continuously. The Group will closely monitor the impacts from the external political and economic environment, volatility of exchange rate of Renminbi, and national policy changes to the business operations.

The Group realizes that talent capital is key to success and continuous development of its business. The Group will enhance the care services for staff as well as the training and development of diversified talents, maintain an open and inclusive system for recruitment and provide a diversified and customized career path for all level of staff members working in different areas. In addition, the Group will continue to optimize its competitive remuneration package for staff to maintain a professional, dedicated and highly effective team. The Group continues to grow together with its staff.

APPRECIATION

I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group for the year, and our shareholders, customers and business partners for their continued confidence and support.

China Overseas Grand Oceans Group Limited
Zhuang Yong
Chairman and Executive Director

Management Discussion and Analysis

Yangzhou – Grand Polis

Xining – Glorioushire

Management Discussion and Analysis

BUSINESS REVIEW

REVENUE AND OPERATING RESULTS

In 2019, the government maintained the city-specific policies in real estate regulation and controls. Although the property market was generally stable this year, the performances of property market in large, medium and small size cities were not the same, whereas the markets of the Group's property development projects located have been relatively stable. With the increasing scale of business, the Group together with its associates and joint ventures achieved contracted property sales of RMB53,732.8 million for the year (2018: RMB41,066.5 million), representing an increase of 30.8% against last year. Of the contracted sales, an amount of RMB347.8 million (2018: RMB791.8 million) was contributed by associates and joint ventures. For the year ended 31 December 2019, the Group recorded revenue of RMB28,590.9 million, 32.8% increase comparing with RMB21,524.7 million in last year. Gross profit for the year was RMB9,527.8 million, RMB3,267.1 million higher than last year. Gross margin for the year further improved and surged notably by 4.2% against last year to 33.3%, as driven by the increase on the average selling price of the recognized properties revenue.

Shaoxing – The Central Mansion

BUSINESS REVIEW (CONTINUED)

REVENUE AND OPERATING RESULTS (CONTINUED)

The Group continued to increase its marketing activities and also made more use of electronic platforms in sales activities during the year in order to improve sales efficiency. The distribution and selling expenses increased by RMB439.9 million in the year, against the last year to RMB1,148.0 million, which was mainly due to more projects were launched. Nevertheless, the ratio of distribution and selling expenses to the Group's contracted property sales still maintained at the low level of 2.2%. Moreover, as the operating scale has been expanding gradually, administrative expenses for the year increased by RMB185.4 million year-on-year to RMB793.3 million. The ratio of the administrative expenses to revenue maintained at 2.8% compared to last year. The Group still maintained stringent controls over the expenses.

The other operating expenses decreased by RMB103.0 million in the year to RMB31.9 million, which was mainly due to the recognition of a net exchange loss arising from the repatriation of capital of certain projects of approximately RMB118.6 million in last year.

In August 2019, the Group completed the acquisition of a property project company located in Weinan City, Shaanxi province from China Overseas Holdings Limited (the "COHL"), an intermediate controlling shareholder of the Group, at a cash consideration of RMB490.0 million. The Group recorded a bargain purchase gain of approximately RMB4,000 in this acquisition. After the completion of the acquisition, the financial contribution of the project company has reflected in the Group's financial statements.

In respect of the investment properties, taking into consideration of market conditions, customer needs and its business plans, the Group at the end of the year, changed its original plan for a commercial project being constructed in Anning district, Lanzhou, namely "China Overseas Plaza", from development for sales to investment property for leasing out to generate rental income in medium to long-term. The project is expected to have a total rentable area of approximately 46,300 sq.m.. Therefore, a fair value gain of RMB72.2 million from reclassification of inventories of properties to investment properties was recorded in the year. In addition, sales of the China Overseas Building located in Jilin, in form of sub-units, continued and the units were handover to buyers during the year. As such, the Group recognized a profit before taxation of RMB2.4 million (2018: RMB1.8 million) from the disposal.

The Group's three-year term interest rate swap contract with maturity in January 2020 and notional amount of US$40.0 million (swap the interest rate from floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum) recognized a fair value loss of a derivative financial instrument of RMB3.9 million (2018 gain: RMB2.1 million) in income statement for the year. The contract ended at the maturity date stipulated in the contract.

Driven by rise in gross profit, operating profit for the year amounted to RMB8,016.2 million, representing an increase of 54.7% against last year.

The share of profit of joint ventures for the year increased to RMB290.5 million (2018: RMB224.0 million), which was mainly driven by the recognition of profit from properties sales of two property development projects located in Shantou and Hefei respectively.

Share of profit of associates amounted to RMB22.7 million (2018: RMB10.3 million) for the year, which was mainly contributed by an associated company located in Shantou.

In the past year, the financial market was relatively stable that the base rate for RMB borrowing has not changed while the borrowing rates for HK dollar/US dollar increased slightly. The average total borrowings of the year also increased compared with last year and thus, total interest expense increased from RMB1,159.5 million of last year to RMB1,267.4 million this year. Finance costs, after capitalization of RMB1,233.6 million to the on-going development projects, was RMB33.8 million (2018: RMB77.7 million) for the year.

BUSINESS REVIEW (CONTINUED)

REVENUE AND OPERATING RESULTS (CONTINUED)

Income tax expense comprised enterprise income tax and land appreciation tax. Driven by the surge in profit, income tax expense increased by RMB1,565.4 million to RMB4,798.6 million in the year. The effective tax rate of the year decreased by 2.8% compared to last year to 57.8%.

In total, for the year ended 31 December 2019, profit attributable to owners of the Company increased by 63.0% against last year to RMB3,329.7 million (2018: RMB2,043.2 million). Basic earnings per share were RMB97.3 cents (2018: RMB61.5 cents).

LAND BANK

The Group's management believes that a sizable and quality land bank is one of the most important assets to a property developer. During the year, the Group extended its business to three new cities with development potential, which were Quanzhou City (Fujian province), Qingyuan City (Guangdong province) and Weinan City (Shaanxi province). As aforesaid, the property projects in Weinan were acquired from COHL and mainly consisted of residential property development projects at different development stages. Sales of the properties continued in accordance with market conditions and has been generating revenue to the Group. Other than Weinan project, the Group bagged a total of thirty one land parcels in 2019, with a total gross floor area of 6,192,100 sq.m. (attributable to the Group: 5,390,800 sq.m.) for consideration of RMB27,860.4 million. Apart from the aforesaid newly entered cities, these land parcels locate in the districts of Guilin, Shaoxing, Changzhou, Xuzhou, Lanzhou, Jilin, Hohhot, Nanning, Hefei, Nantong, Weifang, Jining, Yangzhou, Shantou, Jiujiang and Yancheng.

As at 31 December 2019, the gross floor area of total land bank of the Group and its joint ventures in China reached 24,009,300 sq.m., of which, 67,700 sq.m. was held by joint ventures. The gross floor area of land bank attributable to the Group (including the interests in joint ventures) was 21,941,700 sq.m.. The Group held a land bank distributed in 26 cities as at 31 December 2019.

In January 2020, the Group entered into the property market of Taizhou City, Jiangsu province by acquiring a land piece. Under the current property market conditions, the Group, sticks firmly to its principle of prudent investment, continues to explore to penetrate into new cities proactively.

SEGMENT INFORMATION

PROPERTY SALES AND DEVELOPMENT

Leveraged with a quality driven national brand name, the Group worked tirelessly in the cities with high investment value and developed various grades of housing products. More renovated flats were built to suit the needs of different markets and customers. The Group aimed at maintaining its leading market position in these cities despite of challenging property market environment.

The Group remained focus at boosting contracted property sales. Riding on the strong sales momentum of last year and benefited from the relative stable market condition of the cities where it had operation, contracted property sales of the Group and its associates and joint ventures for the year ended 31 December 2019 amounted to RMB53,732.8 million (2018: RMB41,066.5 million), for an aggregated contracted area of 5,044,400 sq.m. (2018: 3,998,500 sq.m.), (in which, RMB347.8 million (2018: RMB791.8 million) for an aggregated contracted area of 32,200 sq.m. (2018: 45,600 sq.m.) was contributed by associates and joint ventures) representing an increase of 30.8% and 26.2% respectively against the last year. At year end date, the balance of preliminary sales pending the completion of sales and purchase agreements was RMB1,409.3 million for an aggregated contracted area of 116,200 sq.m..

Total Land Bank:

24.0 million sq.m.

Attributable Land Bank:

21.9 million sq.m.

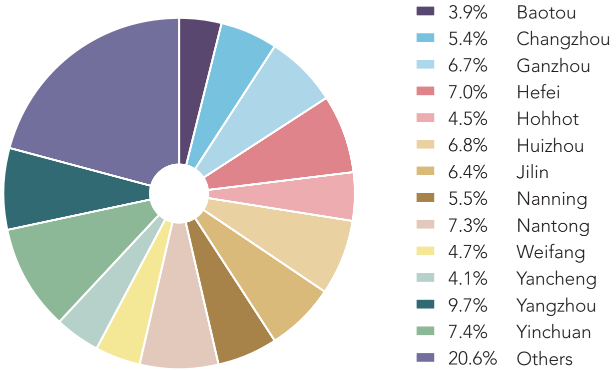
		Total GFA (Thousand sq.m.)	%	Attributable GFA (Thousand sq.m.)	Attributable %
1	Jilin	1,368.3	5.7	1,361.3	6.2
2	Yinchuan	2,308.3	9.6	2,012.9	9.2
3	Hefei	1,208.9	5.0	1,026.2	4.7
4	Nanning	1,239.7	5.2	846.9	3.9
5	Lanzhou	1,290.7	5.4	1,098.6	5.0
6	Ganzhou	735.3	3.1	735.3	3.4
7	Yancheng	661.6	2.8	661.6	3.0
8	Yangzhou	1,343.1	5.6	1,321.1	6.0
9	Nantong	823.6	3.4	557.7	2.5
10	Changzhou	764.8	3.2	764.8	3.5
11	Shantou	2,749.3	11.5	2,675.4	12.2
12	Huizhou	910.7	3.8	910.7	4.1
13	Jiujiang	1,997.9	8.3	1,997.9	9.1
14	Huangshan	249.5	1.0	137.2	0.6
15	Weifang	1,782.9	7.4	1,782.9	8.1
16	Guilin	70.1	0.3	70.1	0.3
17	Xuzhou	735.6	3.1	474.3	2.2
18	Xining	639.0	2.7	639.0	2.9
19	Hohhot	726.9	3.0	726.9	3.3
20	Baotou	578.4	2.4	397.0	1.8
21	Liuzhou	269.4	1.1	188.6	0.9
22	Jining	537.9	2.2	537.9	2.5
23	Quanzhou	508.3	2.1	508.3	2.3
24	Weinan	226.7	0.9	226.7	1.0
25	Qingyuan	180.7	0.8	180.7	0.8
26	Shaoxing	101.7	0.4	101.7	0.5
Total		**24,009.3**	**100**	**21,941.7**	**100**

PROPORTION OF CONTRACTED PROPERTY SALES# BY CITIES

TOTAL PROPERTY SALES:

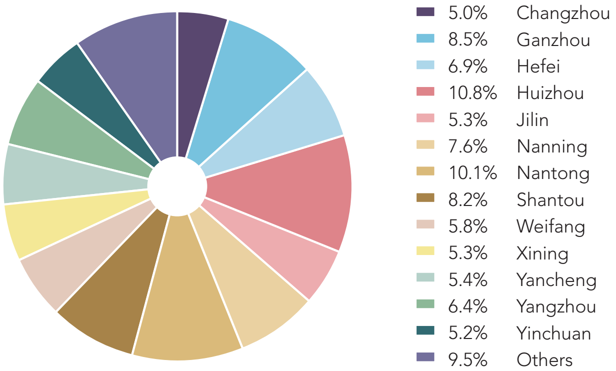
2019

RMB53.7 billion



2018

RMB41.1 billion*

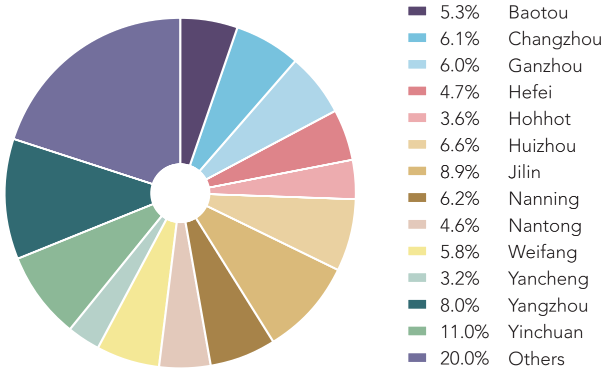


PROPORTION OF CONTRACTED AREA SOLD# BY CITIES

TOTAL CONTRACTED AREA SOLD:

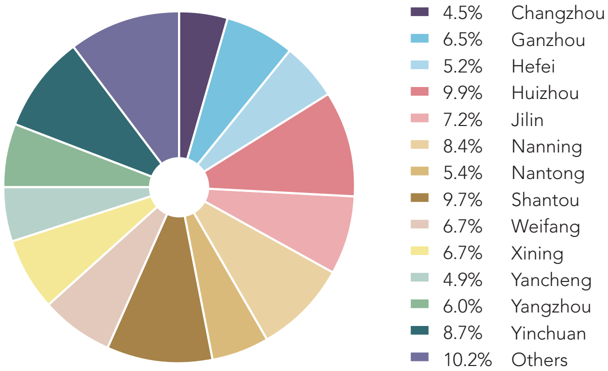
2019

5,044,400 sq.m.



2018

3,998,500 sq.m.



* Re-presented
\# Included associates and joint ventures

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

Contracted property sales from major projects during the year:

City	Name of project	Contracted Area (sq.m.)	Amount (RMB Million)
Yangzhou	Grand Polis	159,616	1,780.8
	Eternal Treasure	110,732	1,636.0
	Gorgeous Mansion	43,953	810.9
	Glory Manor	52,789	587.2
Yinchuan	International Community	411,584	2,772.9
	Mansion Yue	143,598	1,226.4
Nantong	Upper East	161,192	2,712.2
	Times Metropolis	34,348	696.9
	Central Mansion	22,714	443.4
Hefei	Lakeville	117,174	1,909.2
	Royal Villa	39,985	896.9
	Coli City	73,980	890.2
Ganzhou	The Cullinan	92,851	1,363.0
	The Riverside	87,823	859.3
	The Riverside	66,890	750.9
	One Riverside Park	43,332	579.5
Jilin	International Community	149,218	1,340.7
	Overlooking River Mansion	146,832	1,119.4
	The New Metropolis	95,860	614.2
Huizhou	Riverview Mansion	142,021	1,699.2
	Harbour City	82,227	828.6
	The Rosary	47,701	514.1
Nanning	International Community	255,253	2,397.3
	Harrow Community	48,812	539.3
Changzhou	Platinum Mansion	79,360	1,336.2
	Hai Hua Garden	163,407	1,197.2
Weifang	Da Guan Tian Xia	290,290	2,502.6
Hohhot	The Premier Mansion	178,318	2,389.9
Yancheng	Glory Mansion	112,111	1,218.0
	The Paragon	35,883	889.0
Xining	Glorioushire	215,166	2,046.0
Baotou	Glorioushire	256,635	1,984.9
Xuzhou	Treasure Mansion	108,975	1,202.7

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

Progress for all development projects was satisfactory and largely in line with the construction programs. During the year, gross floor area of nearly 3,256,200 sq.m. of construction sites were completed for occupation and of which, about 97% was sold out by year end. While the Group continuously accelerated the property sales, it also seized opportunities, after cautious assessment, to acquire quality land pieces with high investment potential at reasonable prices to safeguard its healthy financial position and achieve sustainable development scale.

For the year ended 31 December 2019, revenue from property sales increased by 33.1% against last year to RMB28,317.2 million (2018: RMB21,274.5 million). Same as last year, revenue for the year was mainly recognized from the sales of high-rise residential projects.

As a result of stable property market in the past few years, selling prices of the properties handed over and recognized in the year increased, leading to the growth of the gross profit margin from 28.6% of last year to 33.0% this year.

Following the recognition of profit from projects gradually, the net profits contribution from the associate and joint ventures was RMB309.0 million (2018: RMB230.1 million). The project development progress and returns are in line with expectation.

In addition, the segment result included a fair value gain of RMB72.2 million on a reclassification of inventories of properties to investment properties as described above.

Hence, the segment result increased by 56.6% to RMB8,262.2 million (2018: RMB5,276.3 million) for the year.

Weifang – Da Guan Tian Xia

Beijing – Maple Palace

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

Recognized revenue from major projects during the year:

City	Name of project	Contracted Area (sq.m.)	Amount (RMB Million)
Huizhou	Harbour City	181,291	2,185.8
	Triumph Town	125,824	1,468.0
	Huizhou Tangquan	5,481	160.4
Nantong	Central Mansion	66,906	1,550.0
	The Aqua	88,791	842.5
	Upper East	31,045	612.6
Yangzhou	Grand Polis	93,046	1,000.7
	Glory Manor	62,486	799.1
	Eternal Treasure	43,474	598.6
	Yangzhou Jiajing	35,341	431.1
Nanning	International Community	238,359	2,477.5
Shantou	La Cite	206,411	1,778.2
	Huating	70,255	472.6
Jilin	International Community	289,655	2,231.7
Ganzhou	International Community	180,835	1,803.5
Yancheng	The Glorious	143,266	1,644.4
Lanzhou	Dynasty Court	76,809	799.5
	China Overseas Plaza	74,286	761.6
Weifang	Da Guan Tian Xia	88,873	827.1
Changzhou	The Phoenix	76,860	796.4
Yinchuan	International Community	108,318	719.7
Hefei	Coli City	52,239	639.7

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

In addition to the above, the following projects had commenced the construction work in the year:

City	Name of project	Construction commenced
Lanzhou	Platinum Pleased Mansion	January 2019
Yangzhou	Upper East	April 2019
Guilin	Patrimonial Mansion	June 2019
Quanzhou	Glorious	June 2019
Baotou	PT Hyatt (Previously named as "Xindoushi District Project #2")	September 2019
Nanning	Celestial Heights	September 2019
Changzhou	Clouds Fairyland	October 2019
Jilin	Glorioushire	October 2019
Lanzhou	China Overseas Platinum Garden	November 2019
Nantong	Jade Park	November 2019
Qingyuan	One Lake Vision	November 2019
Shaoxing	The Central Mansion	November 2019
Hefei	Central Mansion	December 2019
Hohhot	He Shan Da Guan	December 2019
Quanzhou	River View Mansion	December 2019
Xuzhou	The Platinum Pleased Mansion	December 2019

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 195 to page 208 in the annual report.

At year end date, the gross floor area of properties under construction and stock of completed properties amounted to 14,341,400 sq.m. and 838,400 sq.m. respectively, totaling 15,179,800 sq.m.. Properties with gross floor area of 8,316,300 sq.m. had been contracted for sales and were pending for handover upon completion.

SEGMENT INFORMATION (CONTINUED)

PROPERTY LEASING

As described above, sales of China Overseas Building, located in Jilin, in the form of sub-unit continued and approximate 95% of the gross floor area of the building was hand over to the buyers.

For the year ended 31 December 2019, rental income increased by RMB4.6 million year-on-year to RMB192.6 million (2018: RMB188.0 million). The leasing business remained stable in general. The contribution from the joint venture was RMB4.2 million (2018: RMB4.2 million). Therefore, the segment profit, after factoring in the gain on disposal of investment properties of RMB2.4 million, increased by RMB7.3 million year-on-year to RMB148.2 million (2018: RMB140.9 million).

At year end date, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were 92% (31 December 2018: 88%) and 95% (31 December 2018: 87%) respectively. The construction works progress of China Overseas Plaza in Anning District, Lanzhou is in line with the plan. The leasing activities of the relevant commercial units have commenced and the pre-lease rate has reached 53%. The plaza is expected to open in late 2020. The Group wholly owns the Beijing and Lanzhou properties while it holds 65% of the Shanghai project.

Changzhou – Platinum Mansion

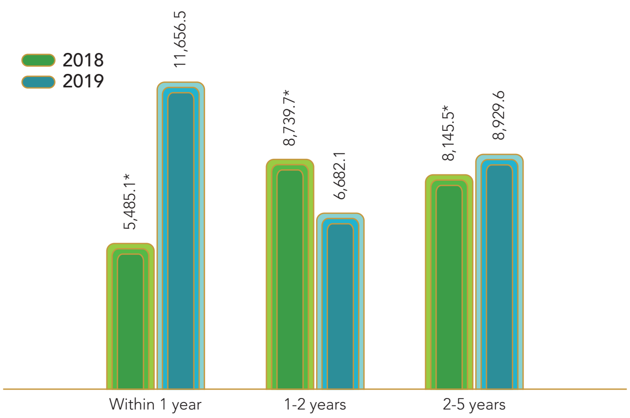
FINANCIAL RESOURCES AND LIQUIDITY

The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. The Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements in working capital, refinancing and project development.

As at 31 December 2019, net working capital amounted to RMB37,798.4 million (31 December 2018: RMB36,912.1 million), with a quick ratio of 0.5 (31 December 2018: 0.6).

Debt# Maturity Profile

(RMB Million)

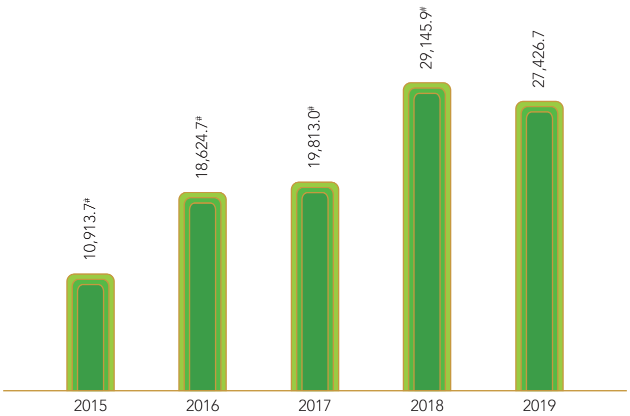


excluding guaranteed notes payable

* Re-presented

During the year, the Group secured new credit facilities of approximately RMB15,301.5 million from leading financial institutions. After taking into account drawdowns of RMB13,115.5 million, repayment of loans of RMB8,457.2 million and increase of RMB239.6 million due to translation of RMB loan, total bank and other borrowings (exclude the guaranteed notes payable of RMB3,521.4 million) increased by RMB4,897.9 million to RMB27,268.2 million as compared to the end of last year.

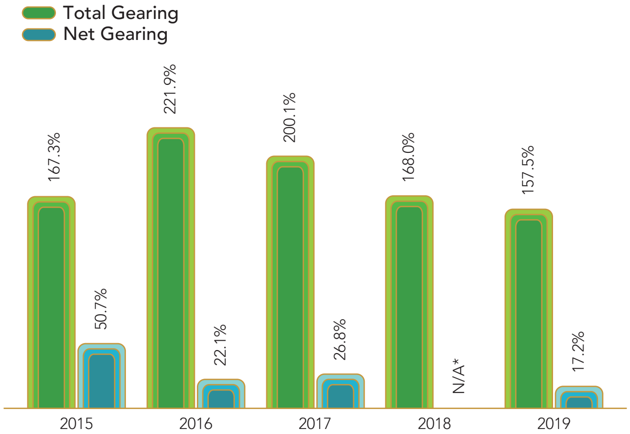
Cash Reserves
(RMB Million)



The Group has unutilized bank credit facilities of RMB8,522.7 million as at 31 December 2019

Re-presented

Gearing Ratio



* Net cash

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

Of the total bank and other borrowings, RMB loan amounted to RMB16,026.6 million while the Hong Kong Dollar loan and US Dollar loan amounted to HK$12,235.0 million and US$40.0 million respectively (totally RMB11,241.6 million). As at year end, interests of borrowings amounted to RMB1,300.0 million were charged at fixed rate from 3.8% to 5.2% while the remaining borrowings of RMB25,968.2 million were charged at floating rates with a weighted average of 4.60% per annum. About 42.7% of bank and other borrowings is repayable within one year.

In respect of guaranteed notes, upon the redemption of the US$400 million 5.125% guaranteed notes on mature date in January 2019, the total amortized cost payable of the guaranteed note amounted to RMB3,521.4 million as at 31 December 2019.

Properties sales for the year increased significantly and sales deposits collection was satisfactory. Cash and bank balances plus restricted cash and deposits was RMB27,426.7 million in total as at 31 December 2019 (31 December 2018: RMB29,145.9 million). Of which, 99.1% is denominated in RMB while the remaining is in US Dollar and Hong Kong Dollar.

As at 31 December 2019, the Group's net gearing ratio was 17.2% (31 December 2018: net cash). The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company. The management believed that maintaining a strong financial position was crucial in a complicated and uncertain market environment.

Taking into account of the unutilized bank credit facilities available to the Group of RMB8,522.7 million, the Group's total available funds (including restricted cash and deposits of RMB10,671.3 million) reached RMB35,949.4 million as at 31 December 2019. Observed financial disciplines strictly, the operational and financial position of the Group remains healthy. The Group would ensure continual fulfillment of the financial covenants as agreed with different financial institutions and maintain sufficient resources to satisfy its commitment and working capital needs.

In terms of capital management, the Group implements centralized financing and treasury policies to ensure efficient fund utilization.

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

The Group manages its capital structure with the objective to maximize its shareholders' returns in the long term by maintaining a healthy financial position, sustainable gearing structure and reasonable finance costs in the built-up of an optimal operation scale.

To support the growth of the business, the Group would closely monitor the financial market and explore opportunities to enter into appropriate long-term financing to further optimize its debt profile and strengthen its capital structure continuously.

Except for the aforesaid interest rate swap contract matured in January 2020, the Group did not have any financial derivatives either for hedging or speculative purpose as at 31 December 2019.

The Group regularly re-evaluates its operational and investment position and endeavour to improve its cash flow and minimize its financial risks.

CHANGE TO RMB AS PRESENTATION CURRENCY

The Group's cash flows on revenues, cost and expenses are primarily generated in RMB, and are expected to remain principally denominated in RMB in the future business operation. The Group changed the currency in which it presents its consolidated financial statements for the year ended 2019 from HK dollars to RMB, in order to better reflect the underlying performance and position of the Group. The comparative figures in the consolidated financial statements have also been restated accordingly. For further details regarding the change of presentation currency, please refer to note 3.3 to the financial statements.

FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in that operations. However, as at 31 December 2019, about 52% and 48% of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, take into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to Hong Kong Dollar fell by 2.2% in the year and accordingly, the net asset value of the Group decreased by RMB302.8 million.

The Group would continue to closely monitor the volatility of the RMB exchange rate. In view of the current lower finance costs for borrowings in Hong Kong Dollar and the benefits of keeping diversified funding channels in business development, the management, after balancing the finance cost and foreign currency risks, would review its financing strategy regularly to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt and also explore different financing tools to minimize the foreign exchange risk.

COMMITMENTS AND GUARANTEE

As at 31 December 2019, the Group had commitments totaling RMB17,721.1 million which related mainly to land costs, property development and construction works. In addition, the Group issued guarantees to banks totaling RMB30,453.6 million for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling RMB95.8 million approximately during the year, mainly referred to additions in hotel construction in progress.

On the other hand, as at 31 December 2019, certain property assets in China with aggregate carrying value of RMB1,416.6 million were pledged to obtain RMB129.0 million of secured borrowings from certain banks in China for the projects.

EMPLOYEES

As at 31 December 2019, the Group has 2,516 employees (31 December 2018: 2,156). The increase in the number of employees was mainly due to business growth and expansion of operating scale.

The Group is keen to motivate and retain talent and reviews the remuneration policies and packages on a regular basis to recognize employee contributions and respond to changes in the employment market. The total staff costs incurred for the year ended 31 December 2019 was approximately RMB765.9 million (2018: RMB593.0 million). The pay levels of the employees are determined based on their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance while other remuneration and benefits, including the provident fund contributions/retirement pension scheme, remained at appropriate levels. Different trainings and development opportunities continued to be offered to sharpen employees' capabilities to meet the pace of business growth.

KEY RISKS FACTORS AND UNCERTAINTIES

The Group monitors the development of the industry on regular basis and timely assesses different types of risks in order to formulate proper strategies to minimize the impact to the Group. The following contents list out the key risks and uncertainties identified by the Group:

INVESTMENT RISK

The property market in China diverges with uneven growth among different cities and districts. Under the city-specific policies, it is critical for the Group to replenish and acquire suitable land bank at suitable sites at reasonable price for healthy and continuous growth.

The Group sticks firmly to its prudent investment approach and expands its operating scale in an organized manner. The Group would continue to perform comprehensive due diligence review on new business opportunities and selected cautiously appropriate projects meeting its requirements for investment. At the same time, co-operation with strong and reputable corporations for developing projects jointly are considered to balance risks and rewards.

DEBT REPAYMENT RISK

The financial market is complicated and fast-changing. Cash flow management is one of the major business risks of property development business, which is capital intensive in nature. The risk is mainly arising from lower than expected cash collection from sales and failure to refinance debt upon maturity.

To preserve sufficient cash flow and safeguard financial health, the Group would continue to expedite property sales and cash collection, remain discreet in land bank replenishment, harmonize the development pace with market conditions and strengthen stock management. The Group would continue to maintain the satisfactory relationships with financial institutions and ensure continual fulfillment of the financial covenants. Besides, the Group would also further explore opportunities of different financing accesses to broaden its funding channels.

KEY RISKS FACTORS AND UNCERTAINTIES (CONTINUED)

FOREIGN EXCHANGE RISK

Over the past few years, the exchange rate of RMB has been increasingly market oriented and fluctuated according to the global economic environment. As aforesaid, under the existing debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

To better manage its exchange rate risk, the Group has gradually adjusted the proportion of RMB loan in its entire borrowings portfolio according to market situation. The Group would continue to actively monitor the volatility of RMB exchange rate and after balancing the finance cost and risks, would review the financing strategy constantly to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt at appropriate time and also explore different financing tools to minimize the foreign exchange risk.

MARKET RISK

China's real estate market is susceptible to different factors such as government policies and regulations, economic growth, social environment, customer demands, etc.

The Group is kept abreast with the changes in business environment and regulatory, and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Benefited from the national brand for excellence product, the Group would develop different types of properties tailored for different customers in different regions and enhance customer services. Moreover, the Group would alter the construction program of the projects to match the sales progress so that the stock level could be optimized while the supply of properties could still be warranted.

PRODUCT QUALITY RISK

Property developer has to manage the risk of work quality of major contractors. Reputation of the developer would be dampened by sub-standard housing products arising from improper work procedures and poor site management.

With extensive experience in the property development business, the Group has established a well-defined quality assessment system and would strictly regulate the construction work process in order to ensure smooth running and quality of the property development projects.

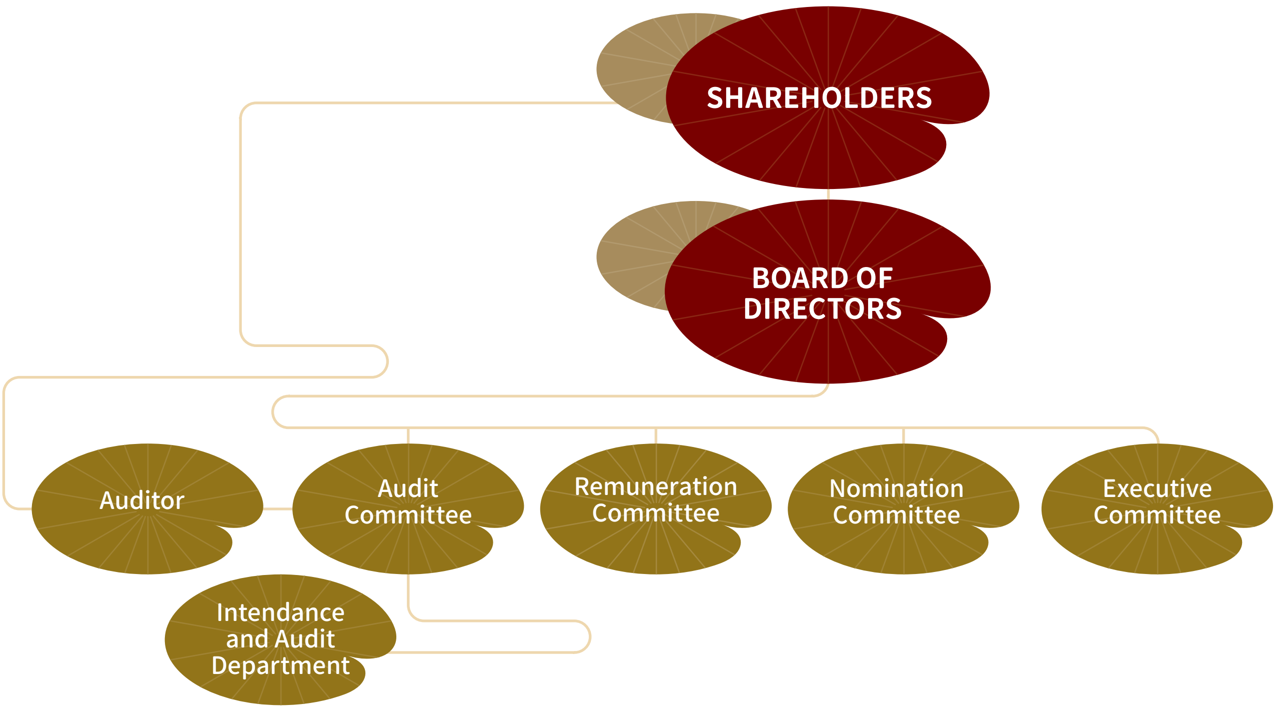
Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group strives to raise the standards of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our commitment to maintain transparency and accountability to maximise the value of our shareholders as a whole.

CORPORATE GOVERNANCE STRUCTURE

The following are the key players involved in ensuring the application of good governance practices and policies within the Group and their major roles and explanations of their corporate governance practices and policies are set out in the following report:



BOARD OF DIRECTORS

MANAGEMENT FUNCTIONS

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as the Company's business strategies, budgets, major investments as well as mergers and acquisitions. With respect to the day-to-day operations of the business, the Board has delegated its powers to the Executive Committee and the management. In addition, the Directors have acknowledged that the principal responsibilities of the Board include supervising and administrating the operation and financial position of the Company, enhancing corporate governance practices and promoting the communication with its shareholders.

BOARD OF DIRECTORS (CONTINUED)

BOARD COMPOSITION

Our Board currently comprises eight members drawn from diverse and complementary backgrounds and experience:

Name of Directors	Background*
Mr. Zhuang Yong *(Chairman and Executive Director)* *Appointed w.e.f. 11 February 2020*	General corporate management
Mr. Yang Lin *(Executive Director and CEO)* *Redesignated as CEO w.e.f. 11 February 2020*	Property development and general corporate management
Mr. Wang Man Kwan, Paul *(Executive Director and CFO)*	Finance and investment
Mr. Yan Jianguo *(Non-executive Director)* *Resigned as Chairman and redesignated as Non-executive Director w.e.f. 11 February 2020*	Construction business, real estate investment and management
Mr. Yung Kwok Kee, Billy *(Vice Chairman and Non-executive Director)*	Property development and general corporate management
Dr. Chung Shui Ming, Timpson *(Independent Non-executive Director)*	Finance and investment
Mr. Lam Kin Fung, Jeffrey *(Independent Non-executive Director)*	General corporate management
Mr. Lo Yiu Ching, Dantes *(Independent Non-executive Director)*	Construction and public administration

Mr. Zhang Guiqing resigned as Chief Executive Officer and Executive Director with effect from 11 February 2020 due to a change in his work posting. On 7 February 2020, the Board accepted the recommendation of the Nomination Committee and appointed Mr. Zhuang Yong as Chairman and Executive Director with effect from 11 February 2020.

* *Full biographies of the Directors are set out in the section headed "Directors and Organization" of this annual report.*

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules regarding the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

The Board has received annual written confirmation of independence from each of the Independent Non-executive Directors and believes that, as at the date of this annual report, all Independent Non-executive Directors are independent of the Company in accordance with the relevant requirement of the Listing Rules.

BOARD OF DIRECTORS (CONTINUED)

BOARD COMPOSITION (CONTINUED)

Pursuant to the Code A.4.3 of CG Code, serving more than nine years could be relevant to the determination of a non-executive director's independence. Although Dr. Chung Shui Ming, Timpson has been serving as Independent Non-executive Director for more than nine years, the Directors opined that he still has the required character, integrity, independence and experience to fulfill the role of an Independent Non-executive Director. The Directors consider that there is no evidence that length of tenure has an adverse impact on independence of the Independent Non-executive Directors and the Directors are not aware of any circumstances that might influence Dr. Chung in exercising his independent judgement. Based on the aforesaid, the Directors concluded that despite his length of service, he will continue to maintain an independent view of the Company's affairs and bring his relevant experience and knowledge to the Board.

CHAIRMAN AND CEO

The roles between the Chairman of the Board and the Chief Executive Officer are separate to ensure a balance of power and authority.

During the financial year under review, Mr. Yan Jianguo was the Chairman of the Board to lead and manage the Board. He was also responsible for ensuring that before any meeting was held, all Directors received complete and reliable information in a timely manner and the Directors were properly briefed on issues arising at the meetings. He also ensured that the Board worked effectively and discharged its responsibilities; good corporate governance practices and procedures were established; and appropriate steps were taken to provide effective communication with shareholders and those views of shareholders were communicated to the Board as a whole. The Chairman also held meeting annually with the Independent Non-executive Directors to discuss corporate governance and other matters without other Directors present. Since 11 February 2020, Mr. Zhuang Yong has been appointed as Chairman of the Board in place of Mr. Yan Jianguo.

During the financial year under review, Mr. Zhang Guiqing was the Chief Executive Officer of the Company, responsible for the implementation of strategies and objectives set by the Board and for day-to-day management of the Company's businesses. Since 11 February 2020, Mr. Yang Lin has been appointed as Chief Executive Officer of the Company in place of Mr. Zhang Guiqing.

APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with the articles of association of the Company, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

All Directors have entered into service contracts with the Company. All Independent Non-executive Directors are appointed for a term of three years commencing from 1 August 2017 and the other Directors are not appointed for a specific term of office.

Code A.4.1 of CG Code stipulates that non-executive directors should be appointed for a specific term. Two Non-executive Directors of the Company are not appointed for a specific term, however, they are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a set of code of conduct for securities transactions by Directors (the "Code of Conduct"), the terms of which are not less exacting than the Model Code.

Having made specific inquiries to all Directors, the Company can reasonably confirm that the Directors had complied with the Code of Conduct throughout the year of 2019.

DIRECTORS AND OFFICERS LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

BOARD OF DIRECTORS (CONTINUED)

SUPPLY OF AND ACCESS TO INFORMATION

Full Board or committee meeting papers will be sent to all Directors or members of committees of the Board at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to the Group's businesses and have separate and independent access to senior management.

DIRECTORS' TRAINING

According to the records of training maintained by the Company, during the financial year under review, all the Directors have participated continuous professional developments to refresh their knowledge and skills. Details of the type of training they received are set out as follows:

Name of Directors	Type of Training *(see remarks)*
Mr. Yan Jianguo	A, B, C
Mr. Yung Kwok Kee, Billy	C
Mr. Zhang Guiqing*	A, B, C
Mr. Yang Lin	A, C
Mr. Wang Man Kwan, Paul	A, B, C
Dr. Chung Shui Ming, Timpson	A, C
Mr. Lam Kin Fung, Jeffrey	A, C
Mr. Lo Yiu Ching, Dantes	A, C

* *resigned as Executive Director and Chief Executive Officer with effect from 11 February 2020*

Remarks:

A: *attending seminars or trainings*

B: *giving talks at seminars*

C: *reading materials relevant to the director's duties and responsibilities*

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under laws, regulations and especially the governance policies of the Company.

CORPORATE STRATEGY AND BUSINESS MODEL

Details of the Group's strategy, business model and financial review in the year 2019 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" section on pages 7 to 29 of this annual report.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

ACCOUNTABILITY AND AUDIT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has implemented effective systems of risk management and internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, reliable financial information are provided for management and publication purposes and significant investment and business risks affecting the Group are identified and properly managed. Furthermore, these systems help the Group comply with applicable laws and regulations, and also internal policies with respect to the conduct of businesses of the Group. However, they are designed to manage rather than eliminate the downside risk to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established the Intendance and Audit Department (the "Department") so as to enhance a good internal control environment. The Department provides risk management and internal control assessment reports to the management on a regular or ad hoc basis.

The Company establishes the following principal management policies to improve its internal control systems:

- Management Measure for Project Companies
- Management Measure for Appointment
- Management Measure for Employee's Welfare
- List of Responsibility for Production Safety
- Investment Management Policy
- Management Measure for Non-open Market Investment
- Disciplinary Inspection and Supervision Work Policy
- Management Measure for Employee's Declaration of Personal Interest and Anti-corruption Filing
- Management Measure for Anti-corruption Investigation
- Audit Management Policy
- Risk Management Measure

According to the annual audit schedule, the Department has completed the audits in respect of the overall operating conditions of Huizhou Company, Yangzhou Company, Shantou Company, Xuzhou Company, Weifang Company, Zibo Company and Ganzhou Company. The Department prepared the respective audit reports and the subject companies have rectified any system weakness in a timely manner in accordance with the opinion set out in the audit reports.

In addition to carrying out the routine audit, the Department has carried out a special audit on the customer service of the Company. The Department conducted audits for all district companies, and on-site review inspections in nine district companies, including Yancheng and Changzhou, and provided advice and recommendation on how to resolve various issues discovered during the audit process.

Since 2017, the Department has enhanced the supervision of rectifying issues identified during the audit process by requiring the subject unit to report the progress of audit issue rectification biannually and by recording such progress in a register.

ACCOUNTABILITY AND AUDIT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

In addition, the Department also regularly reviews and reports to the Audit Committee and the Board on risk management and internal control affairs of the Company on half-yearly basis. In the report, the Department will discuss the principal business risk faced by the Company and confirm whether the risk management and internal control systems are effective. The Audit Committee will review and evaluate the business risk and the measures to manage such risk. The Audit Committee will also review the Department's findings concerning business and operation control systems and action plans to address any control system weakness. In addition, the external auditors also discuss with the Audit Committee concerning any control issues identified in the course of their audit. After reviewing the effectiveness of the internal control systems, the Audit Committee will then report to the Board any weakness in the system and recommendations to manage the business risk and rectify any control weakness.

The Board is responsible for and has reviewed the efficiency of risk management and internal control systems of the Company and its subsidiaries in aspects such as financial reporting, operation and regulatory compliance throughout the year of 2019 and the Board considers that these systems are effective and efficient. No significant system weaknesses have been identified in the reviews during the year and appropriate actions are also taken to rectify any control deficiencies, if any. The Directors believe that these systems are efficient and effectively control the risks that may have impacts on the Company in achieving its goals.

The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting function, and their training programmes and budget.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company regularly reminds the Directors, senior management and employees about due compliance with all policies regarding the inside information and keeps them appraised of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified on observing the restrictions from time to time pursuant to the relevant requirements.

DELEGATION BY THE BOARD

BOARD PROCEEDINGS

The Board held five meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions, disposals and connected transactions, if any. All Directors can give notice to the Chairman or Company Secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, notice of at least 14 days or sufficient notice of meeting was sent to each Director to promote better attendance.

After meetings, draft and final versions of all minutes for Board meetings and committee meetings will be sent to all Directors and committee members for review. The approved minutes are kept by the Company Secretary, and the Board and committee members may inspect the documents at anytime.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the Company has followed procedures and complied with all applicable laws and regulations. Where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company.

DELEGATION BY THE BOARD (CONTINUED)

BOARD PROCEEDINGS (CONTINUED)

To safeguard their independence, Directors are required to declare their interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting. In 2019, due to a potential conflict of interest, Mr. Yan Jianguo had abstained from voting in two Board meetings and Mr. Yang Lin in one Board meeting. In addition, physical Board meetings will be held to consider all material connected transactions or any transactions in which a substantial shareholder or a Director has material interest.

BOARD COMMITTEES

Currently, the Board has set up four committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company.

EXECUTIVE COMMITTEE

Major responsibilities and functions of the Executive Committee are as follows:

- To review and approve loans or banking facilities to be granted to the Group and the opening of bank or securities related accounts matters;
- To review and monitor training and continuous professional development of Directors and senior management;
- To oversee all matters and to formulate policies in relation to the Company's corporate governance functions; and
- To deal with any other specific business delegated by the Board.

The Board approved the amendment to the terms of reference of the Executive Committee on 18 June 2019. The composition of the Executive Committee was amended from the Chairman of the Board and all Executive Directors of the Company to all Executive Directors of the Company.

During the year, the Executive Committee held 20 meetings (amongst other matters):

- To review and approve various bank loans and facilities;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- To bring the members of the Board up-to-date on the latest developments of regulatory issues and corporate governance.

AUDIT COMMITTEE

The principal duties of the Audit Committee are as follows:

- To review the financial statements of the Group;
- To review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls and risk management; and
- To review risk management and monitor the scope, effectiveness and results of internal audit function.

The Audit Committee comprises three members, namely Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, all of whom are Independent Non-executive Directors. The Audit Committee is chaired by Dr. Chung Shui Ming, Timpson. For the purpose of reinforcing their independence, there should be at least one member of the Audit Committee with appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

DELEGATION BY THE BOARD (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

During the year, the Audit Committee held four meetings and has reviewed:

(i) the Group's financial reports for the year ended 31 December 2018, interim and quarterly results;

(ii) the audit plans from the external auditor;

(iii) the internal and independent audit results;

(iv) the connected transactions entered into by the Group;

(v) change of presentation currency in the financial statements of the Group;

(vi) risk management, internal control and financial reporting systems; and

(vii) the re-appointment of the external auditor and their remuneration.

The Audit Committee also met with the auditor twice a year in the absence of management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

REMUNERATION AND NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION COMMITTEE

The principal duties of the Remuneration Committee are as follows:

- To make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management;
- To make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management; and
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration of the Directors approved by the shareholders of the Company is determined by the Board with reference to certain factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors and employment conditions.

The Remuneration Committee has the following members, the majority of whom are Independent Non-executive Directors:

- Mr. Lam Kin Fung, Jeffrey (Chairman)
- Mr. Yung Kwok Kee, Billy
- Dr. Chung Shui Ming, Timpson
- Mr. Lo Yiu Ching, Dantes
- Mr. Zhang Guiqing (resigned w.e.f. 11 February 2020)
- Mr. Yang Lin (appointed w.e.f. 11 February 2020)

During the year, the Remuneration Committee held one meeting and has reviewed:

(i) the remuneration policy of the Group and Directors' remunerations; and

(ii) the remuneration package of individual Directors.

NOMINATION COMMITTEE

The following are major responsibilities and duties of the Nomination Committee:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board;
- To identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;

DELEGATION BY THE BOARD (CONTINUED)

NOMINATION COMMITTEE (CONTINUED)

- To assess the independence of Independent Non-executive Directors; and

- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Board has adopted a board diversity policy effective on 29 July 2013 (the "Diversity Policy"). The Diversity Policy requires that all Board appointments shall be based on merit and selection of candidates shall be based on a range of diversity factors. The Nomination Committee is responsible for developing measurable objectives to implement the Diversity Policy and for monitoring progress towards the achievement of these objectives.

As at the date of this annual report, the Board comprises eight Directors and three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process.

In addition, a proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are experienced and high calibre individuals. All candidates must be able to meet the standards and criteria set out in the Listing Rules and the Company's nomination policy which has been adopted by the Board in October 2018 (the "Nomination Policy").

The Nomination Committee has the following members, the majority of whom are Independent Non-executive Directors:

- Mr. Lo Yiu Ching, Dantes (Chairman)

- Mr. Yan Jianguo (resigned w.e.f. 11 February 2020)

- Mr. Zhuang Yong (appointed w.e.f. 11 February 2020)

- Dr. Chung Shui Ming, Timpson

- Mr. Lam Kin Fung, Jeffrey

During the year, the Nomination Committee held one meeting and has reviewed the rotation and appointment of Directors.

On 7 February 2020, the Nomination Committee held a meeting to review and discuss the suitability of Mr. Zhuang Yong to be nominated as Chairman of the Board and Executive Director and Mr. Yang Lin to be nominated as Chief Executive Officer based on their age, skills, knowledge, experience and expertise in the fields of relevant industry in accordance with the Nomination Policy and Diversity Policy, and make recommendations to the Board on such appointments with effect from 11 February 2020.

DIVIDEND POLICY

The Company adopted a dividend policy in 2019 (the "Dividend Policy"). According to the Dividend Policy, the total amount of dividends to be distributed by the Company to its shareholders for each financial year shall be approximately 20–30% of the Group's consolidated net profit attributable to shareholders, subject to the criteria set out in the Dividend Policy.

COMPANY SECRETARY

Mr. Edmond Chong was appointed as the Company Secretary of the Company since 2011. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information monthly and quarterly so that the investors can have a better understanding about the Company's operations.

A shareholders' communication policy was adopted throughout the year pursuant to the CG Code which aims at establishing a two-way relationship and communication between the Company and its shareholders.

The Company also holds regular meetings with financial analysts and investors, during which the Company's management will provide relevant information and data to the financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company.

Save as disclosed above, the Company has strictly complied with all code provisions set out in CG Code in 2019.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING ("GM")

Pursuant to the articles of association of the Company, GM shall be convened on request by shareholders, or, in default, may be convened by the requesting shareholders in accordance with the Companies Ordinance.

According to the Companies Ordinance, shareholders of the Company representing at least 5% of the total voting rights at GM may request the Directors to call a GM and the Directors must call a meeting within 21 days after the date on which they become subject to the requirement. The GM must then be held on a date not more than 28 days after the date of the notice convening the meeting.

If the Directors fail to call the meeting in accordance with the Companies Ordinance, the shareholders who requested to convene the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a meeting at the expenses of the Company. The meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

According to the Companies Ordinance, at least 50 shareholders or shareholders representing at least 2.5% of the total voting rights may request the Company to circulate to the shareholders entitled to receive notice of a GM a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that GM.

Such request must be made in writing, authenticated by the relevant shareholders and received by the Company at least 6 weeks before the relevant annual general meeting or 7 days before the GM to which it relates.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and his contact details are as follows:

Company Secretary
China Overseas Grand Oceans Group Limited
Suites 701–702, 7/F., Three Pacific Place,
1 Queen's Road East, Hong Kong
Email: companysecretary81@cohl.com
Tel. No.: (852) 2988 0623
Fax No.: (852) 2988 0606

ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and annual general meeting held in 2019 are set out in the following table:

Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meetings	Annual General Meeting
Mr. Yan Jianguo	5/5	N/A	N/A	1/1	7/8*	1/1
Mr. Yung Kwok Kee, Billy	5/5	N/A	1/1	N/A	N/A	1/1
Mr. Zhang Guiqing	5/5	N/A	1/1	N/A	20/20	1/1
Mr. Wang Man Kwan, Paul	5/5	N/A	N/A	N/A	19/20	1/1
Mr. Yang Lin	5/5	N/A	N/A	N/A	20/20	1/1
Dr. Chung Shui Ming, Timpson	5/5	4/4	1/1	1/1	N/A	1/1
Mr. Lam Kin Fung, Jeffrey	5/5	4/4	1/1	1/1	N/A	1/1
Mr. Lo Yiu Ching, Dantes	5/5	4/4	1/1	1/1	N/A	1/1

* *Mr. Yan Jianguo was no longer a member of Executive Committee since 18 June 2019 pursuant to the terms of reference of the Executive Committee amended on 18 June 2019.*

Note: *The attendance figure represents actual attendance/the number of meetings a Director was entitled to attend.*

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$3,110,000 and HK$58,000 respectively. The fee for non-audit services payable was mainly for professional services rendered in connection with the Group's continuing connected transactions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2019.

Directors and Organization

EXECUTIVE DIRECTORS

MR. ZHUANG YONG, *Chairman*

Aged 43, graduated from Chongqing University majoring in international corporate management in 2000, and obtained a Master of Architecture and Civil Engineering in 2007 from Chongqing University. Mr. Zhuang joined China Overseas Development Group Co., Ltd.* ("Property Group", formerly known as China Overseas Property Group Co., Ltd.*, a wholly-owned subsidiary of COLI) in 2000 and since then, he worked in various business units within the Property Group, such as, human resources department, sales and marketing management department, and acted as the deputy general manager of the Shanghai branch, general manager of the Nanjing branch, general manager of the Suzhou branch and assistant general manager of the Western China regional companies. From 2015 to 2017, Mr. Zhuang served as the assistant president of COLI and general manager of Northern China regional companies, vice president of COLI, and since October 2018, as general manager of South China regional companies of COLI. With effect from 11 February 2020, Mr. Zhuang has also been appointed as Chairman of the Board, Executive Director and member of Nomination Committee of the Company, as well as non-executive director and vice chairman of the board of directors of COLI. He is currently a director of certain subsidiaries of the Company. Mr. Zhuang has about 19 years' experience in corporate management. COLI is the substantial shareholder of the Company within the meaning of the SFO.

MR. YANG LIN, *Chief Executive Officer*

Aged 46, graduated from the Peking University with a Master of Business Administration. He joined a subsidiary of COHL in 1995 and since 2006, he served in different positions, such as, the deputy general manager and general manager of the marketing and planning department of Property Group and the general manager of China Overseas Xingye (Xi'an) Limited*. Mr. Yang has been appointed as Assistant President of the Company since March 2015 and appointed as Executive Director and Vice President of the Company with effect from 21 March 2017. With effect from 11 February 2020, he has also been appointed as Chief Executive Officer and member of Remuneration Committee of the Company. Mr. Yang is currently a director of certain subsidiaries of the Company. He has 24 years' experience in property development and corporate management. COHL is the substantial shareholder of the Company within the meaning of the SFO.

MR. ZHANG GUIQING, *former Chief Executive Officer*

Aged 47, holds a bachelor's degree from the Shenyang Jianzhu University and a master's degree from the Harbin Institute of Technology. He joined a subsidiary of COHL as engineer in 1995 and since then, he worked in various business units within COHL and COLI, such as, development management department, marketing and planning department, general manager of Suzhou, Shenzhen and Northern District regional companies. He has 24 years' experience in property development and corporate management. Mr. Zhang has been appointed as Executive Director and the Chief Executive Officer of the Company with effect from December 2014. He has also been appointed as members of the Nomination Committee and the Remuneration Committee of the Company with effect from 17 March 2016 and ceased to be a member of the Nomination Committee from 13 June 2017. With effect from 11 February 2020, Mr. Zhang has resigned as Executive Director, the Chief Executive Officer and member of the Remuneration Committee of the Company.

EXECUTIVE DIRECTORS (CONTINUED)

MR. WANG MAN KWAN, PAUL, *Chief Financial Officer*

Aged 63, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wang joined COLI as general manager, Finance & Treasury Department in December 2004. Between February 2005 and August 2009, he was appointed as executive director, deputy financial controller and qualified accountant of COLI. Prior to joining COLI, Mr. Wang was director and chief financial officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and chief operating officer of a South East Asian Group in charge of operations in China, Philippines, Indonesia, Singapore, Dubai and Germany. Mr. Wang was appointed an Executive Director and Chief Financial Officer of the Company in July 2011.

NON-EXECUTIVE DIRECTORS

MR. YAN JIANGUO, *former Chairman*

Aged 53, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989, and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined CSCEC in 1989 and had been seconded to COLI twice. During the year 1990 to 1992, he had been working for the Shenzhen branch of Property Group and had held a number of positions, including site engineer and department head. He was assigned to COLI again from 2001 to 2011 and had been assistant general manager of Guangzhou branch, deputy general manager of Shanghai branch, general manager of Suzhou branch, general manager of Shanghai branch, vice managing director of Property Group and president of Northern China region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been director of the general office, general manager of information management department, chief information officer and assistant general manager. Mr. Yan joined Longfor Properties Co. Ltd. (listed on the Stock Exchange, Stock Code: 960) in June 2014 and resigned on 5 December 2016. During the period, he had held a number of positions including executive director and the senior vice president. Mr. Yan has been appointed as executive director and chief executive officer from 1 January 2017, become chairman of the board of directors of COLI from 13 June 2017 and continues to serve as chief executive officer of COLI. On the same day, he has also been appointed as Chairman of the Board, Non-executive Director and a member of the Nomination Committee of the Company, and chairman of the board of directors and non-executive director of COPH. He has also been appointed as chairman of the board of directors and non-executive director of CSC effective from 22 March 2019. With effect from 11 February 2020, Mr. Yan has resigned as chief executive officer of COLI, chairman of the board of directors and non-executive director of COPH and Chairman of the Board and a member of the Nomination Committee of the Company, and continues to act as Non-executive Director of the Company. Mr. Yan has about 30 years' experience in construction business, real estate investment and management.

In addition to acting as the aforesaid positions, Mr. Yan is also the chairman and president of COHL, and a director of certain subsidiaries of COHL and COLI. COHL and COLI are the substantial shareholders of the Company within the meaning of the SFO.

NON-EXECUTIVE DIRECTORS (CONTINUED)

MR. YUNG KWOK KEE, BILLY, *Vice Chairman*

Aged 66, received a bachelor's degree in Electrical Engineering from University of Washington and a master's degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in China, Hong Kong and US. He has also over 30 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the Group Chairman and Chief Executive of the Company with effect from 10 February 2010 and has been re-designated from Chairman of the Board and Executive Director to Vice Chairman of the Board and Non-executive Director of the Company with effect from 27 February 2010. He is now the Vice Chairman of the Board, Non-executive Director and member of the Remuneration Committee of the Company. He is also the chairman of the board and non-executive director of PFC Device Inc. Mr. Yung is currently the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association and a member of Senior Police Call Central Advisory Board, and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. CHUNG SHUI MING, TIMPSON *GBS, JP*

Aged 68, holds a Bachelor of Science degree from the University of Hong Kong, a master's degree in business administration from the Chinese University of Hong Kong and a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently a member of the National Committee of the 13th Chinese People's Political Consultative Conference. Besides, Dr. Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, Miramar Hotel and Investment Company, Limited, China Everbright Limited, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Ltd. (all listed on the Stock Exchange). From 8 January 2018, Dr. Chung ceased to be an independent director of CSCECL (listed on the Shanghai Stock Exchange and is the substantial shareholder of the Company within the meaning of the SFO). From October 2004 to November 2008, Dr. Chung served as an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, Dr. Chung was an independent director of China Everbright Bank Company Limited, an independent non-executive director of Henderson Land Development Company Limited, Nine Dragons Paper (Holdings) Limited and China Construction Bank Corporation, a director of Hantec Investment Holdings Limited, the chairman of China Business of Jardine Fleming Holdings Limited, the deputy chief executive officer of BOC International Limited, the independent non-executive director of Tai Shing International (Holdings) Limited, and the chairman of the Council of the City University of Hong Kong. He was also the chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee and a vice-chairman, director and deputy general manager of Nanyang Commercial Bank Limited and the chief executive officer of the Hong Kong Special Administrative Region Government Land Fund Trust. In addition, Dr. Chung has been appointed as Pro-Chancellor of the City University of Hong Kong with effect from August 2016. Since May 2010, Dr. Chung has been appointed as an Independent Non-executive Director of the Company, the Chairman of the Audit Committee, and members of both the Remuneration Committee and Nomination Committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

MR. LAM KIN FUNG, JEFFREY *GBS, JP*

Aged 68, holds a bachelor's degree from Tufts University in USA. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. He is also a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lam also holds a number of other public and community service positions including non-official member of the Executive Council, member of the Legislative Council in Hong Kong, general committee member of Hong Kong General Chamber of Commerce, chairman of Independent Commission Against Corruption (ICAC) Complaints Committee and a director of Heifer International — Hong Kong and Hong Kong Mortgage Corporation Limited (HKMC). In addition, he is an independent non-executive director of CC Land Holdings Limited, Wynn Macau, Limited, Chow Tai Fook Jewellery Group Limited, CWT International Limited (formerly known as HNA Holding Group Co. Limited), i-CABLE Communications Limited, Wing Tai Properties Limited and Analogue Holdings Limited. Formerly, Mr. Lam was an independent non-executive director of Hsin Chong Group Holdings Limited and Bracell Limited. Since May 2010, Mr. Lam has been appointed as an Independent Non-executive Director of the Company, and he is currently the members of the Audit Committee and Nomination Committee and the Chairman of the Remuneration Committee of the Company.

MR. LO YIU CHING, DANTES *GBS, JP*

Aged 74, graduated in London in 1970 and further obtained his Master of Science degree in Civil Engineering from the University of Hong Kong in 1980. He is a fellow of the Institution of Civil Engineers, a fellow of the Institution of Structural Engineers and a fellow of the Hong Kong Institution of Engineers.

Mr. Lo had been engaged both in Hong Kong and overseas in the administration, planning, design and supervision of major capital works projects in civil and structural engineering, including multi-storey buildings, slope works, construction of roads and bridges, reclamations and port works and new town development. In 1970, Mr. Lo started his career with Ove Arup & Partners in London as a project engineer. He joined the Hong Kong Government in 1974 as an engineer and was promoted to director of Civil Engineering Department in 1999 and then director of Highways Department in 2000. In 2002, Mr. Lo was appointed the permanent secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Before his retirement, Mr. Lo was awarded the Gold Bauhinia Star (GBS) in recognition of his loyal and distinguished service to the Government and the Hong Kong Community. In particular, he had made valuable contribution in steering forward major public works projects and in promoting quality improvements in the construction industry.

Mr. Lo is a Justice of the Peace. Mr. Lo had been a senior consultant to the Hospital Authority on capital planning and an advisor to CEO of The Airport Authority Hong Kong. He has been appointed as a distinguished adjunct professor in the Department of Civil Engineering, The University of Hong Kong since 2003. Since May 2010, Mr. Lo has been appointed as an Independent Non-executive Director of the Company, members of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has also been appointed as the Chairman of the Nomination Committee of the Company with effect from 17 March 2016. In addition, Mr. Lo has been appointed as an independent non-executive director of Build King Holdings Limited with effect from 30 November 2018.

SENIOR MANAGEMENT STAFF

Assisted by head of departments, the businesses and operations of the Group are under the direct responsibilities of the Executive Directors and the Executive Directors are therefore regarded as the senior management staff of the Company.

** English translation is for identification only.*

Directors' Report

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

During the year, the principal activities of the Group are property investment and development, property leasing and investment holding. Details of the activities of its subsidiaries, associates and joint ventures are set out in notes 52 to 54 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 7 to 29 of this annual report. These sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 72.

The Board has recommended the payment of final dividend of HK19.5 cents per ordinary share for the year ended 31 December 2019 with a total amount of approximately HK$667,555,000 (2018: HK$383,416,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 194.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 37 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2019 and up to the date of this report.

REDEMPTION OF LISTED DEBENTURE

China Overseas Grand Oceans Finance II (Cayman) Limited, a wholly-owned subsidiary of the Company, redeemed the entire outstanding principal amount of US$400,000,000 of the 2019 Guaranteed Notes on the maturity date (i.e., 23 January 2019). The 2019 Guaranteed Notes were listed on the Stock Exchange prior to redemption.

Details of the above are set out in note 35 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity and note 38 to the financial statements respectively.

DISTRIBUTABLE RESERVE

The reserve of the Company available for distribution to shareholders at 31 December 2019 was HK$2,229,356,000 (2018: HK$2,427,792,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

MAJOR PROPERTIES

Particulars of the major properties and property interests of the Group as at 31 December 2019 are set out on pages 195 to 208.

DIRECTORS OF THE COMPANY

The directors of the Company during the year and up to date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Zhuang Yong *(Chairman of the Board)*
(appointed w.e.f. 11 February 2020)
Mr. Yang Lin *(redesignated as Chief Executive Officer w.e.f. 11 February 2020)*
Mr. Zhang Guiqing *(former Chief Executive Officer* and *resigned w.e.f. 11 February 2020)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Yan Jianguo *(resigned as Chairman of the Board and redesignated as Non-executive Director w.e.f. 11 February 2020)*
Mr. Yung Kwok Kee, Billy *(Vice Chairman of the Board)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chung Shui Ming, Timpson
Mr. Lam Kin Fung, Jeffrey
Mr. Lo Yiu Ching, Dantes

The dates of appointment of the above Directors are set out in the section headed "Directors and Organization" of this annual report.

In accordance with article 107 of the Company's articles of association, Mr. Yan Jianguo, Mr. Wang Man Kwan, Paul and Dr. Chung Shui Ming, Timpson shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In addition, Mr. Zhuang Yong was appointed as Director in February 2020 to fill casual vacancy and shall be eligible for re-election at the forthcoming annual general meeting pursuant to article 98 of the Company's articles of association.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the Independent Non-executive Directors to be independent.

Each of the Directors (including Non-executive Directors) is subject to retirement by rotation in accordance with the Company's articles of association.

Mr. Zhang Guiqing resigned as Chief Executive Officer and Executive Director due to a change in his work posting with effect from 11 February 2020. The Company did not receive any notice in writing from any Director resigned during the year and up to the date of this report, specifying that the resignation was due to reasons relating to the affairs of the Company. The resigned Director has confirmed to the Company that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

DIRECTORS OF SUBSIDIARIES

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at www.cogogl.com.hk under the "Corporate Governance" section.

DIRECTORS AND ORGANIZATION

Brief biographical details of Directors and senior management as at the date of this report are set out on pages 41 to 44.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into a service contract with any member of the Group which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There is no transaction, arrangement or contract of significance in relation to the business of the Group, to which the Company and any of its subsidiaries was a party and in which the Directors or an entity connected with him is or was materially interested, either directly or indirectly, which was entered into during the year or subsisted at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following Directors have declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Zhuang Yong, the Chairman of the Board and Executive Director of the Company, is also the vice chairman of the board and non-executive director of COLI, which is principally engaged in the related businesses of property development.

Mr. Yan Jianguo, Non-executive Director of the Company, is also the chairman and president of COHL, the chairman of the board and executive director of COLI, the chairman of the board and non-executive director of CSC. COHL, COLI and CSC are engaged in investment holding, property development, construction and related businesses respectively.

The entities in which the above Directors have declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three Independent Non-executive Directors and one Non-executive Director (other than Mr. Yan Jianguo) whose views carry significant weight in the Board's decisions. The Audit Committee of the Company, which consists of three Independent Non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control, risk management and compliance systems of the Group. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which the Directors have declared interests.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, each Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that such articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has also maintained appropriate directors and officers liability insurance coverage for the directors and officers of the Group during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES BY DIRECTORS

Save as disclosed above, at no time during the year, the Company or any of its subsidiaries, holding companies, or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, no other equity-linked agreement was entered by the Group, or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2019, the Directors, the chief executive of the Company and their respective associates had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

LONG POSITIONS IN SHARES OF THE COMPANY

Name of Directors	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue *(Note 1)*
Mr. Zhang Guiqing *(Note 2)*	Beneficial owner	Personal	311,250	311,250	0.01%
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	17,849,999	463,045,980	13.53%
	Beneficiary of a trust *(Note 3)*	Other	382,617,689		
	Interest of controlled corporation *(Note 4)*	Interest in controlled corporation	62,578,292		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	544,875	544,875	0.02%
Mr. Yang Lin	Beneficial owner	Personal	2,550,000	2,896,125	0.08%
	Interest of spouse	Family	346,125		

Notes:

(1) *The percentage is based on the total number of shares of the Company in issue as at 31 December 2019 (i.e. 3,423,359,841 Shares).*

(2) *Mr. Zhang Guiqing resigned as Chief Executive Officer and Executive Director of the Company w.e.f. 11 February 2020.*

(3) *These Shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his family members.*

(4) *These Shares are held by Extra-Fund investment Limited, a wholly-owned subsidiary of Shell Electric Holdings Limited, which in turn is owned as to 80.45% by Red Dynasty Investments Limited, a company wholly owned by Mr. Yung Kwok Kee, Billy.*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Directors or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2019, any interests in, or had been granted any rights to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, the following persons (other than Directors or the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the total number of shares of the Company in issue *(Note 1)*
CSCEC	Interest of controlled corporation *(Note 2)*	Interest in controlled corporation	1,311,965,566	1,311,965,566	38.32%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner *(Note 3)*	Beneficial	200,910,903	200,910,903	5.87%
On Fat Profits Corporation ("On Fat")	Beneficial owner *(Note 3)*	Beneficial	181,706,786	181,706,786	5.31%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts *(Note 3)*	Other	382,617,689	382,617,689	11.18%

Notes:

(1) The percentage is based on the total number of shares of the Company in issue as at 31 December 2019 (i.e. 3,423,359,841 Shares).

(2) CSCEC is interested in 1,311,965,566 Shares, of which 1,262,211,316 Shares are held by Star Amuse Limited ("Star Amuse") and 49,754,250 Shares are held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of COLI which in turn is a non-wholly owned subsidiary of COHL. COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.

(3) 382,617,689 Shares held by UBS TC (including 200,910,903 Shares and 181,706,786 Shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his family members as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2019.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

(A) CONNECTED TRANSACTIONS

(1) Sale and Purchase Agreement with 深圳中海新城鎮發展有限公司 (Shenzhen China Overseas New Town Development Limited*)

On 29 May 2019, 深圳中海新城鎮發展有限公司 (Shenzhen China Overseas New Town Development Limited* (the "Seller"), an indirect wholly-owned subsidiary of COHL), and 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited* (the "Purchaser"), an indirect wholly-owned subsidiary of the Company) entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Seller agreed to sell and the Purchaser agreed to acquire the entire equity interests of 中海投資渭南有限公司 (China Overseas Investment Wei Nan Limited* (the "Target Company"), a direct wholly-owned subsidiary of the Seller) for an aggregate consideration of RMB490,000,000 (equivalent to approximately HK$558,723,000). The Target Company is an investment holding company and, together with its subsidiaries, are primarily engaged in the development, sale, investment and management of properties in PRC, which comprise residential and commercial property development projects and an agricultural park located in Weinan, ShanXi Province, PRC.

COHL is a controlling shareholder of the Company and hence, COHL and its subsidiaries are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

(2) Cooperation Agreement with 深圳市創應企業管理有限公司 (Shenzhen City Chuangying Enterprise Management Co., Ltd.* ("Shenzhen Chuangying")) and 惠州市海平置業有限公司 (Huizhou City Haiping Real Estate Co., Ltd.* (the "Project Company"))

On 27 February 2020, 中海宏洋(深圳)投資有限公司 (China Overseas Grand Oceans (Shenzhen) Investment Co., Ltd.* ("CGOSIL"), an indirect wholly-owned subsidiary of the Company), Shenzhen Chuangying (a direct wholly-owned subsidiary of 深圳安創投資管理有限公司 (Shenzhen Anchuang Investment Management Co., Ltd.* ("Shenzhen Anchuang")) and the Project Company (a direct wholly-owned subsidiary of Shenzhen Chuangying as at 27 February 2020) entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which, among other things, CGOSIL and Shenzhen Chuangying agreed to form a joint venture through the Project Company which is owned as to 60% and 40% by CGOSIL and Shenzhen Chuangying respectively for the joint development of a project on a piece of land located in Huizhou City, PRC (the "Land"). The Project Company is accounted for as a subsidiary of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(A) CONNECTED TRANSACTIONS (CONTINUED)

(2) Cooperation Agreement with 深圳市創應企業管理有限公司 (Shenzhen City Chuangying Enterprise Management Co., Ltd.* ("Shenzhen Chuangying")) and 惠州市海平置業有限公司 (Huizhou City Haiping Real Estate Co., Ltd.* (the "Project Company")) (Continued)

Pursuant to the Cooperation Agreement, the Project Company will finance the development of project by bank borrowings and shareholders' loans. It is expected that the consideration of the Land and related taxes and the funding requirements for the development of project is an aggregate amount up to RMB2,400,000,000, which will be borne by the shareholders of the Project Company on a pro-rata basis to their respective equity interests in the Project Company. Accordingly, CGOSIL's commitment in the Project Company is an aggregate amount up to RMB1,440,000,000, which will comprise the contributions to the registered capital of the Project Company and shareholders' loans to be provided to the Project Company by CGOSIL.

Shenzhen Chuangying is a wholly-owned subsidiary of Shenzhen Anchuang, which is owned by Ping An Real Estate Co., Ltd. ("Ping An Real Estate") and Shenzhen Ping An Chuangke Investment Management Co., Ltd. * (深圳平安創科投資管理有限公司, "Shenzhen Ping An") as to 49% and 51% equity interests, respectively. Shenzhen Ping An is in turn held by Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance", stock code: 2318.HK) as to 99.79% of its equity interests and 100% controlled by Ping An Insurance. Therefore, Shenzhen Anchuang is ultimately owned by Ping An Insurance, whether held through Ping An Real Estate or other subsidiaries and associates of Ping An Insurance.

Shenzhen Anchuang is principally engaged in investment management; investment consulting (excluding securities, futures, insurance and other financial services); investment in industrial development (specific projects will be reported separately); investment project planning and corporate management consulting (excluding talent intermediary services).

Ping An Real Estate is principally engaged in real estate investment and management business.

Ping An Insurance is principally engaged in investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and controlled funds.

Shenzhen Anchuang, a substantial shareholder of Shenzhen Chuangying, is also a substantial shareholder of Shenzhen Chuangshi Enterprise Management Co., Ltd.* (深圳市創史企業管理有限公司), a non wholly-owned subsidiary of the Company. Therefore, Shenzhen Anchuang is a connected person of the Company at subsidiary level and each of Shenzhen Chuangying and the Project Company is an associate of Shenzhen Anchuang under Rule 14A.13 of the Listing Rules and a connected person of the Company at the subsidiary level. Accordingly, the formation of joint venture contemplated under the Cooperation Agreement constitute a connected transaction of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(A) CONNECTED TRANSACTIONS (CONTINUED)

(3) Cooperation Agreement with 深圳市中海投資有限公司 (Shenzhen China Overseas Investment Company Limited* ("SCOI")) 及鹽城市城南房地產開發有限責任公司 (Yancheng Chengnan Real Estate Development Company Limited* ("Yancheng Chengnan"))

On 6 March 2020, SCOI (a wholly-owned subsidiary of CSC), 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited* ("COGOP"), a wholly-owned subsidiary of the Company) and Yancheng Chengnan entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which the parties agreed to (a) form 鹽城海建置業有限公司 (Yancheng Haijian Real Estate Company Limited* (the "Yancheng JV")) for the purpose of investing into and developing the project on a piece of land in Yancheng, PRC (the "Land"); and (b) regulate their respective rights and obligations in the Yancheng JV.

SCOI, COGOP and Yancheng Chengnan shall hold 55%, 35% and 10% equity interests in the Yancheng JV respectively, which shall be accounted for as subsidiary of CSC and an associate of the Company. The Yancheng JV shall have a project capital of RMB650,900,000 (equivalent to approximately HK$723,222,222) (inclusive of the registered capital of the Yancheng JV of RMB20,000,000 (equivalent to approximately HK$22,222,222) and the contribution for the purchase price of land use rights of the Land with respect to the project in the sum of RMB592,049,000 (equivalent to approximately HK$657,832,222), which, pursuant to the Cooperation Agreement, shall be contributed by the equity interest holders of the Yancheng JV in proportion to their respective equity interests in the Yancheng JV as follows:

SCOI	RMB357,995,000 (equivalent to approximately HK$397,772,222)
COGOP	RMB227,815,000 (equivalent to approximately HK$253,127,778)
Yancheng Chengnan	RMB65,090,000 (equivalent to approximately HK$72,322,222)

Since SCOI is a wholly-owned subsidiary of CSC and CSCEC is the ultimate controlling shareholder of both the Company and CSC, hence, members of the CSC Group are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Cooperation Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

(B) CONTINUING CONNECTED TRANSACTIONS

(1) Renewal Trademark Licence Agreement with COLI

As disclosed in the Company's announcement of 31 March 2017, the Company and COLI entered into a renewal trademark licence agreement on 31 March 2017 (the "Renewal Trademark Licence Agreement"), pursuant to which the parties agreed to renew the trademark licence agreement dated 28 March 2014.

Pursuant to the Renewal Trademark Licence Agreement, COLI agreed to grant the Company a non-exclusive licence to use the trademark "中海地產" in PRC for a term commencing from 1 April 2017 and ending on 31 March 2020. The royalty payable in arrears by the Company under the Renewal Trademark Licence Agreement is one per cent of the Group's audited annual consolidated turnover for each financial year ending on 31 December 2017, 2018 and 2019 respectively provided that the royalty payable for each of the 12-month period between 1 April 2017 and 31 March 2020 shall not exceed HK$200 million.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(1) Renewal Trademark Licence Agreement with COLI (Continued)

COLI is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Renewal Trademark Licence Agreement constitutes a continuing connected transaction of the Company.

(2) Renewal Property Lease Agreements with 北京仁和燕都房地產開發有限公司 (Beijing Ren He Yan Du Real Estate Development Co., Ltd.*) and 北京中信新城逸海房地產開發有限公司 (Beijing Zhong Xin Xin Cheng Yi Hai Real Estate Development Co., Ltd.*) (collectively, referred to as the "Tenants")

On 1 August 2014, 北京中京藝苑置業有限公司 (Beijing Zhong Jing Yi Yuan Zhi Ye Company Limited* (the "Landlord")), a subsidiary of the Company, entered into the property lease agreements with the subsidiaries of COLI to lease the following premises for a term of three years commencing from 1 August 2014 and ending on 31 July 2017, the rent payable for each of the 12-month period is RMB14.005 million.

Upon expiry of the property lease agreements, the Landlord entered into the renewal property lease agreements on 28 July 2017 (the "Renewal Property Lease Agreements") with the Tenants respectively for a term of three years commencing from 1 August 2017 and ending on 31 July 2020, the rent payable for each of the 12-month period is RMB15.405 million and the principal terms of the Renewal Property Lease Agreements are set out below:

Address of premises	Area of premises	Use	Annual Rent and Cap	Lease Term
22nd Floor, China Overseas International Center, No. 28 Pinganlixi Avenue, Xicheng District, Beijing	2,355.22 sq.m.	Office	RMB10.260 million or RMB854,945 per month. The rent is payable quarterly.	1 August 2017 to 31 July 2020
Units 01, 02, 03 & 09, 23rd Floor, China Overseas International Center, No. 28 Pinganlixi Avenue, Xicheng District, Beijing	1,181.2 sq.m.	Office	RMB5.145 million or RMB428,776 per month. The rent is payable quarterly.	1 August 2017 to 31 July 2020
			Annual Cap: RMB15.405 million	

COLI is a controlling shareholder of the Company, and therefore members of the COLI Group are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Renewal Property Lease Agreements constitutes a continuing connected transaction of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(3) (i) Prevailing Projects Framework Agreement with COPH

On 1 June 2015, the Company and COPH entered into a framework agreement with respect to the provision of property management services for the property development projects in PRC, Hong Kong, Macau and other locations by the COPH Group to the Group for the period from 1 June 2015 to 31 May 2018 (the "Framework Agreement").

On 20 October 2017, the Company and COPH entered into a prevailing projects framework agreement for a period commencing from 1 January 2018 to 30 June 2020 to increase the annual caps and expand the scope of services under the Framework Agreement and to renew the transactions contemplated thereunder (the "Prevailing Projects Framework Agreement").

Pursuant to the Prevailing Projects Framework Agreement, the Group will go through its standard and systematic competitive tender process as set out in the Company's announcement dated 20 October 2017 and upon successful tender, engage members of the COPH Group to provide the property management and engineering services to the Group, subject to the following annual caps:

Parties	Commencement Date	Period	Annual Cap
The Company and COPH	1 January 2018	1 January 2018 to 31 December 2018	HK$115,600,000
		1 January 2019 to 31 December 2019	HK$96,500,000
		1 January 2020 to 30 June 2020	HK$57,900,000

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(3) (ii) New Projects Framework Agreement with COPH

On 20 October 2017, the Company and COPH entered into a new projects framework agreement (the "New Projects Framework Agreement") in relation to the provision of property management and engineering services by the COPH Group to the Group for certain property development projects in emerging third tier cities in PRC acquired by the Group from the COLI Group in 2016 and were not managed by any member of the COPH Group at the date of the New Projects Framework Agreement.

Pursuant to the New Projects Framework Agreement, the Group will go through its standard and systematic competitive tender process as set out in the Company's announcement dated 20 October 2017 and upon successful tender, engage members of the COPH Group to provide the property management and engineering services to the Group, subject to the following annual caps:

Parties	Commencement Date	Period	Annual Cap
The Company and COPH	1 January 2018	1 January 2018 to 31 December 2018	HK$47,800,000
		1 January 2019 to 31 December 2019	HK$45,900,000
		1 January 2020 to 30 June 2020	HK$25,800,000

Since COHL is the controlling shareholder of both the Company and COPH, COPH is hence a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under each of the Prevailing Projects Framework Agreement and the New Projects Framework Agreement constitute continuing connected transactions of the Company.

The Group has followed the policies and guidelines set out in the Company's announcement dated 20 October 2017 when determining the prices and terms of the property management and engineering services provided pursuant to the Prevailing Projects Framework Agreement and the New Projects Framework Agreement during the year 2019.

(4) Framework Agreement with CSC

On 24 March 2016, the Company and CSC entered into a framework agreement (the "Framework Agreement"), pursuant to which the Group agreed to engage the CSC Group to provide the construction supervision and management service for the property development projects of the Group in PRC for a term of three years commencing from 1 April 2016 and ending on 31 March 2019.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(4) Framework Agreement with CSC (Continued)

The management fee with respect to the construction supervision and management service will be charged on a "cost plus" basis, which will be determined based on the total staff cost incurred by the CSC Group with respect to the provision of the construction supervision and management service plus a margin of 18%, which is capped as follows:

For the period from 1 April 2016 to 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the period from 1 January 2019 to 31 March 2019
RMB110 million	RMB136 million	RMB191 million	RMB65 million

Since COHL is the controlling shareholder of both the Company and CSC, hence, CSC is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Framework Agreement constitutes a continuing connected transaction of the Company.

(5) Framework Agreement with CSCD

CSCD acquired the entire equity interests in 中海監理有限公司 (China Overseas Supervision Limited*) from a wholly-owned subsidiary of CSC (the "Acquisition"), the completion of which took place on 26 June 2018. As mentioned in the announcement of CSCD dated 14 March 2018, prior to the completion of the Acquisition, China Overseas Supervision Limited entered into certain transactions with the Group to provide the construction supervision services in respect of the prevailing projects which would subsist after the completion of the Acquisition (i.e., 26 June 2018). Following the completion of the Acquisition, China Overseas Supervision Limited has become a subsidiary of CSCD and these subsisting transactions have become connected transactions for both the Company and CSCD.

On 26 June 2018, there are 17 subsisting contracts in respect of the prevailing projects with the outstanding aggregate amount of not more than HK$72 million and payable by the Group to China Overseas Supervision Limited. The principal terms of the subsisting contracts in respect of the prevailing projects are set out as follows:

Parties:	(i) China Overseas Supervision Limited (as a service provider); and (ii) Members of the Group (as owner of the relevant property development).
Scope of Services:	Provision of construction supervision services by China Overseas Supervision Limited to members of the Group for the property development projects of the Group in PRC, which include supervision of quality, progress and measurements, contracts management, safety, information management and relationship coordination work.
Payment Term:	All outstanding amount is expected to be settled upon completion of final accounts of the prevailing projects by the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(5) Framework Agreement with CSCD (Continued)

In addition, it is expected that the Group may continue to engage China Overseas Supervision Limited, which is now a member of the CSCD Group, for the provision of construction supervision services for its property development projects in PRC.

On 26 June 2018, the Company and CSCD entered into a framework agreement (the "Framework Agreement"), pursuant to which the Group may engage the members of the CSCD Group to provide the project management, supervision and consultancy services for the Group's property development projects in PRC from time to time for the period of three years commencing from 1 July 2018. The maximum total contract sum that may be awarded to the CSCD Group for each period or year is subject to the following caps:

For the period from 1 July 2018 to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	For the period from 1 January 2021 to 30 June 2021
HK$30 million	HK$60 million	HK$60 million	HK$30 million

The Group will go through a competitive tender process to select and appoint a service provider for the provision of the above services to the Group. Further details of the standard and systematic tender process of the Group are set out in the paragraph headed "Pricing Basis" in the Company's announcement dated 26 June 2018. In the event that the expected contract amount involved is relatively small or no tender is available, and it will not be appropriate for the Group to go through the tendering procedures, the Group will seek quotations from at least three different service providers.

COHL is a controlling shareholder of the Company, CSC and CSCD. CSC is the indirect holding company of CSCD. Hence, CSCD is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(6) CSCECL Group Engagement Agreement with CSCECL

On 27 June 2019, the Company and CSCECL entered into a CSCECL group engagement agreement (the "CSCECL Group Engagement Agreement") for a term of three years commencing from 1 July 2019 and ending on 30 June 2022, whereby the Group will go through its standard and systematic tender procedures as set out in the Company's announcement dated 27 June 2019, and upon successful tender, engage the CSCECL Group as construction contractor in PRC. The maximum total contract sum that may be awarded to the CSCECL Group for each period or year is subject to the following caps:

For the period between 1 July 2019 and 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021	For the period from 1 January 2022 to 30 June 2022
HK$300 million	HK$600 million	HK$600 million	HK$300 million

CSCECL is an intermediate holding company of COLI, which is a controlling shareholder of the Company. Accordingly, CSCECL is a connected person of the Company. The transactions contemplated under the CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(7) Framework Agreement for Car Parking Spaces with COPH

On 23 October 2019, the Company and COPH entered into a framework agreement (the "Framework Agreement"), pursuant to which the COPH Group may from time to time enter into transactions with the Group for the acquisition of rights-of-use of car parking spaces (including the right to occupy, assign or rent out, until the land use right(s) of the relevant project(s) at which the car parking spaces are located expire). Such car parking spaces are those situated in the developments or properties built, developed or owned by the Group and managed by the COPH Group.

The Framework Agreement has a term of three years commencing from 1 December 2019 and ending on 30 November 2022 (both dates inclusive) and the maximum total agreement sum payable by the COPH Group to the Group for each period or year for the acquisition of rights-of-use of car parking spaces is subject to the following caps:

For the period from 1 December 2019 to 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021	For the period from 1 January 2022 to 30 November 2022
Nil	HK$400 million	HK$300 million	HK$300 million

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(7) Framework Agreement for Car Parking Spaces with COPH (Continued)

Pursuant to the Framework Agreement, the Group will verify the valuation to be obtained from an independent third party property appraiser and will take into account the factors such as development cost, historical maintenance cost, ongoing management cost savings, terms of the acquisitions of right-of-use of car park spaces contemplated under the Framework Agreement, and the qualifications of the purchaser to determine the sale price for each relevant acquisitions. In any event, the sale price shall be no less favourable to the Group than that available to independent third party purchaser.

Since COHL is the controlling shareholder of both the Company and COPH, COPH is hence a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company.

(8) Framework Agreement with Hua Yi Design Consultants Limited ("Huayi Design")

On 27 February 2020, the Company and Huayi Design (a wholly-owned subsidiary of COLI) entered into a framework agreement (the "Framework Agreement") for a term of period commencing from 1 March 2020 and ending on 31 December 2022. Pursuant to the Framework Agreement, the Group may engage Huayi Design and its subsidiaries (the "Huayi Design Group") to provide scheme design, preliminary design and construction drawing design services in each construction stage to the Group's property development projects in PRC upon successful tender awarded to the Huayi Design Group. The maximum total contract sum that may be awarded to the Huayi Design Group for each period or year is subject to the following caps:

For the period between 1 March 2020 and 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
RMB30 million	RMB40 million	RMB50 million

The Group will go through a competitive tender process to select and appoint a service provider for the Group's property development projects in PRC. In the event that the expected contract amount involved is relatively small or no tenderer is available, and it will not be appropriate for the Group to go through the above tendering procedures, the Group will seek quotations from at least three different service providers, among which the lowest quotation will be selected on the condition that the selected service provider also satisfies the selection criteria as set out in the tendering procedures. Further details of the standard and systematic tender procedures of the Group are set out in the paragraph headed "Pricing Basis" in the Company's announcement dated 27 February 2020.

Huayi Design is a wholly-owned subsidiary of COLI, which is a controlling shareholder of the Company. Accordingly, Huayi Design is a connected person of the Company. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* *English translation is for identification only.*

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The Independent Non-executive Directors have reviewed the continuing connected transactions during the year disclosed by the Group in paragraphs (B)(1) to (B)(7) of the section "Connected Transactions Entered into by the Group" above and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2019 disclosed by the Group in paragraphs (B)(1) to (B)(7) of the section "Connected Transactions Entered into by the Group" above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transactions set out in paragraphs (A)(1), (A)(3), (B)(1), (B)(3), B(4), B(6) and (B)(7) of the section "Connected Transactions Entered into by the Group" above are considered as contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 23 January 2014, the Company entered into a trust deed in relation to the issuance of the 2019 Guaranteed Notes. Under the trust deed, the holders of the 2019 Guaranteed Notes shall have the right, at their option, to require the Company to redeem all, or some only, of their 2019 Guaranteed Notes at their principal amount together with accrued interest following the occurrence of several events which include that COLI ceases to hold at least 30% of the voting rights of the number of shares of the Company in issue. Following the redemption at maturity of the 2019 Guaranteed Notes on 23 January 2019, the above-mentioned specific performance of COLI was no longer applicable to the Company.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES (CONTINUED)

The facility agreements/letters, which have been entered into by the Company in the following terms and conditions and continue to subsist at 31 December 2019 are set out below:

(1)	Date:	10 March 2017
	Amount:	Loan facility up to HK$600 million, which can be increased to HK$1 billion in accordance with the facility agreement
	Term:	60 months commencing from the date of the facility agreement
(2)	Date:	15 March 2017
	Amount:	Loan facility up to HK$1.3 billion
	Term:	36 months commencing from the date of the facility agreement
(3)	Date:	14 December 2017
	Amount:	Loan facility up to HK$1 billion
	Term:	60 months commencing from the date of the facility letter
(4)	Date:	31 December 2018
	Amount:	Loan facility up to HK$1 billion
	Term:	60 months commencing from the date of the first drawdown
(5)	Date:	30 December 2019
	Amount:	Loan facility up to HK$1 billion
	Term:	60 months commencing from the first utilisation date

The above facility agreements/letters stipulated that, if COLI, the controlling shareholder of the Company, ceases to be the single largest shareholder of the Company or ceases to have management control over the Company, the above facilities shall be cancelled and all outstanding amounts shall become immediately due and payable.

As at the date of this report, COLI owns approximately 38.32% of the total number of shares of the Company in issue.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2019, sales to the Group's five largest customers together represented less than 30% of the Group's total turnover and purchases from the Group's five largest suppliers together represented less than 30% of the Group's total purchases.

DESCRIPTIONS OF MAJOR RISKS AND UNCERTAINTIES FACED BY THE GROUP

OCCUPATIONAL SAFETY

The Group is fully aware of the need for stringent safety management in the construction phases of property development. Work-related accidents or occupational diseases may reduce productivity and stall project timeline. The lack of comprehensive occupational safety protection for employees can affect the development and retaining of human resources. The Group has established the Construction Safety Management Policy to strengthen the safety management of the construction sites, with standardised safety procedures and various safety measures to improve the working environment and ensure work safety of employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group formulated the Environmental Policy to require all operation units in all sites of operation (including property sale and development and property leasing, etc.) to improve their environmental performance. This policy is applicable to the entire life cycle of the Group's buildings from planning, design, material purchase, construction, operation, decoration and demolition. The Group adopts the management approach of emissions reduction, resource efficiency enhancement and management of impact on the environment and natural resources, to avoid and reduce environmental risks and impacts. The Group will also regularly amend the policy according to changes in business and regulatory requirements.

In addition, global climate change may bring environmental risks to the Group. The Group shows its commitment in the policy to develop green strategy in real estate projects. As at 31 December 2019, amongst the Group's new property development projects:

— 66.7% have obtained green building design certifications;

— 97.6% have reached green building design standards.

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS THAT HAVE MAJOR IMPACTS ON THE GROUP

The Group's major business is property investment and development, property leasing and investment holdings, which is subject to stringent environmental regulations imposed by the relevant local authorities in PRC. The Group has adopted numerous compliance measures, including consistent monitoring of the operation workflow and supervision of the compliance of contractors to ensure compliance with environmental laws and regulations that have major impacts on the Group's operation.

Project phase	Environmental laws and regulations that have major impacts on the Group	Compliance measures
Planning	• Environmental Impact Assessment Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects	Environmental impact assessment was undertaken in all new property development projects of the Group to ensure comprehensive review was carried out before they were constructed to prevent adverse environmental impact of the planning and construction project. The Group compiled environmental impact assessment report, reporting spreadsheets, or registers according to the degree of environmental impact of the new projects. These documents are submitted to the administrative authorities of environmental protection in the local government for approval before construction commences.
Construction	• Environmental Protection Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects • Interim Methods for Endorsement of Environmental Protection for Completed Construction Projects • Technical Guidelines of Environmental Protection Inspections for Completed Construction Projects — Pollution Impacts Category • Water Pollution Prevention and Control Law of the People's Republic of China • Prevention and Control of Noise Pollution Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	The Group has appointed third-party supervisory units to provide supervision services for its property development projects in PRC. The Group has obtained environmental protection acceptance and inspection approvals for all projects.

In 2019, there were no cases of non-compliance with environmental laws and regulations that have major impacts on the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group strives to maintain close communication with key internal and external stakeholders, including employees, customers, suppliers and contractors, through appropriate channels.

EMPLOYEES

2019	2,526 employees

Employees are the key to successful corporate development. The Group strives to provide an inclusive, equal, safe and healthy working environment for employees where their potential can be developed, to attract and retain talents while maintaining and strengthening the Group's core competency.

To this end, the Group provides employees with competitive remuneration and a comprehensive employee welfare scheme. The Group emphasises employee engagement and encourages them to maintain two-way communication with their superiors through seminars, sharing sessions and meetings.

In ensuring employee health and safety, the Group has implemented the safety management system. In this year, the Group passed the Management Measure for Production Safety and organised production safety training to strengthen safety awareness among employees. The Group cares about the physical and mental health of employees and provides them with a supplementary medical insurance scheme and annual health check.

The Group regularly plans training activities for new hires and employees of all levels to help them improve performance at work and skills. In this year, a total of 2,526 employees received 20,265 hours of training.

CUSTOMERS

The key customers of the Group are building users. To understand users' needs and opinions, the Group organised activities such as home visits and owners party in this year. The point of sales of the Group has fully adopted the "China Overseas e-Family system" to carry out customer filings and follow-up. The Group has established policies to manage customer risks. Furthermore, the Group continuously develops various types of mid-range to high-end properties in different districts to meet the needs of different customers, to reduce the risks of centralised operations and customer concentration.

SUPPLIERS AND CONTRACTORS

The Group builds mutually beneficial partnership with suppliers and contractors to explore the market together. The Group's suppliers and contractors are located across different cities in PRC.

Suppliers

This year, the Group partnered with 7,163 suppliers (2018: 5,126) which are located across all project cities. Most of them are construction suppliers that have partnered with the Group for one to nine years. The main suppliers have granted credit terms of 28 to 56 days to the Group.

Contractors

Construction of property development projects of the Group was outsourced to contractors. Most contractors have partnered with the Group for one to nine years.

To ensure the ethical management of our supply chain, the Group partners with suppliers and contractors which fulfil their corporate social responsibility. The Group implements multiple policies and standards to properly manage the risks in the supply chain.

For details about the Group's environmental, social and governance performance, please refer to the Group's Environmental, Social and Governance Report to be published by July 2020.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the total number of shares of the Company in issue as required under the Listing Rules.

DONATIONS

During the year, the Group did not make any charitable and other donations (2018: nil).

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2019 interim report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Dr. Chung Shui Ming, Timpson was appointed as independent non-executive director of Postal Savings Bank of China Co., Ltd. in October 2019.

- Mr. Yan Jianguo: (i) appointed as chairman of COHL in November 2019; and (ii) resigned as Chairman of the Board and member of Nomination Committee of the Company, chief executive officer of COLI and chairman of the board and non-executive director of COPH in February 2020.

- Mr. Zhuang Yong: (i) appointed as Chairman of the Board and Executive Director and member of Nomination Committee of the Company and vice chairman of the board and non-executive director of COLI in February 2020; and (ii) appointed as director of certain subsidiaries of the Company in March 2020.

- Mr. Zhang Guiqing: (i) resigned as Chief Executive Officer and Executive Director and member of Remuneration Committee of the Company and was appointed as chairman of the board and executive director of COPH in February 2020; and (ii) resigned as director of certain subsidiaries of the Company in March 2020.

- Mr. Yang Lin was appointed as Chief Executive Officer and member of Remuneration Committee of the Company in February 2020.

- The annual salary and retirement benefit of Mr. Yang Lin, excluding discretionary bonus, was adjusted to RMB1,680,000 per annum, with effect from 1 March 2020.

- The annual salary and retirement benefit of Mr. Wang Man Kwan, Paul, excluding discretionary bonus, was adjusted to HK$3,117,800 per annum, with effect from 1 January 2020.

The updated biography details of Directors are set out in the section headed "Directors and Organization" in this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Zhuang Yong
Chairman and Executive Director

Hong Kong, 20 March 2020

Independent Auditor's Report

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To the members of China Overseas Grand Oceans Group Limited
中國海外宏洋集團有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited (the "Company") and its subsidiaries (together the "Group") set out on page 72 to page 193, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Determining net realizable value of inventories of properties

Refer to notes 5.1(b) and 23 in the consolidated financial statements

The carrying value of the Group's inventories of properties as at 31 December 2019 was RMB86,397,320,000.

Inventories of properties are stated at the lower of cost and net realizable value. In assessing net realizable value, management has to determine the selling prices of inventories of properties which is based on management's judgment and expectation of property market in Mainland China. Future selling prices could fluctuate significantly subject to factors including market conditions and government measures on controlling property market and policies such as urbanization policy and monetary policy. In addition, due to the unique nature of individual properties, estimation of selling prices is highly subjective which requires management's judgment on customer preferences.

We have identified the determination of net realizable value of inventories of properties as key audit matter due to considerable amount of estimation and judgment applied by the management, and difficulty in reliably gauging the impact arising from government's measures and policies which have direct impact on the property market in Mainland China and are prevailing at year end.

Our procedures in relation to management's assessment of the net realizable value of the inventories of properties mainly included:

— Assessing the reasonableness of management's estimates of net realizable value based on our knowledge of the business and industry, taking into account recent developments in the property market in Mainland China as supported by recent sales transactions or market information.

— Checking the accuracy and relevance of market data such as market prices of comparable properties provided by management.

— Independently assessing management's judgment in estimating the impact of those government measures and policies on the selling prices of properties.

— Assessing whether there is evidence of management bias on determining net realizable value by considering the consistency of judgment made by the management year on year through discussion with the management to understand their rationale.

— Challenging the estimations and assumptions used by the management by assessing the reliability of management's past estimates.

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue from sales of properties

Refer to notes 4.16, 5.2(a), 6 and 7 in the consolidated financial statements

Revenue from sales of properties is recognized over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has enforceable right to payment for performance completed to date; otherwise, revenue from sales of properties is recognized at a point in time when the customer obtains control of the completed property. For the year ended 31 December 2019, the Group recognized revenue from sales of properties amounting to RMB28,317,217,000, of which RMB5,857,234,000 was recognized over time.

The Group is contractually restricted from changing or substituting the property unit or redirecting the property unit for another use based on the terms of the sales contract and therefore the property unit does not have an alternative use to the Group. However, whether the Group has an enforceable right to payment from the customer for performance completed to date depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgment. Management uses judgment, with reference to a legal advice, to classify the sales contracts into those with enforceable right to repayment and those without the right.

When the properties have no alternative use to the Group and the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognizes revenue from sales of properties over time using input method, which is determined with reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. The Group estimates the development costs of each project based on the development plan as well as contractor fees and construction material price lists, taking into account market and economic factors.

We have identified the recognition of revenue from sales of properties as key audit matter due to significant judgment applied by the management in assessing whether the Group has the enforceable right to payment in the sales contracts with revenue being recognized over time. In addition, significant judgment and estimations are required in determining the estimated development costs for arriving at the progress towards complete satisfaction of the performance obligation at the end of the reporting period.

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue from sales of properties (Continued)

Our procedures in relation to management's assessment of whether the Group has an enforceable right to payment in the sales contracts mainly included:

— Obtaining an understanding regarding management's assessment in identifying sales contracts with or without the enforceable right to payment and evaluating the appropriateness of management's assessment;

— Reviewing the terms of sales contracts, on a sample basis, to assess if the Group has the enforceable right to payment based on the contract terms;

— Understanding the legal advice provided by the Group's legal advisor, including the legal advisor's interpretation of the applicable laws and the implication on the assessment of the enforceability of the right to payment; and

— Assessing the competency, experience and objectivity of the legal advisor engaged by the Group.

Our procedures in relation to management's estimates of the total development costs of the property projects and the progress towards complete satisfaction of the performance obligation mainly included:

— Understanding the procedures and relevant controls of the Group in preparing and updating the cost budget for property projects and recording contract costs incurred;

— Comparing the budgeted cost to budget approved by management;

— Testing the budgeted cost, on a sample basis, to respective contracts and underlying supporting documents;

— Testing contract costs incurred to date and estimated total costs, on a sample basis, to underlying supporting documents and the reports from external supervisor, where applicable; and

— Assessing the reliability of cost budgets by comparing actual development costs against budgeted costs of completed property.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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. This 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.

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

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

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

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

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

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

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

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

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

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

We communicate with 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 directors, 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.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 20 March 2020

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
Revenue	6	**28,590,883**	21,524,668
Cost of sales and services provided		**(19,063,036)**	(15,263,950)
Gross profit		**9,527,847**	6,260,718
Other income	8	**390,937**	368,482
Distribution and selling expenses		**(1,147,953)**	(708,029)
Administrative expenses		**(793,301)**	(607,940)
Other operating expenses		**(31,917)**	(134,961)
Other gains or losses			
Fair value gain on reclassification of inventories of properties to investment properties	15(a)	**72,179**	–
Gain on disposal of investment properties	15(c)	**2,355**	1,829
Change in fair value of a derivative financial instrument	22	**(3,927)**	2,098
Gain on bargain purchase	42	**4**	–
Operating profit		**8,016,224**	5,182,197
Finance costs	10	**(33,843)**	(77,665)
Share of results of associates		**22,657**	10,302
Share of results of joint ventures		**290,534**	224,013
Profit before income tax	9	**8,295,572**	5,338,847
Income tax expense	11	**(4,798,611)**	(3,233,178)
Profit for the year		**3,496,961**	2,105,669
Profit for the year attributable to:			
Owners of the Company		**3,329,681**	2,043,204
Non-controlling interests		**167,280**	62,465
		3,496,961	2,105,669

		RMB Cents	RMB Cents (Re-presented)
Earnings per share	13		
Basic		**97.3**	61.5
Diluted		**97.3**	61.5

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000 (Re-presented)
Profit for the year	**3,496,961**	2,105,669
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising from translation into presentation currency	**(302,751)**	(366,561)
Other comprehensive income for the year, net of tax	**(302,751)**	(366,561)
Total comprehensive income for the year	**3,194,210**	1,739,108
Total comprehensive income attributable to:		
Owners of the Company	**3,026,930**	1,676,643
Non-controlling interests	**167,280**	62,465
	3,194,210	1,739,108

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	**31 December 2019 RMB'000**	31 December 2018 RMB'000 (Re-presented)	1 January 2018 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	15	**2,744,787**	2,337,314	2,369,977
Property, plant and equipment	16	**1,090,024**	1,020,577	992,590
Right-of-use assets	40	**348,544**	–	–
Prepaid lease rental on land	17	**–**	263,986	271,979
Intangible assets	18	**–**	2,908	6,785
Interests in associates	19	**46,299**	23,642	113,606
Interests in joint ventures	20	**901,626**	611,092	387,079
Amount due from a joint venture	28	**–**	–	255,000
Financial assets at fair value through other comprehensive income	21	**1,000**	1,000	1,000
A derivative financial instrument	22	**–**	3,914	1,650
Deferred tax assets	36	**609,534**	161,351	278,471
		5,741,814	4,425,784	4,678,137
Current assets				
Inventories of properties	23	**86,397,320**	59,303,130	44,188,016
Other inventories	24	**4,269**	1,631	1,722
Contract assets	25	**49,732**	14,007	5,963
Trade and other receivables, prepayments and deposits	26	**11,867,467**	8,894,882	8,188,368
Prepaid lease rental on land	17	**–**	7,993	7,993
Amount due from an associate	27	**60,436**	59,676	56,921
Amount due from a joint venture	28	**479**	255,000	–
Amounts due from non-controlling interests	29	**581,245**	408,250	295,643
Amount due from a related company	30	**171,543**	–	–
Tax prepaid		**1,796,235**	1,110,581	1,155,742
Restricted cash and deposits	31	**10,671,299**	6,924,235	6,313,640
Cash and bank balances	31	**16,755,435**	22,221,637	13,499,328
		128,355,460	99,201,022	73,713,336

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Re-presented)	1 January 2018 RMB'000
Current liabilities				
Trade and other payables	32	**11,989,788**	9,481,552	8,236,425
Contract liabilities	33	**54,618,728**	37,923,862	23,555,683
Amounts due to associates	27	**63,823**	23,334	147,853
Amounts due to joint ventures	28	**815,126**	1,179,244	1,031,684
Amounts due to non-controlling interests	29	**5,082,077**	2,044,260	512,768
Amounts due to related companies	30	**379,230**	303,364	4,056,314
Lease liabilities	40	**11,570**	–	–
Guaranteed notes payable	35	**–**	2,813,771	–
Taxation liabilities		**5,940,199**	3,034,456	1,902,597
Borrowings	34	**11,656,478**	5,485,101	4,105,199
		90,557,019	62,288,944	43,548,523
Net current assets		**37,798,441**	36,912,078	30,164,813
Total assets less current liabilities		**43,540,255**	41,337,862	34,842,950
Non-current liabilities				
Borrowings	34	**15,611,683**	16,885,207	16,133,737
Lease liabilities	40	**24,588**	–	–
Guaranteed notes payable	35	**3,521,449**	3,438,514	2,640,792
Amount due to a related company	30	**–**	75,026	75,026
Deferred tax liabilities	36	**2,869,227**	3,171,148	3,513,814
		22,026,947	23,569,895	22,363,369
Net assets		**21,513,308**	17,767,967	12,479,581
CAPITAL AND RESERVES				
Share capital	37	**5,579,100**	5,579,100	1,850,440
Reserves	38	**13,966,227**	11,461,276	9,957,615
Equity attributable to owners of the Company		**19,545,327**	17,040,376	11,808,055
Non-controlling interests	39	**1,967,981**	727,591	671,526
Total equity		**21,513,308**	17,767,967	12,479,581

On behalf of the directors

Zhuang Yong
Director

Wang Man Kwan, Paul
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Share capital RMB'000 (Re-presented) (note 37)	Translation reserve* RMB'000 (Re-presented) (note 38)	Assets revaluation reserve* RMB'000 (Re-presented) (note 38)	Statutory reserve* RMB'000 (Re-presented) (note 38)	Retained profits* RMB'000 (Re-presented) (note 38)	Total RMB'000 (Re-presented)	Non-controlling interests RMB'000 (Re-presented) (note 39)	Total equity RMB'000 (Re-presented)
At 1 January 2018 as originally reported	1,850,440	(218,722)	30,075	935,832	8,835,206	11,432,831	656,918	12,089,749
Adjustment on initial adoption of HKFRS 15	–	–	–	–	375,224	375,224	14,608	389,832
Restated balance as at 1 January 2018	1,850,440	(218,722)	30,075	935,832	9,210,430	11,808,055	671,526	12,479,581
Profit for the year	–	–	–	–	2,043,204	2,043,204	62,465	2,105,669
Exchange differences arising from translation into presentation currency	–	(366,561)	–	–	–	(366,561)	–	(366,561)
Total comprehensive income for the year	–	(366,561)	–	–	2,043,204	1,676,643	62,465	1,739,108
Transfer to PRC statutory reserve	–	–	–	128,667	(128,667)	–	–	–
Issue of shares by way of Rights Issue (note 37)	3,767,588	–	–	–	–	3,767,588	–	3,767,588
Share issue expenses (note 37)	(38,928)	–	–	–	–	(38,928)	–	(38,928)
2018 interim dividend paid (note 12(a))	–	–	–	–	(89,323)	(89,323)	–	(89,323)
2017 final dividend paid (note 12(b))	–	–	–	–	(83,659)	(83,659)	–	(83,659)
Contributions from non-controlling interests	–	–	–	–	–	–	53,600	53,600
Return of capital to non-controlling interests	–	–	–	–	–	–	(60,000)	(60,000)
Transactions with owners	3,728,660	–	–	–	(172,982)	3,555,678	(6,400)	3,549,278
At 31 December 2018	5,579,100	(585,283)	30,075	1,064,499	10,951,985	17,040,376	727,591	17,767,967

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Share capital RMB'000 (note 37)	Translation reserve* RMB'000 (note 38)	Assets revaluation reserve* RMB'000 (note 38)	Statutory reserve* RMB'000 (note 38)	Retained profits* RMB'000 (note 38)	Total RMB'000	Non-controlling interests RMB'000 (note 39)	Total equity RMB'000
At 1 January 2019 as re-presented	5,579,100	(585,283)	30,075	1,064,499	10,951,985	17,040,376	727,591	17,767,967
Profit for the year	–	–	–	–	3,329,681	3,329,681	167,280	3,496,961
Exchange differences arising from translation into presentation currency	–	(302,751)	–	–	–	(302,751)	–	(302,751)
Total comprehensive income for the year	–	(302,751)	–	–	3,329,681	3,026,930	167,280	3,194,210
Transfer to PRC statutory reserve	–	–	–	306,304	(306,304)	–	–	–
2019 interim dividend paid (note 12(a))	–	–	–	–	(184,465)	(184,465)	–	(184,465)
2018 final dividend paid (note 12(b))	–	–	–	–	(337,514)	(337,514)	–	(337,514)
Contributions from non-controlling interests	–	–	–	–	–	–	1,200,610	1,200,610
Dividend attributable to non-controlling interests (note 29)	–	–	–	–	–	–	(127,500)	(127,500)
Transactions with owners	–	–	–	–	(521,979)	(521,979)	1,073,110	551,131
At 31 December 2019	5,579,100	(888,034)	30,075	1,370,803	13,453,383	19,545,327	1,967,981	21,513,308

* The total of these equity accounts at the end of the reporting period represents "Reserves" in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
Operating activities			
Profit before income tax		**8,295,572**	5,338,847
Adjustments for:			
Share of results of associates		**(22,657)**	(10,302)
Share of results of joint ventures		**(290,534)**	(224,013)
Gain on disposal of investment properties		**(2,355)**	(1,829)
Gain on disposal of property, plant and equipment		**(391)**	(49)
Gain on bargain purchase		**(4)**	–
Depreciation and amortization		**80,375**	46,151
Fair value gain on reclassification of inventories of properties to investment properties		**(72,179)**	–
Change in fair value of a derivative financial instrument		**3,927**	(2,098)
Write-off of property, plant and equipment		**32**	15
Interest income		**(337,187)**	(332,338)
Finance costs		**33,843**	77,665
Exchange difference		**(57,673)**	53,680
Operating cash flows before movements in working capital		**7,630,769**	4,945,729
Increase in inventories of properties		**(25,358,768)**	(13,979,635)
(Increase)/Decrease in other inventories		**(2,638)**	91
Increase in trade and other receivables, prepayments and deposits		**(2,930,131)**	(653,287)
Increase in contract assets		**(34,217)**	(8,044)
Increase in restricted cash and deposits		**(3,721,563)**	(610,595)
Increase in trade and other payables		**2,371,773**	1,242,205
Increase in contract liabilities		**16,000,352**	14,368,179
Cash (used in)/generated from operations		**(6,044,423)**	5,304,643
Income taxes paid		**(3,353,963)**	(2,281,704)
Net cash (used in)/from operating activities		**(9,398,386)**	3,022,939
Investing activities			
Purchase of property, plant and equipment	16	**(95,805)**	(62,186)
Acquisition of subsidiaries, net of cash acquired	42	**(178,357)**	–
Proceeds from disposal of investment properties	15(c)	**15,420**	34,492
Proceeds from disposal of property, plant and equipment		**547**	97
Interest received		**386,060**	283,465
Increase in amount due from an associate		**(760)**	(2,755)
Decrease in amount due from a joint venture		**254,521**	–
Increase in amounts due from non-controlling interests		**(172,995)**	(183,267)
Increase in amount due from a related company		**(171,543)**	–
Decrease/(Increase) in short-term time deposits with maturity beyond three months but within one year		**3,132,459**	(2,539,639)
Net cash from/(used in) investing activities		**3,169,547**	(2,469,793)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 RMB'000**	2018 RMB'000 (Re-presented)
Financing activities	43(b)		
New borrowings		**13,115,462**	9,783,961
Repayment of borrowings		**(8,457,218)**	(8,112,527)
Net proceeds from issue of guaranteed notes		**–**	3,189,059
Redemption of guaranteed notes	35	**(2,719,792)**	–
Advances from non-controlling interests		**5,017,734**	2,128,584
Repayments to non-controlling interests		**(2,107,417)**	(557,492)
Advances from associates		**41,470**	1,817
Repayments to associates		**(981)**	(26,070)
Advances from joint ventures		**401,991**	740,205
Repayments to joint ventures		**(766,109)**	(592,645)
Advances from related companies		**–**	3,364
Repayments to related companies		**–**	(3,763,792)
Share issue expenses	37	**–**	(38,928)
Proceeds from rights issue	37	**–**	3,767,588
Dividends paid	12	**(521,979)**	(172,982)
Contribution from non-controlling interests	43(a)	**1,200,610**	3,340
Payment of principal element of leases		**(10,962)**	–
Payment of interest element of leases		**(1,132)**	–
Payment of other interest		**(1,322,298)**	(1,133,472)
Net cash from financing activities		**3,869,379**	5,220,010
Net (decrease)/increase in cash and cash equivalents		**(2,359,460)**	5,773,156
Cash and cash equivalents at 1 January		**19,058,980**	12,987,232
Effect of foreign exchange rate changes on cash and cash equivalents		**55,915**	298,592
Cash and cash equivalents at 31 December		**16,755,435**	19,058,980
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		**16,755,435**	22,221,637
Less: Short-term time deposits with maturity beyond three months but within one year	31(c)	**–**	(3,162,657)
Cash and cash equivalents at 31 December		**16,755,435**	19,058,980

Notes to the Financial Statements

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Suites 701–702, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, property leasing and investment holding.

The Group's business activities are principally carried out in certain regions in the PRC such as Ganzhou, Hefei, Huizhou, Jilin, Nanning, Nantong, Yangzhou and Yinchuan.

The Company is an associated company of China Overseas Land & Investment Limited ("COLI"). COLI is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange. COLI's ultimate holding company is 中國建築集團有限公司 China State Construction Engineering Corporation* ("CSCEC"), an entity established in the PRC.

The financial statements for the year ended 31 December 2019 were approved and authorized for issue by the directors on 20 March 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

2.1 Adoption of new or revised HKFRS — effective 1 January 2019

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRS 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing costs

The impact of the adoption of HKFRS 16 *Leases* ("HKFRS 16") have been summarized below. The other new or revised HKFRS that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

* English translation is for identification only

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognized in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

Details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies, the transition method adopted by the Group as allowed under HKFRS 16 and its impact on the Group's consolidated financial statements are set out below.

(i) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

HKFRS 16 (Continued)

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognize the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognized in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalized in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalize (a) leases which are short-term leases and/or (b) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognized a right-of-use asset and a lease liability at the commencement date of a lease.

The new accounting policies for lessees under HKFRS 16 are set out in note 4.10A.

(iii) Accounting as a lessor

The Group has leased out its investment properties, the shopping mall and certain units of inventories of properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(iv) Transition

The Group has applied HKFRS 16 using the modified retrospective approach and recognized all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has applied the transitional practical expedients to grandfather the previous assessment on leases. Accordingly, contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 continue to be accounted for as leases under HKFRS 16 and HKFRS 16 is not applied to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has recognized lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

HKFRS 16 (Continued)

(iv) Transition (Continued)

The Group has recognized all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognized in the statement of financial position immediately before the date of initial recognition. For all these right-of-use assets, the Group has applied HKAS 36 *Impairment of Assets* at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (b) applied the exemption of not to recognize right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application, i.e. 1 January 2019 and accounted for those leases as short-term leases.

(v) Impact of adoption of HKFRS 16

The impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 is summarized as follows:

Consolidated statement of financial position as at 1 January 2019

	As previously reported RMB'000 (Re-presented*)	HKFRS 16 reclassification RMB'000 (note (a))	HKFRS 16 contract capitalization RMB'000 (note (b))	As restated RMB'000
Assets				
Right-of-use assets	–	272,604	39,356	311,960
Prepaid lease rental on land (non-current)	263,986	(263,986)	–	–
Trade and other receivables, prepayments and deposits	8,894,882	(625)	–	8,894,257
Prepaid lease rental on land (current)	7,993	(7,993)	–	–
Liabilities				
Lease liabilities (current)	–	–	17,309	17,309
Lease liabilities (non-current)	–	–	22,047	22,047

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

HKFRS 16 (Continued)

(v) Impact of adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognized in the consolidated statement of financial position as at 1 January 2019:

	RMB'000
Operating lease commitments as at 31 December 2018 (Re-presented*)	48,817
Less: Short-term leases and other leases for which lease terms end within 31 December 2019	(4,932)
	43,885
Less: Future interest expenses	(4,529)
Total lease liabilities as at 1 January 2019	39,356

The weighted average of the incremental borrowing rates applied to the lease liabilities recognized in the consolidated statement of financial position as at 1 January 2019 is 3.06%

* See note 3.3

Notes:

(a) Up-front payments made by the Group for leasehold land and land use rights which are held for own use were previously classified as prepaid lease rental on land and were measured at cost less accumulated amortization and any impairment losses. Upon initial adoption of HKFRS 16 on 1 January 2019, the up-front payments amounting to RMB271,979,000 in aggregate were reclassified to right-of-use assets.

(b) The Group has leased certain office premises, quarters and shopping mall, which were previously accounted for as operating leases under HKAS 17. The adoption of HKFRS 16 on 1 January 2019 resulted in the recognition of right-of-use assets of RMB39,356,000 and lease liabilities at the same amount.

(c) Under HKFRS 16, the Group is required to account for leasehold properties as investment properties under HKAS 40 *Investment Property* ("HKAS 40") when these properties are held to earn rentals and/or for capital appreciation. The adoption of HKFRS 16 does not have significant impact on those right-of-use assets that meet the definition of investment properties and they would continue to be accounted for under HKAS 40 and would be carried at fair value.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortized cost or at fair value through other comprehensive income if specified conditions are met, instead of at fair value through profit or loss.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these long-term interests before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRS 2015–2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include the followings:

Amendments to HKFRS 3 Business Combinations

Amendments to HKFRS 3 clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Amendments to HKFRS 11 Joint Arrangements

Amendments to HKFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.1 Adoption of new or revised HKFRS — effective 1 January 2019 (Continued)

Annual Improvements to HKFRS 2015–2017 Cycle (Continued)

Amendments to HKAS 23 Borrowing Costs

Amendments to HKAS 23 clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2.2 New or revised HKFRS that have been issued but not yet effective

The following new or revised HKFRS, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted.

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

2.2 New or revised HKFRS that have been issued but not yet effective (Continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognized when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognized in full. Conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

The above new or revised HKFRS that have been issued but not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with HKFRS which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 5.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments which are measured at fair value. The measurement bases are fully described in the accounting policies below.

All values are rounded to the nearest thousand except otherwise indicated.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). The presentation currency of the consolidated financial statements in the prior financial periods was HK$ and is changed to Renminbi ("RMB") in the current year.

The Group's business activities are mainly conducted in the PRC and the functional currency of those operating subsidiaries in the PRC is RMB. Having considered that most of the Group's transactions are denominated and settled in RMB and the change in the presentation currency could reduce the impact of any fluctuations in the exchange rate of HK$ against RMB on the consolidated financial statements of the Group, which is not due to the operations and beyond the control of the Group, thus enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance, the directors have decided to change the presentation currency from HK$ to RMB for the preparation of the Group's consolidated financial statements.

The change in presentation currency of the consolidated financial statements has been accounted for in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The comparative figures in the consolidated statements of financial position as at 31 December, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 have been re-presented in RMB accordingly.

The following methodology was used to re-present the comparative figures including those included in note disclosures, which were originally reported in HK$:

(i) income and expenditure denominated in non-RMB currencies were translated at the average rates of exchange prevailing for the period;

(ii) assets and liabilities denominated in non-RMB currencies were translated at the rates of exchange at the beginning and the end of the period;

(iii) share capital and other reserves were translated at the applicable historical rates; and

(iv) all resulting exchange differences were recognized in other comprehensive income.

The change in presentation currency mainly impacted the carrying amounts of translation reserve as at 31 December 2017 and 2018, changing it from HK$373,279,000 (debit balance) and HK$1,864,534,000 (debit balance) respectively to RMB218,722,000 (debit balance) and RMB585,283,000 (debit balance) respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealized gains on transactions within the Group are eliminated on consolidation. Unrealized losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognized in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognized against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognized in profit or loss.

Goodwill or bargain purchase arising on business combination is accounted for according to the policies in notes 4.5 and 4.6 respectively.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

— power over the investee;

— exposure, or rights, to variable returns from the investee; and

— the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognized at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognized unless there is an obligation to make good those losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Associates (Continued)

Profits and losses arising on transactions between the Group and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealized losses provide evidence of impairment of the asset transferred, they are recognized immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

— the structure of the joint arrangement;

— the legal form of joint arrangements structured through a separate vehicle;

— the contractual terms of the joint arrangement agreement; and

— any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognized at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognized unless there is an obligation to make good those losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Joint arrangements (Continued)

Profits and losses arising on transactions between the Group and its joint venture are recognized only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealized losses provide evidence of impairment of the asset transferred, they are recognized immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognizing the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

4.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree, over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognized in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures rather than recognized as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 4.11). Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognized immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Investment properties

Investment properties include leasehold land and buildings 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 purpose. Investment properties also include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties. Leasehold land which meets the definition of investment property are accounted for as investment properties.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognized in profit or loss. Rental income from investment properties is accounted for as described in note 4.16(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 4.8) 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 dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

4.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 4.11).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the 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 profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of each item of property, plant and equipment less its estimated residual value, if applicable, over its estimated useful life on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Buildings situated on leasehold land	Over the shorter of the remaining title to the land or estimated useful life of 20 to 50 years
Leasehold improvements	Over the shorter of the remaining lease term or estimated useful life of 5 years
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognized in profit or loss.

4.9 Intangible assets (Other than goodwill)

Intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful life are amortized over their estimated useful lives and assessed for impairment (note 4.11) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful life are not amortized but reviewed for impairment at least annually (note 4.11) either individually or at the cash-generating unit level. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall which is carried at cost less accumulated amortization and any impairment losses. Amortization is provided on a straight-line basis over the period of operation of 30 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Leasing

A. *Policies applicable from 1 January 2019*

The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalized in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalize (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group accounts for leasehold land and buildings that are held to earn rentals and/or for capital appreciation under HKAS 40 and those assets are carried at fair value (note 4.7). The Group accounts for the building portion of leasehold land and buildings which the Group has ownership interests and are held for own use under HKAS 16 and those assets are carried at cost less depreciation (note 4.8), whereas the land portion of those leasehold land and buildings is classified as right-of-use assets and are stated at cost less accumulated depreciation and any impairment losses. Other than the above, the Group has also leased some properties under tenancy agreements and those leases are also classified as right-of-use assets and are measured according to the policies as set out below. Right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realizable value (note 4.13).

Right-of-use asset

Right-of-use asset is recognized at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property to which the Group applies revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Leasing (Continued)

A. *Policies applicable from 1 January 2019 (Continued)*

The Group as a lessee (Continued)

Right-of-use asset (Continued)

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis at the following rate per annum:

Category of right-of-use assets	*Useful lives*
Land use rights of properties with ownership interests held for own use	Over the lease term
Other properties leased for own use	Over the shorter of the remaining lease term or estimated useful life

Lease liability

Lease liability is recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as a lessor

Rental income from operating lease is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on the straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Leasing (Continued)

B. Policies applied until 31 December 2018

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, rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment.

When the Group's interests in leasehold land and buildings are in the course of development for sale in ordinary course of business, the leasehold land component is included in properties under development or properties held for sale.

4.11 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment, prepaid lease rental on land, right-of-use assets and interests in subsidiaries, associates and joint ventures are subject to impairment testing. Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the amount by which an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Impairment of non-financial assets (Continued)

Impairment losses recognized for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognized in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.12 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognized 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 market place.

Financial assets with embedded derivatives are considered at their entirety when determining whether their cash flows are solely payments of principal and interest on the principal outstanding.

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

— Financial assets at amortized cost;

— Financial assets at fair value through other comprehensive income; and

— Financial assets at fair value through profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(i) Financial assets (Continued)

The classification is generally based on two criteria:

— the business model under which the financial asset is managed; and

— the contractual cash flow characteristics of the financial asset.

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

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

— Amortized cost

Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

— Fair value through other comprehensive income

Financial assets that are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at fair value though other comprehensive income. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are recycled to profit or loss.

— Fair value through profit or loss

Financial assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value and interest income are recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

— Fair value through profit or loss

Equity investments at fair value through profit or loss are subsequently measured at fair value. Changes in fair value, dividend income and interest income are recognized in profit or loss.

— Fair value through other comprehensive income

For equity investment which is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income, they are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividend income is recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. On disposal of the investment, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

(ii) Impairment loss on financial assets

The Group recognizes an allowance for expected credit losses ("ECL") on debt instruments carried at amortized cost (including trade and other receivables, amounts due from associate, joint venture, related parties and non-controlling interest, restricted cash and deposits and cash and bank balances) and debt instruments measured at fair value through other comprehensive income.

ECL are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and 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 enhancement that are integral to the contract terms.

The ECL are measured on either of the following bases:

— 12-month ECL: these are the ECL that result from possible default events within 12 months after the reporting date; and

— lifetime ECL: these are the ECL that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL, that is to recognize a loss allowance based on lifetime ECL at each reporting date. The Group estimates the loss allowance using a provision matrix which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies the general approach to measure ECL, that is to recognize a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk rating, where applicable.

The Group recognizes an impairment loss or reversal in profit or loss for financial instruments carried at amortized cost by adjusting their carrying amount through the use of a loss allowance account. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

For investments in debt instruments that are measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of those debt instruments.

Interest income on credit-impaired financial assets is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial assets. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortized cost are initially measured at fair value, net of directly attributable costs incurred.

A financial liability is classified as (i) financial liabilities at fair value through profit or loss; or (ii) financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade payables, other payables and accruals, amounts due to associates, joint ventures, other related parties and non-controlling interests, lease liabilities, borrowings and guaranteed notes payable are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (note 4.23).

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4.12(ii); and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Financial instruments (Continued)

(vi) Financial guarantee contracts (Continued)

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECL on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(vii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognized initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognized in profit or loss for the year.

4.13 Inventories of properties

Inventories of properties comprise properties under development and completed properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realizable value. Net realizable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of interests in leasehold land (note 4.10), development expenditures including construction costs, borrowing costs capitalized (note 4.23) and other direct costs attributable to the development of such properties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realizable value. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the presentation purpose of the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.16 Recognition of revenue and other income

Income is classified by the Group when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue from contracts with customers is recognized 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, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if:

— the customers simultaneous receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Recognition of revenue and other income (Continued)

When the contract contains a financing component which provides the customer 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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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.

(i) Sales of properties

The Group determines whether the properties have no alternative use to the Group and whether the Group has an enforceable right to payment from the customer for performance completed to date, taking into account the terms of the contract, the Group's business practice and the legal and regulatory environment where the Group's property development activities operate.

When the property unit has no alternative use to the Group and the Group has an enforceable right to payment from the customer for performance completed to date, control over the property is regarded as transferred over time. In other cases, control over the property is regarded as transferred at a point in time.

If control of the property is transferred over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. The progress toward complete satisfaction of the performance obligation is measured using input method, which is determined by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

If control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Hotel operation and other ancillary services

Service fee income in relation to hotel operation and other ancillary services is recognized when the relevant services are provided to the customers.

(iii) Other services income

Service fee income is recognized when the relevant services are provided to the customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Recognition of revenue and other income (Continued)

(iv) Other sources of income

— Rental income under operating leases is recognized on a straight-line basis over the term of the relevant lease.

— Interest income is accrued on a time basis using the effective interest rate method by applying applicable interest rate on (i) the amortized cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets; or (ii) the gross carrying amount for non credit-impaired financial assets.

4.17 Contract costs, contract assets and contract liabilities

Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventories or property, plant and equipment.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalized as inventories, or property, plant and equipment, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of goods or services to which the costs relate. The accounting policy for revenue recognition is set out in note 4.16.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Contract costs, contract assets and contract liabilities (Continued)

Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see note 4.16) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4.12(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL. Contract assets are reclassified to receivable when the right to the consideration has become unconditional (note 4.18).

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see note 4.16). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

4.18 Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as contract assets (see note 4.17). Receivables are stated as amortized cost using the effective interest method less allowance for credit losses (see note 4.12(ii)).

4.19 Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with notes 4.12(vi), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Retention monies represent amounts of progress billings which are payable to contractors/subcontractors and are due for settlement at the time specified in the contracts. They are classified as current liabilities as the Group expects to settle them within its normal operating cycle.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

On consolidation, income and expense items of group entities that have a functional currency different from the Group's presentation currency (i.e. RMB) are translated into the presentation currency at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of those group entities are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognized in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognized in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognized in the translation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognized assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of the reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of taxable income in those years. The estimate of future taxable income includes income or loss excluding reversals of temporary differences; and reversals of existing temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognized in profit or loss except when they relate to items recognized in other comprehensive income in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.22 Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognized in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognized as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognized on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

4.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization 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 capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4.24 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognized as a liability. Interim dividends are simultaneously proposed and declared and consequently, are recognized immediately as a liability when they are proposed and declared.

4.25 Provisions and contingent liabilities

Provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.26 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other party is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.27 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker (i.e. the most senior executive management) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the financial statements, key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Fair value of investment properties

As disclosed in note 15, the fair values of the investment properties as at 31 December 2019 were estimated by the directors of the Company with reference to the property valuation as at 31 December 2019 conducted by independent professional valuers. The valuation was based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, 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.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.1 Key sources of estimation uncertainty (Continued)

(b) Net realizable value of inventories of properties

Include in the consolidated statement of financial position at 31 December 2019 is inventories of properties with an aggregate carrying amount of approximately RMB86,397,320,000 (2018: RMB59,303,130,000), which are stated at lower of cost and net realizable value. Management determines the net realizable value of the underlying properties which involves, inter-alia, considerable amount of estimation based on analysis of current market price of properties of a comparable quality and location, and for properties under development, estimations of construction costs to be incurred to complete the development based on existing asset structure, contractor fee and construction material price lists and a forecast of future sales taking into account market and economic factors and government measures. If the actual net realizable values of the underlying properties are less than the previous estimations as a result of change in market condition, government measures and policies and/or significant variation in the budgeted development cost, allowance for inventories of properties may result.

(c) Loss allowance for financial assets

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Details of the key assumptions and inputs used are set out in note 51.3.

(d) Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation, particularly for PRC land appreciation tax ("LAT"), and implementation of these taxes varies amongst various PRC cities. The Group has not finalized its LAT calculation and payments with certain local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Group recognized income tax and LAT based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalized with the local tax authorities.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Critical judgments in applying accounting policies

(a) Recognition of revenue from sales of properties

Revenue from sales of properties held for sale is recognized over time when the property unit does not have alternative use to the Group and the Group has an enforceable right to payment from the customer for performance completed to date; and in other cases, revenue from sale of properties is recognized at a point in time when the customer obtains control over the property.

The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether the Group has an enforceable right to payment from the customers for performance completed to date depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgment. Management uses judgment, with reference to legal advice, to classify the sales contracts into those with enforceable right to payment and those without the right.

For those properties with control being transferred over time, the Group recognizes revenue over time based on the progress towards complete satisfaction of performance obligation at the end of the reporting period using input method, which is determined with reference to the contract costs incurred to date as a percentage of total estimated costs for each contract. The Group estimates the development cost of each project based on the development plan as well as contractor fee and construction material price lists, taking into account economic factors. The Group allocates the development cost of the property project to each property unit based on types of properties, gross and saleable floor area and other relevant factors.

Significant judgment and estimations are required in determining the estimated development costs and assessing the progress towards complete satisfaction of the performance obligation at the end of the reporting period. Estimated development costs are supported by cost budgets which were prepared by management on the basis of quotations provided by contractors/subcontractors/suppliers as well as from past experiences. The Group has set up policies and procedures in relation to cost budgeting and progress assessment. Management reviews the estimated development costs, costs incurred to date and costs to be incurred as well as the development progress regularly and when necessary, revises the estimated development cost. Notwithstanding that management regularly reviews and revises cost budgets when the construction progresses, actual development costs and gross profit margin may be higher or lower than the estimates and that will affect the revenue and gross profit recognized in the financial statements.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Critical judgments in applying accounting policies (Continued)

(b) Joint arrangement

As at 31 December 2019, the Group holds certain percentage of the registered capital/paid up capital and voting rights of certain joint arrangements. The contractual arrangements confer joint control over the relevant activities of the joint arrangements to the Group and the other venturers. In addition, the joint arrangements are structured as limited companies and provide the Group and the other venturers to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore, based on the judgment of the management, these arrangements are classified as joint ventures. Further details of the Group's joint arrangements are set out in note 20.

6. REVENUE

The principal activities of the Group are disclosed in note 1. Revenue derived from the Group's principal activities comprises of the followings:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Revenue from contracts with customers within the scope of HKFRS 15		
— Sales of properties	**28,317,217**	21,274,471
— Hotel and other services income	**81,108**	62,183
	28,398,325	21,336,654
Revenue from other sources		
— Property rental income	**192,558**	188,014
Total revenue	**28,590,883**	21,524,668

The aggregate amount of transaction price allocated to the remaining performance obligations under the Group's outstanding contracts as at 31 December 2019 is RMB59,740,539,000 (2018: RMB39,988,555,000). This amount represents revenue expected to be recognized in future from the pre-sale contracts for properties under development entered into by the customers with the Group. The Group will recognize the expected revenue in future when or as the construction work of the properties is completed or when the properties are assigned to the customers, where appropriate, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient under HKFRS 15 to contracts in relation to hotel operations and other ancillary services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations as in general, the contracts in relation to hotel operation and other ancillary services have an original expected duration of one year or less.

7. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resources allocation and assessment of segment performance. The Group has identified two reportable segments and one other segment for its operating segments as follows:

Property investment and development	—	This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through associates and joint ventures.
Property leasing	—	This segment mainly holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long-term. Part of the business is carried out through a joint venture.
Other segment	—	This segment mainly engages in hotel operations and generates service fee income in relation to hotel operation and other ancillary services.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different operating segments during the year or in prior year. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Reportable segment profit/loss excludes corporate income and expenses and finance costs from the Group's profit before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain cash and bank balances and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates, joint ventures and non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as borrowings, amounts due to related companies and guaranteed notes payable that are managed on a group basis.

7. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue by timing of revenue recognition

Disaggregation of revenue from contracts with customers by timing of revenue recognition is set out as follows:

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
For the year ended 31 December 2019				
Revenue from contracts with customers disaggregated by timing of revenue recognition				
— Goods transferred over time	**5,857,234**	**–**	**–**	**5,857,234**
— Goods transferred at a point in time	**22,459,983**	**–**	**–**	**22,459,983**
— Services transferred over time	**–**	**–**	**81,108**	**81,108**
	28,317,217	**–**	**81,108**	**28,398,325**
Revenue from other sources				
— Rental income	**–**	**192,558**	**–**	**192,558**
	28,317,217	**192,558**	**81,108**	**28,590,883**

	Property investment and development RMB'000 (Re-presented)	Property leasing RMB'000 (Re-presented)	Other segment RMB'000 (Re-presented)	Consolidated RMB'000 (Re-presented)
For the year ended 31 December 2018				
Revenue from contracts with customers disaggregated by timing of revenue recognition				
— Goods transferred over time	3,582,199	–	–	3,582,199
— Goods transferred at a point in time	17,692,272	–	–	17,692,272
— Services transferred over time	–	–	62,183	62,183
	21,274,471	–	62,183	21,336,654
Revenue from other sources				
— Rental income	–	188,014	–	188,014
	21,274,471	188,014	62,183	21,524,668

7. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reportable segment revenue, segment profit/loss, segment assets, segment liabilities, reconciliation to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Consolidated RMB'000
For the year ended 31 December 2019				
Reportable segment revenue	28,317,217	192,558	81,108	28,590,883
Reportable segment profit/(loss)	8,262,218	148,235	(24,357)	8,386,096
Corporate income				16,284
Change in fair value of a derivative financial instrument				(3,927)
Finance costs				(33,843)
Other corporate expenses				(69,038)
Profit before income tax				8,295,572
As at 31 December 2019				
Reportable segment assets	126,820,483	2,945,112	1,086,185	130,851,780
Tax assets				2,405,769
Corporate assets^				839,725
Total consolidated assets				134,097,274
Reportable segment liabilities	72,380,346	89,740	16,788	72,486,874
Tax liabilities				8,809,426
Borrowings				27,268,161
Amounts due to related companies				379,230
Lease liabilities				36,158
Guaranteed notes payable				3,521,449
Other corporate liabilities				82,668
Total consolidated liabilities				112,583,966

7. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property investment and development RMB'000 (Re-presented)	Property leasing RMB'000 (Re-presented)	Other segment RMB'000 (Re-presented)	Consolidated RMB'000 (Re-presented)
For the year ended 31 December 2018				
Reportable segment revenue	21,274,471	188,014	62,183	21,524,668
Reportable segment profit/(loss)	5,276,326	140,860	(14,080)	5,403,106
Corporate income				74,688
Change in fair value of a derivative financial instrument				2,098
Finance costs				(77,665)
Other corporate expenses				(63,380)
Profit before income tax				5,338,847
As at 31 December 2018				
Reportable segment assets	95,605,493	2,583,655	1,030,115	99,219,263
Tax assets				1,271,932
Corporate assets^				3,135,611
Total consolidated assets				103,626,806
Reportable segment liabilities	50,482,182	89,491	11,408	50,583,081
Tax liabilities				6,205,604
Borrowings				22,370,308
Amounts due to related companies				378,390
Guaranteed notes payable				6,252,285
Other corporate liabilities				69,171
Total consolidated liabilities				85,858,839

^ Corporate assets as at 31 December 2019 mainly included property, plant and equipment, right-of-use assets/prepaid lease rental on land and cash and bank balances of RMB114,851,000 (2018: RMB121,390,000), RMB100,137,000 (2018: RMB99,672,000) and RMB471,055,000 (2018: RMB2,858,648,000) respectively which are managed on a group basis.

7. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property investment and development RMB'000	Property leasing RMB'000	Other segment RMB'000	Corporate RMB'000	Consolidated RMB'000
Other information					
For the year ended 31 December 2019					
Interest income	328,994	808	152	7,233	337,187
Depreciation and amortization	10,531	5,847	46,604	17,393	80,375
Gain on bargain purchase	4	–	–	–	4
Fair value gain on reclassification of inventories of properties to investment properties	72,179	–	–	–	72,179
Gain on disposal of investment properties	–	2,355	–	–	2,355
Gain/(Loss) on disposal of property, plant and equipment	263	136	(8)	–	391
Write-off of property, plant and equipment	32	–	–	–	32
Fair value loss of a derivative financial instrument	–	–	–	3,927	3,927
Share of profit of associates	22,657	–	–	–	22,657
Share of profit of joint ventures	286,322	4,212	–	–	290,534
Additions to specified non-current assets#	14,266	25	86,311	2,872	103,474
As at 31 December 2019					
Interests in associates	46,299	–	–	–	46,299
Interests in joint ventures	788,484	113,142	–	–	901,626

7. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property investment and development RMB'000 (Re-presented)	Property leasing RMB'000 (Re-presented)	Other segment RMB'000 (Re-presented)	Corporate RMB'000 (Re-presented)	Consolidated RMB'000 (Re-presented)
Other information					
For the year ended 31 December 2018					
Interest income	256,320	1,223	109	74,686	332,338
Depreciation and amortization	6,160	4,604	22,846	12,541	46,151
Gain on disposal of investment properties	–	1,829	–	–	1,829
Gain on disposal of property, plant and equipment	44	–	5	–	49
Write-off of property, plant and equipment	10	–	5	–	15
Fair value gain of a derivative financial instrument	–	–	–	2,098	2,098
Share of profit of associates	10,302	–	–	–	10,302
Share of profit of joint ventures	219,809	4,204	–	–	224,013
Additions to specified non-current assets#	5,458	350	55,356	1,022	62,186
As at 31 December 2018					
Interests in associates	23,642	–	–	–	23,642
Interests in joint ventures	502,162	108,930	–	–	611,092

Including additions to the Group's investment properties, other properties, plant and equipment, right-of-use assets, prepaid lease rental on land, intangible assets, interests in associates and joint ventures (i.e. "specified non-current assets"), but excluded those additions arising from the Acquisition as set out in note 42 and transfers from investment properties and inventories of properties to owner-occupied properties as well as transfer from inventories of properties to investment properties.

7. SEGMENT INFORMATION (CONTINUED)

Geographical information

All of the Group's revenue is derived from activities conducted in the PRC excluding Hong Kong. Accordingly, no analysis of the Group's revenue by geographical locations is presented.

An analysis of the Group's specified non-current assets by geographical locations, determined based on physical location of the assets or location of operations in case of interests in associates and joint ventures, is as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Hong Kong	**7,155**	1,173
Other regions of the PRC	**5,124,125**	4,258,346
	5,131,280	4,259,519

Information about major customer

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

8. OTHER INCOME

	2019 RMB'000	2018 RMB'000 (Re-presented)
Interest income on:		
Bank deposits	**291,313**	285,898
Amount due from a joint venture	**8,903**	12,744
Amounts due from non-controlling interests	**36,971**	33,696
Total interest income on financial assets measured at amortized cost	**337,187**	332,338
Sundry income	**53,750**	36,144
	390,937	368,482

9. PROFIT BEFORE INCOME TAX

	2019 RMB'000	2018 RMB'000 (Re-presented)
Profit before income tax is arrived at after charging/(crediting):		
Amortization		
Prepaid lease rental on land	–	7,993
Intangible assets#	**2,908**	3,877
Depreciation		
Property, plant and equipment	**58,113**	34,281
Right-of-use assets		
Land use rights held for own use	**8,021**	–
Other properties leased for own use	**11,333**	–
Total amortization and depreciation	**80,375**	46,151
Remuneration to auditor for audit services*		
— Current year	**2,734**	2,475
Cost of sales and services provided comprise		
— Amount of inventories recognized as expense	**18,972,428**	15,182,183
Net foreign exchange (gain)/loss (note (a))	**(10,766)**	129,451
Operating lease charge on land and buildings under HKAS 17	–	19,941
Lease expenses for short-term leases and other leases for which lease terms end within 31 December 2019	**5,160**	–
Outgoings in respect of:		
— investment properties	**46,079**	46,020
— others	**8,943**	23,280
	55,022	69,300
Net rental income from:		
— investment properties	**(119,767)**	(96,754)
— others	**(17,769)**	(21,960)
	(137,536)	(118,714)
Staff costs (note (b))	**765,890**	592,971
Gain on disposal of property, plant and equipment	**391**	49
Write-off of property, plant and equipment	**32**	15
Other taxes and levies	**257,084**	306,264

included in "cost of sales and services provided" in the consolidated income statement

* fees for non-audit services rendered by the auditor amounted to RMB51,000 (2018: RMB295,000)

9. PROFIT BEFORE INCOME TAX (CONTINUED)

Notes:

(a) Net foreign exchange loss for the year ended 31 December 2018 amounting to RMB129,451,000 included net exchange loss of RMB118,561,000 arising from reduction of registered capital of three project companies established in the PRC in 2018, which was included in "other operating expenses" in the consolidated income statement as it was non-recurrent in nature whereas the remaining exchange loss of RMB10,890,000 was included in "administrative expenses".

(b) Staff costs (including directors' emoluments) comprise:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Salaries, allowances and other benefits	**725,976**	555,464
Contributions to defined contribution retirement plans (note 44)	**39,914**	37,507
	765,890	592,971

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Re-presented)
Interest on bank borrowings, overdrafts and other borrowings	**1,075,201**	876,436
Interest on amounts due to non-controlling interests	**5,645**	–
Interest on amounts due to related companies	**3,362**	40,961
Imputed interest expense on guaranteed notes payable (note 35)	**182,020**	242,147
Interest on lease liabilities (note 40(a))	**1,132**	–
Total interest expense on financial liabilities measured at amortized cost	**1,267,360**	1,159,544
Less: Amount capitalized (note)	**(1,233,517)**	(1,081,879)
	33,843	77,665

Note: Borrowing costs capitalized during the year arose from the general borrowing pool are calculated by applying an average capitalization rate of 4.31% (2018: 4.50%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000 (Re-presented)
Current tax for the year		
Hong Kong profits tax	–	–
Other regions of the PRC		
— Enterprise income tax ("EIT")	2,458,164	1,563,667
— LAT	3,096,771	1,892,773
	5,554,935	3,456,440
Under provision in prior years		
Other regions of the PRC	30,243	2,284
Deferred tax (note 36)	(786,567)	(225,546)
	4,798,611	3,233,178

On 21 March 2018, the Hong Kong Legislative Council passed "The Inland Revenue (Amendment) (No. 7) Bill 2017" (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill became law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities that are subject to Hong Kong profits tax but not qualified for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any estimated assessable profit in Hong Kong for the current year and in prior year.

EIT arising from other regions of the PRC is calculated at 25% (2018: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2018: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to profit before income tax in the consolidated income statement at applicable tax rates as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Profit before income tax	**8,295,572**	5,338,847
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**2,162,913**	1,399,628
Expenses not deductible for tax purpose	**198,423**	151,640
Income not taxable for tax purpose	**(2,636)**	(14,053)
Share of results of associates	**(5,664)**	(2,576)
Share of results of joint ventures	**(72,633)**	(56,003)
LAT deductible for calculation of income tax	**(774,193)**	(473,193)
Utilization of tax losses previously not recognized	**(11,244)**	(7,469)
Tax effect of tax losses not recognized	**85,478**	36,966
Under provision in prior years	**30,243**	2,284
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	**251,334**	168,642
Others	**27,226**	11,838
	1,889,247	1,217,704
LAT	**2,909,364**	2,015,474
Income tax expense	**4,798,611**	3,233,178

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year

	2019 RMB'000	2018 RMB'000 (Re-presented)
Interim dividend — HK$0.06 (2018: HK$0.03) per ordinary share	**184,465**	89,323
Proposed final dividend — HK$0.195 (2018: HK$0.112) per ordinary share (note)	**586,810**	322,741
	771,275	412,064

Note:

The final dividend of HK$0.195 (2018: HK$0.112) per ordinary share, amounting to HK$667,555,000, equivalent to approximately RMB586,810,000 (2018: HK$383,416,000, equivalent to approximately RMB322,741,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

12. DIVIDENDS (CONTINUED)

(b) Dividends payable to owners of the Company attributable to the previous financial year

	2019	2018
	RMB'000	RMB'000
		(Re-presented)
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.112 (2018: HK$0.03) per ordinary share	**337,514**	83,659

13. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to owners of the Company are based on the following data:

	2019	2018
	RMB'000	RMB'000
		(Re-presented)
Earnings		
Profit for the year attributable to owners of the Company	**3,329,681**	2,043,204

	2019	2018
	'000	'000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	**3,423,360**	3,322,354

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2018 represented the weighted average number of ordinary shares in issue in 2018, after taking into account of the bonus element in the Rights Issue which was completed on 5 February 2018 as set out in note 37.

Diluted earnings per share for the years ended 31 December 2019 and 2018 are same as the basic earnings per share as there have been no dilutive potential ordinary shares in existence during the year or prior year.

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of Hong Kong Companies Ordinance, Cap. 622, and the Companies (Disclosure of Information about Benefits of Directors) Regulation, Cap. 622G, are as follows:

Directors' emoluments

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonus RMB'000	Retirement fund contribution RMB'000	Total RMB'000
For the year ended 31 December 2019					
Executive directors					
Mr. Zhang Guiqing (note (a))	–	2,032	8,982	229	11,243
Mr. Yang Lin	–	1,572	6,156	189	7,917
Non-executive director					
Mr. Yan Jianguo	–	–	–	–	–
	–	3,604	15,138	418	19,160
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director					
Mr. Wang Man Kwan, Paul (note (b))	–	3,075 (approximately RMB2,703)	2,200 (approximately RMB1,934)	154 (approximately RMB135)	5,429 (approximately RMB4,772)
Non-executive director					
Mr. Yung Kowk Kee, Billy (note (b))	400 (approximately RMB352)	–	–	–	400 (approximately RMB352)
Independent non-executive directors					
Dr. Chung Shui Ming, Timpson (note (b))	400 (approximately RMB352)	–	–	–	400 (approximately RMB352)
Mr. Lam Kin Fung, Jeffrey (note (b))	400 (approximately RMB352)	–	–	–	400 (approximately RMB352)
Mr. Lo Yiu Ching, Dantes (note (b))	400 (approximately RMB352)	–	–	–	400 (approximately RMB352)
	1,600 (approximately RMB1,408)	3,075 (approximately RMB2,703)	2,200 (approximately RMB1,934)	154 (approximately RMB135)	7,029 (approximately RMB6,180)

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

	Fees RMB'000 (Re-presented)	Salaries, allowances and other benefits RMB'000 (Re-presented)	Discretionary bonus RMB'000 (Re-presented)	Retirement fund contribution RMB'000 (Re-presented)	Total RMB'000 (Re-presented)
For the year ended 31 December 2018					
Executive directors					
Mr. Zhang Guiqing	–	2,141	6,844	217	9,202
Mr. Yang Lin	–	1,493	4,865	178	6,536
Non-executive director					
Mr. Yan Jianguo	–	–	–	–	–
	–	3,634	11,709	395	15,738

	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive director					
Mr. Wang Man Kwan, Paul (note (b))	–	2,997 (approximately RMB2,523)	2,150 (approximately RMB1,810)	150 (approximately RMB126)	5,297 (approximately RMB4,459)
Non-executive director					
Mr. Yung Kowk Kee, Billy (note (b))	250 (approximately RMB210)	–	–	–	250 (approximately RMB210)
Independent non-executive directors					
Dr. Chung Shui Ming, Timpson (note (b))	250 (approximately RMB210)	110 (approximately RMB93)	–	–	360 (approximately RMB303)
Mr. Lam Kin Fung, Jeffrey (note (b))	250 (approximately RMB210)	110 (approximately RMB93)	–	–	360 (approximately RMB303)
Mr. Lo Yiu Ching, Dantes (note (b))	250 (approximately RMB210)	110 (approximately RMB93)	–	–	360 (approximately RMB303)
	1,000 (approximately RMB840)	3,327 (approximately RMB2,802)	2,150 (approximately RMB1,810)	150 (approximately RMB126)	6,627 (approximately RMB5,578)

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Notes:

(a) With effect from 11 February 2020, Mr. Zhang Guiqing resigned as executive director and Mr. Zhuang Yong was appointed as executive director.

(b) The amounts are paid in HK$. The RMB amounts are disclosed for presentation purpose only.

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

Five highest paid individuals

The five individuals with the highest emoluments in the Group include three (2018: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2018: two) highest paid individuals for the years ended 31 December 2019 and 2018 were as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Salaries, allowances and other benefits	**2,446**	2,330
Discretionary bonus	**9,739**	7,297
Retirement fund contributions	**309**	247
	12,494	9,874

Their emoluments were within the following bands:

	Number of individuals	
	2019	2018
HK$5,000,001–HK$5,500,000	**–**	1
HK$6,000,001–HK$6,500,000	**–**	1
HK$6,500,001–HK$7,000,000	**1**	–
HK$7,500,001–HK$8,000,000	**1**	–

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: nil).

15. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Fair value		
At 1 January	**2,337,314**	2,369,977
Reclassification from inventories of properties (note (a))	**429,000**	–
Reclassification to owner-occupied properties (note (b))	**(8,462)**	–
Disposals (note (c))	**(13,065)**	(32,663)
At 31 December	**2,744,787**	2,337,314

Notes:

(a) During the year ended 31 December 2019, the Group reclassified the commercial units of China Overseas Plaza in Lanzhou with net carrying value of RMB356,821,000 from inventories of properties to investment properties and recognized fair value gain of RMB72,179,000 in the profit or loss on the date of reclassification.

(b) During the year ended 31 December 2019, the Group occupied certain office units of China Overseas Building (No. 9 Office Building) at Jilin as office premises and reclassified their land and building portion of RMB905,000 and RMB7,557,000 respectively as right-of-use assets and buildings within property, plant and equipment.

(c) During the year ended 31 December 2019, the Group disposed of certain investment properties with aggregate carrying value of RMB13,065,000 (2018: RMB32,663,000) at aggregate consideration of RMB15,420,000 (2018: RMB34,492,000) and thus recognized gain on disposal of investment properties amounting to RMB2,355,000 (2018: RMB1,829,000).

(d) The fair value of the investment properties as at 31 December 2019 and 2018 is a level 3 recurring fair value measurement, which uses significant unobservable inputs (i.e. inputs not derived from market data).

For the years ended 31 December 2019 and 2018, no fair value gain or loss arose from remeasurement of the Group's investment properties at the end of the reporting period.

(e) The fair values of the Group's investment properties as at 31 December 2019 and 2018 were estimated by the directors with reference to the property valuation at that dates conducted by CHFT Advisory and Appraisal Limited.

CHFT Advisory and Appraisal Limited is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(e) (Continued)

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

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
China Overseas International Center (comprise office units, shops and car parks)	Beijing	Direct comparison approach: — For office units, shops and carparks	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units and shops: RMB29,754 to RMB59,410 per square meter ("sq.m.") (2018: RMB33,279 to RMB57,710 per sq.m.) Car parks: RMB219,304 per unit (2018: RMB278,481 per unit)	The higher the selling price per unit, the higher the fair value
		Income approach: Term and reversionary approach — For office units and shops	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received	6.3% to 7.3% (2018: 6.3% to 7.3%)	The higher the term yield, the lower the fair value
			Reversionary yield, taking into account annual unit market rental and unit market value of comparable properties	6.8% to 7.8% (2018: 6.8% to 7.8%)	The higher the reversionary yield, the lower the fair value
			Monthly rent, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	RMB247 to RMB469 per sq. m. (2018: RMB184 to RMB419 per sq.m.)	The higher the monthly rent, the higher the fair value
			Vacancy rate, using direct market comparables and taking into account differences such as age, location and individual factors including road frontage, size of property and design	2.8% to 43.9% (2018: 8.5% to 62.0%)	The higher the vacancy rate, the lower the fair value
China Overseas Building (No. 9 Office Building) (comprise office units and car parks)	Jilin	Direct comparison approach	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units: RMB7,340 per sq.m. (2018: RMB6,640 per sq.m.) Car parks: RMB60,526 per unit (2018: RMB44,792 per unit)	The higher the selling price, the higher the fair value
CITIC Building (office units)	Shantou	Direct comparison approach	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units: RMB5,761 per sq.m. (2018: RMB5,761 per sq.m.)	The higher the selling price per unit, the higher the fair value

15. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(e) (Continued)

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Jin Xin Building (office units)	Shantou	Direct comparison approach	Selling price per unit of market comparables, taking into account differences such as age, location and individual factors including road frontage, size of property and design	Office units: RMB6,336 per sq.m. (2018: RMB6,336 per sq.m.)	The higher the selling price per unit, the higher the fair value
China Overseas Plaza (commercial units)	Lanzhou	Residual approach	Average unit price per sq. m.	RMB13,717 per sq.m.	The higher the average unit price, the higher the fair value
			Estimated costs to completion per sq.m.	RMB4,269 per sq.m.	The higher the estimated costs to completion, the lower the fair value
			Estimated developer's profit	15%	The higher the developer's profit, the lower the fair value

Fair value measurements are based on the highest and best use of the investment properties, which does not differ from their actual use.

Under the direct comparison approach, fair value is estimated by reference to the selling prices of comparable properties in close proximity which have been adjusted for differences in key attributes of the properties being valued and the comparable properties such as property age, size, characteristics and facilities.

Under the income approach: term and reversionary approach, fair value is estimated by taking into account the current passing rents of the properties and the reversionary potentials of the tenancies.

In arriving at the value for the property interests under development, the Group has adopted the residual approach, by assuming sale of each of these property interests with the benefits of vacant possession and making reference to comparable sales evidence as available in the relevant market to arrive the capital values of the properties as if the properties were completed at the date of valuation and have also taken into consideration the development costs already spent and to be spent to reflect the quality of the completed development. Residual approach involves an estimation the capital value of a development with reference to its development potential by deducting costs and developer's profit from its estimated completed development value.

(f) The investment properties are leased to third parties and related companies under operating leases to earn rental income, further details of which are included in note 40(b).

(g) As at 31 December 2019 and 2018, none of the Group's investment properties were pledged as securities for the borrowings and banking facilities of the Group.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018 (Re-presented)	444,756	3,414	50,835	26,294	536,009	1,061,308
Translation adjustment	–	66	4	199	–	269
Additions	12	1,022	5,849	303	55,000	62,186
Disposals	–	–	(144)	(199)	–	(343)
Write-off	–	(3,438)	(2,123)	(54)	–	(5,615)
At 31 December 2018 and 1 January 2019 (Re-presented)	444,768	1,064	54,421	26,543	591,009	1,117,805
Translation adjustment	–	76	2	41	–	119
Additions	–	2,757	22,004	3,776	67,268	95,805
Acquisition of subsidiaries (note 42)	–	–	94	–	–	94
Reclassification from investment properties (note 15(b))	7,557	–	–	–	–	7,557
Reclassification from inventories of properties (note (a))	24,222	–	–	–	–	24,222
Transfer upon completion	658,277	–	–	–	(658,277)	–
Disposals	–	–	(2,945)	(4,490)	–	(7,435)
Write-off	–	–	(1,730)	(576)	–	(2,306)
At 31 December 2019	1,134,824	3,897	71,846	25,294	–	1,235,861
DEPRECIATION						
At 1 January 2018 (Re-presented)	28,296	3,405	15,042	21,975	–	68,718
Translation adjustment	–	24	4	96	–	124
Depreciation provided	26,139	9	5,243	2,890	–	34,281
Disposal	–	–	(132)	(163)	–	(295)
Write-off	–	(3,438)	(2,108)	(54)	–	(5,600)
At 31 December 2018 and 1 January 2019 (Re-presented)	54,435	–	18,049	24,744	–	97,228
Translation adjustment	–	7	2	40	–	49
Depreciation provided	49,361	391	6,950	1,411	–	58,113
Disposals	–	–	(2,931)	(4,348)	–	(7,279)
Write-off	–	–	(1,698)	(576)	–	(2,274)
At 31 December 2019	103,796	398	20,372	21,271	–	145,837
NET CARRYING AMOUNT						
At 31 December 2019	1,031,028	3,499	51,474	4,023	–	1,090,024
At 31 December 2018 (Re-presented)	390,333	1,064	36,372	1,799	591,009	1,020,577

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) During the year ended 31 December 2019, the Group occupied certain commercial units and office units as office premises which were previously held for sale and classified as inventories of properties. The carrying value of these commercial and office units amounted to RMB71,492,000. The Group reclassified the land portion and the building portion of these commercial and office units amounting to RMB47,270,000 and RMB24,222,000 respectively as right-of-use assets and buildings within property, plant and equipment respectively.

(b) As at 31 December 2019, none of the owned-occupied properties were pledged as collateral for the borrowings and banking facilities of the Group. As at 31 December 2018, owner-occupied properties (including prepaid lease rental on land) with net carrying amount of RMB220,120,000 were pledged as collateral for the borrowings and banking facilities of the Group (note 45).

17. PREPAID LEASE RENTAL ON LAND

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
At 1 January as originally reported	**271,979**	279,972
Adjustment on initial adoption of HKFRS 16 (note 2.1)	**(271,979)**	–
At 1 January as restated	–	279,972
Amortization charged	–	(7,993)
At 31 December	–	271,979
Analyzed into:		
Non-current portion included in non-current assets	–	263,986
Current portion included in current assets	–	7,993
	–	271,979

18. INTANGIBLE ASSETS

	Shopping mall operating right RMB'000
COST	
At 1 January 2018 (Re-presented), 31 December 2018 (Re-presented), 1 January 2019 (Re-presented) and 31 December 2019	**59,491**
AMORTIZATION AND IMPAIRMENT	
At 1 January 2018 (Re-presented)	52,706
Amortization charged	3,877
At 31 December 2018 and 1 January 2019 (Re-presented)	**56,583**
Amortization charged	**2,908**
At 31 December 2019	**59,491**
NET CARRYING AMOUNT	
At 31 December 2019	–
At 31 December 2018 (Re-presented)	2,908

19. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Share of net assets	**46,299**	23,642

Details of the Group's associates as at 31 December 2019 are set out in note 53.

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

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
For the year ended 31 December		
Share of the associates' results for the year	**22,657**	10,302
Share of the associates' other comprehensive income for the year	**–**	–
Share of the associates' total comprehensive income	**22,657**	10,302
Dividends received from associates	**–**	100,266
As at 31 December		
Aggregate carrying amount of the Group's interests in associates	**46,299**	23,642

20. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Share of net assets	**901,626**	611,092
Less: Impairment	**–**	–
	901,626	611,092

As at 31 December 2019 and 2018, the Group had equity interests in 上海金鶴數碼科技發展有限公司 ("Shanghai Jinhe"), 中海宏洋海富(合肥)房地產開發有限公司 ("Hefei Haifu") and 汕頭中海凱旋置業有限公司 ("Shantou Kaixuan"). Shanghai Jinhe is a separate structured vehicle incorporated in the PRC which is principally engaged in property investment and property leasing in Shanghai. The Group has joint control over this arrangement as unanimous consent is required from all parties to the arrangement for the relevant activities of Shanghai Jinhe.

Hefei Haifu and Shantou Kaixuan are project companies for which the Group develops property projects jointly with the other venturers. Pursuant to the constitutional documents, the Group and the other venturers have joint control over Hefei Haifu and Shantou Kaixuan having regard to the voting power in the shareholders' and directors' meetings.

The contractual arrangements in relation to the aforesaid companies provide the Group with only the rights to the net assets of the joint arrangements, with the rights to the assets and obligation for the liabilities of the joint arrangements resting primarily with these companies.

Details of the Group's joint ventures as at 31 December 2019 are set out in note 54.

In the opinion of the directors, Shantou Kaixuan is a material joint venture for the year ended 31 December 2019 whereas Hefei Haifu was a material joint venture for the year ended 31 December 2018. The following table illustrates the summarized financial information in respect of Shantou Kaixuan and Hefei Haifu adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements for the respective years.

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarized financial information of Shantou Kaixuan:

	RMB'000
As at 31 December 2019	
Cash and cash equivalents	77,150
Other current assets	910,060
Current assets	987,210
Non-current assets	107
Trade and other payables	226,110
Other current financial liabilities	479
Other current liabilities	129,076
Current liabilities	355,665
Net assets	631,652
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	51%
Group's share of net assets of the joint venture	322,142

	RMB'000
For the year ended 31 December 2019	
Revenue	1,595,895
Interest income	1,992
Depreciation and amortization	(136)
Interest expense	(21,492)
Income tax expense	(260,502)
Profit for the year	469,917
Other comprehensive income for the year	–
Total comprehensive income for the year	469,917
Dividend received	–

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarized financial information of Hefei Haifu:

	RMB'000 (Re-presented)
As at 31 December 2018	
Cash and cash equivalents	192,738
Other current assets	1,972,123
Current assets	2,164,861
Non-current assets	177
Trade and other payables	229,310
Other current liabilities	503,113
Current liabilities	732,423
Non-current financial liabilities	500,000
Non-current liabilities	500,000
Net assets	932,615
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	45%
Group's share of net assets of the joint venture	419,677

	RMB'000 (Re-presented)
For the year ended 31 December 2018	
Revenue	1,873,236
Interest income	5,487
Depreciation and amortization	(76)
Interest expense	(3,702)
Income tax expense	(423,097)
Profit for the year	410,529
Other comprehensive income for the year	–
Total comprehensive income for the year	410,529
Dividend received	–

20. INTERESTS IN JOINT VENTURES (CONTINUED)

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 (Re-presented)
For the year ended 31 December		
Share of the joint ventures' profit for the year	**50,876**	39,275
Share of the joint ventures' other comprehensive income for the year	**–**	–
Share of the joint ventures' total comprehensive income	**50,876**	39,275
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**579,484**	191,415

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000 (Re-presented)
Unlisted equity instruments	**1,000**	1,000

The Group holds certain unlisted equity instruments for long-term strategic purposes and does not intend to dispose of them in near future. These unlisted equity investments were irrevocably designated as financial assets at fair value through other comprehensive income.

22. A DERIVATIVE FINANCIAL INSTRUMENT

In 2017, the Group entered into an interest rate swap contract for a bank loan which is interest-bearing at floating rate. The notional amount of this interest rate swap contract is United States Dollars ("US$") 40,000,000, which swaps interest rate on floating basis at 3-month London InterBank Offered Rate plus 1.515% per annum to fixed rate of 3.2% per annum. The contract period is 3 years commencing on 6 January 2017 and would mature on 6 January 2020.

The fair value of the interest rate swap contract as at 31 December 2019 as assessed by the director was nil and the decrease in fair value amounting to RMB3,927,000 was recognized in profit or loss under "other gains or losses — change in fair value of a derivative financial instrument".

The fair value of the interest rate swap contract as at 31 December 2018 was RMB3,914,000. The Group recognized "a derivative financial instrument" under non-current assets as at 31 December 2018 with the increase in fair value amounting to RMB2,098,000 being credited to profit or loss for the year ended 31 December 2018 under "other gains or losses — change in fair value of a derivative financial instrument".

23. INVENTORIES OF PROPERTIES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Properties under development, at cost	**79,184,977**	50,998,872
Properties held for sale, at cost	**7,212,343**	8,304,258
	86,397,320	59,303,130

As at 31 December 2019, properties under development amounting to RMB44,942,638,000 (2018: RMB38,775,042,000) are not expected to be recovered within twelve months from the end of the reporting period.

As at 31 December 2019, leasehold interests in land included in inventories of properties amounted to RMB59,251,045,000 (2018: RMB29,831,362,000).

As at 31 December 2019, inventories of properties with aggregate carrying value of RMB1,416,589,000 (2018: RMB200,600,000) were pledged as securities for the borrowings and banking facilities of the Group, which will be released upon the Group's settlement of the borrowings and banking facilities (note 45).

24. OTHER INVENTORIES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Raw materials and consumables	**4,269**	1,631

25. CONTRACT ASSETS

Details of the contract assets recognized by the Group are as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Contract costs of obtaining contracts (note)	**49,732**	14,007

Note:

Contract costs capitalized as at 31 December 2019 and 2018 related to the incremental costs incurred in obtaining the contracts, primarily sale commission and stamp duty paid/payable. Contract costs are recognized in profit or loss in the period in which revenue from the related property sales is recognized. The amount of capitalized contract costs recognized in profit or loss for the year ended 31 December 2019 was RMB113,703,000 (2018: RMB82,983,000). There was no impairment provision in relation to capitalized contract costs as at 31 December 2019 (2018: nil).

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 RMB'000	2018 RMB'000 (Re-presented)
Trade receivables	16,826	64,911
Less: Loss allowance for impairment of trade receivables (note (b))	–	–
Trade receivables, net (note (a))	16,826	64,911
Other receivables (note (c))	3,153,957	2,220,023
Prepayments and deposits (note (d))	8,702,684	6,615,948
Less: Loss allowance for impairment of other receivables (note (e))	(6,000)	(6,000)
	11,850,641	8,829,971
	11,867,467	8,894,882

Notes:

(a) The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. Rentals receivable from tenants and service income receivable from customers are generally due on presentation of invoices.

The ageing analysis of the Group's trade receivables based on invoice date or when appropriate, date of transfer of property, is as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
30 days or below	10,407	62,528
31–60 days	236	54
61–90 days	166	71
91–180 days	27	1,192
181–360 days	489	107
Over 360 days	5,501	959
	16,826	64,911

(b) The Group recognizes loss allowance for impairment of trade receivables based on the accounting policies stated in note 4.12(ii). Further details of the Group's credit policy and credit risk arising from trade receivables are set out in note 51.3.

(c) The balances of other receivables mainly comprise the followings:

— Proceeds received from sales of properties amounting to RMB1,725,053,000 (2018: RMB1,217,864,000) paid by the Group to certain government agencies as deposits. In accordance with the relevant regulations in certain PRC cites, certain project companies are required to place proceeds received from sales of properties to the government agencies. The project companies can apply for release of the proceeds when the construction work of the property projects has reached certain milestones stipulated in the pre-sale proceeds supervision agreements.

— Compensation for land resumption receivable from local government authority amounting to approximately RMB577 million as at 31 December 2019 (2018: nil) as further detailed in note 47(b).

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(d) The balance of prepayments and deposits mainly comprise the followings:

(i) Deposits amounting to RMB4,864,193,000 (2018: RMB4,573,419,000) paid by the Group for the acquisition of lands in the PRC.

At the end of the reporting period, the application of the land certificates of certain land parcels was still in progress, in particular for those land parcels acquired by the Group near the reporting date. As assessed by the directors, the land certificates of those land parcels will be issued to the Group in due course upon completion of the relevant administrative procedures without encountering significant difficulty.

(ii) Previously, the Group incurred expenditure and made payment for the primary development on certain areas in Hohhot-Inner Mongolia (the "Primary Development Land"). Subsequently, the Group successfully acquired land use right for certain area of the Primary Development Land through public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands acquired was offset against the payment made by the Group for the Primary Development Land. As at 1 January 2018, the outstanding amount paid by the Group for the Primary Development Land was RMB61,596,000. During the year ended 31 December 2018, the Group successfully acquired a land parcel in Hohhot-Inner Mongolia at acquisition cost of RMB43,541,000. The Group and the land authority agreed that the land consideration for this land parcel was offset against the payment made by the Group for the Primary Development Land.

(e) The movement in the loss allowance for other receivables during the year is as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
At beginning and end of the year	**6,000**	6,000

The Group recognizes loss allowance for impairment of other receivables based on the accounting policies stated in note 4.12(ii). Further details of the Group's credit policy and credit risk arising from other receivables are set out in note 51.3.

27. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts due from/to associates as at 31 December 2019 and 2018 are unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE FROM/TO JOINT VENTURES

The amounts due from/to joint ventures as at 31 December 2019 and 2018 are unsecured, interest-free and repayable on demand except for an amount due from a joint venture as at 31 December 2018 amounting to RMB255,000,000. This amount represented a loan granted to the joint venture in 2017, which was unsecured, interest-bearing at fixed rate of 5.225% per annum and repayable in September 2019. This loan was fully settled by the joint venture during the year ended 31 December 2019.

29. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The amounts due from/to non-controlling interests as at 31 December 2019 and 2018 are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2019, the entire amount of dividends attributable to non-controlling interests amounting to RMB127,500,000 was credited to the current account with the non-controlling interests.

30. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amount due from a related company as at 31 December 2019 represented land resumption compensation receivable from a related company as further detailed in note 47(b). The amount is unsecured, non-interest bearing and expected to be received within one year.

The amounts due to related companies as at 31 December 2019 and 2018 are unsecured, interest-free and repayable on demand except for the balance amounting to RMB75,026,000 as at 31 December 2019 (2018: RMB75,026,000) which is interest-bearing at the People's Bank of China prevailing lending rate and repayable on 18 October 2020.

31. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Cash at banks and in hand (note (b))	**27,426,734**	29,145,872
Less: Restricted cash and deposits (note (a))	**(10,671,299)**	(6,924,235)
Cash and bank balances	**16,755,435**	22,221,637

Notes:

(a) Certain bank balances are restricted as follows:

— In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of development of the related pre-sale properties or issuance of the real estate ownership certificates, whichever is the earlier.

— In relation to the mortgage agreements entered into by the buyers and the banks, certain subsidiaries are required to place proceeds received from sales of properties as guarantee deposits in designated bank accounts maintained with the banks. These deposits can only be used to settle construction fees of the relevant property projects and for certain other cases, these deposits could be used to settle the project loans arranged with the banks to finance the relevant property projects. Balances deposited in these designated bank accounts are subject to monitoring by the banks.

The amount of cash restricted for the above purposes as at 31 December 2019 was RMB10,671,299,000 (2018: RMB6,924,235,000).

(b) Cash balance denominated in RMB amounted to approximately RMB27,174,700,000 as at 31 December 2019 (2018: RMB26,287,776,000). The RMB is not freely convertible into other currencies.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period.

As at 31 December 2019, the Group had short-term time deposits amounting to RMB454,612,000, which had original maturity of seven to eight days and earned interest income at interest rates ranged from 2.10% to 2.77% per annum. The Group's short-term time deposits as at 31 December 2018 amounted to RMB3,343,192,000, of which deposits of RMB3,162,657,000 had original maturity of six to eight months and earned interest income at interest rates ranged from 1.82% to 3.43% per annum whereas the remaining balance of RMB180,535,000 had original maturity of one month and earned interest income at interest rates ranged from 2.97% to 3.31% per annum. The entire amount of short-term time deposits as of 31 December 2019 and 2018 were included in "cash and bank balances".

32. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Trade payables (note)	10,153,883	8,028,524
Other payables and accruals	1,573,573	1,242,799
Deposits received	262,332	210,229
	11,989,788	9,481,552

Note:

The ageing analysis of the Group's trade payables based on invoice date or contract terms, where appropriate, is as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
30 days or below	2,919,207	2,428,723
31–60 days	695,632	285,018
61–90 days	317,989	311,950
91–180 days	1,128,954	759,599
181–360 days	1,350,838	1,317,106
Over 360 days	3,741,263	2,926,128
	10,153,883	8,028,524

33. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Property development — sales deposits and instalments received	54,618,728	37,923,862

Property development

The Group receives payments of the contract sum (value-added tax inclusive) from customers based on the billing schedule as set out in the contracts for sales of properties. Payments are usually received in advance of the performance under the sales contracts.

Revenue recognized for the year ended 31 December 2019 that was included in contract liabilities at the beginning of the year was RMB19,191,601,000 (2018: RMB14,568,910,000).

The amount of sales deposits and instalments received expected to be recognized as revenue after more than one year is RMB17,460,311,000 (2018: RMB13,419,183,000).

34. BORROWINGS

	2019 RMB'000	2018 RMB'000 (Re-presented)
Current liabilities		
Bank borrowings	**11,496,478**	4,185,101
Other loans	**160,000**	1,300,000
	11,656,478	5,485,101
Non-current liabilities		
Bank borrowings	**14,471,683**	16,885,207
Other loans	**1,140,000**	–
	15,611,683	16,885,207
	27,268,161	22,370,308

	2019 RMB'000	2018 RMB'000 (Re-presented)
Analyzed into:		
Bank borrowings		
Secured	**129,000**	90,506
Unsecured	**25,839,161**	20,979,802
	25,968,161	21,070,308
Other loans		
Unsecured	**1,300,000**	1,300,000
	27,268,161	22,370,308

As at 31 December 2019, borrowings amounting to RMB129,000,000 (2018: RMB90,506,000) were secured by properties of the Group (note 45). In addition, none of the Group's borrowings as at 31 December 2019 was guaranteed by the subsidiaries of COLI whereas borrowings amounting to RMB14,506,000 as at 31 December 2018 were guaranteed by certain subsidiaries of COLI.

Bank borrowings were scheduled for repayment as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
On demand or within one year	**11,496,478**	4,185,101
More than one year, but not exceeding two years	**5,862,148**	8,739,746
More than two years, but not exceeding five years	**8,609,535**	8,145,461
	25,968,161	21,070,308

34. BORROWINGS (CONTINUED)

Other loans were scheduled for repayment as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
On demand or within one year	160,000	1,300,000
More than one year, but not exceeding two years	820,000	–
More than two years, but not exceeding five years	320,000	–
	1,300,000	1,300,000

The above analysis is based on scheduled repayment dates as set out in the loan agreements or the repayment schedules agreed with the banks and other lenders.

The carrying amounts of borrowings are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000 (Re-presented)
HK$	10,960,315	7,257,577
RMB	16,026,560	13,415,616
US$	281,286	1,697,115
	27,268,161	22,370,308

As at 31 December 2019, the Group's borrowings have been arranged as follows:

— borrowings denominated in HK$ are interest-bearing at annual floating rates of 3.72% to 4.96% (2018: 3.35% to 4.84%);

— borrowings denominated in US$ amounting to RMB281,286,000 (2018: RMB275,125,000) are interest- bearing at annual floating rate of 3.45% (2018: 4.00%) while the remaining balance as at 31 December 2018 amounting to RMB1,421,990,000 was interest-bearing at annual fixed rate of 3.80%; and

— borrowings denominated in RMB amounting to RMB14,726,560,000 (2018: RMB12,915,616,000) are interest-bearing at annual floating rate of 4.70% to 5.23% (2018: 4.28% to 5.23%) while the remaining balance of RMB1,300,000,000 (2018: RMB500,000,000) are interest-bearing at annual fixed rates of 3.80% to 5.23% (2018: 3.80%).

In respect of those borrowings which have been arranged to finance property development projects, the Group is required to place sales proceeds received from the buyers, rental income received and fund raised in relation to those projects into designated bank accounts. These bank accounts are subject to monitoring by the banks and the financial institutions and they have priority to claim repayment for the borrowings from these designated accounts.

35. GUARANTEED NOTES PAYABLE

	2019 RMB'000	2018 RMB'000 (Re-presented)
Current liabilities		
Guaranteed notes payable	–	2,813,771
Non-current liabilities		
Guaranteed notes payable	3,521,449	3,438,514
	3,521,449	6,252,285

(a) Guaranteed notes issued in 2014

On 15 January 2014, the Company and China Overseas Grand Oceans Finance II (Cayman) Limited ("COGO Finance II"), a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, entered into a subscription agreement (the "2014 Notes Subscription Agreement") regarding the issue of guaranteed notes in aggregate principal amount of US$400,000,000 (the "2014 Guaranteed Notes"). The completion of the 2014 Notes Subscription Agreement took place and the 2014 Guaranteed Notes were issued on 23 January 2014. The 2014 Guaranteed Notes were issued at 99.037% of the principal amount.

The 2014 Guaranteed Notes are unsecured and unsubordinated obligations of COGO Finance II, and are unconditionally and irrevocably guaranteed by the Company.

Interest on the 2014 Guaranteed Notes is payable semi-annually in arrears on 23 January and 23 July in each year at the rate of 5.125% per annum, commencing on 23 July 2014.

COGO Finance II may at any time upon giving not less than 30 or more than 60 days' notice to the noteholders, redeem the 2014 Guaranteed Notes, in whole but not in part, at the early redemption amount as defined in the 2014 Notes Subscription Agreement. The 2014 Guaranteed Notes are also subject to redemption at the option of the noteholders under certain conditions.

Unless previously redeemed, or purchased and cancelled, the 2014 Guaranteed Notes would mature on 23 January 2019 at their principal amount.

Further details regarding the issue of the 2014 Guaranteed Notes have been set out in the announcement of the Company dated 16 January 2014.

35. GUARANTEED NOTES PAYABLE (CONTINUED)

(a) Guaranteed notes issued in 2014 (Continued)

The net proceeds from the issue of the 2014 Guaranteed Notes at 99.037% of the principal amount after deducting the direct transaction costs of RMB16,527,000 were RMB2,401,766,000. The guaranteed notes payable are initially measured at fair value, net of directly attributable costs incurred and subsequently, measured at amortized cost using the effective interest rate of 5.505% per annum. For the year ended 31 December 2019, imputed interest of RMB8,004,000 was incurred (2018: RMB145,066,000). The 2014 Guaranteed Notes were listed on the Stock Exchange. With reference to the average quotation of the 2014 Guaranteed Notes published by a leading global financial market data provider, the fair value of the 2014 Guaranteed Notes as at 31 December 2018 was RMB2,753,202,000 and it is within Level 1 of the fair value hierarchy.

The 2014 Guaranteed Notes matured on 23 January 2019 and the Group fully settled the outstanding principal of US$400,000,000 (equivalent to approximately RMB2,719,792,000) together with the interest accrued thereon amounting to US$10,250,000 (equivalent to approximately RMB70,730,000), which amounted to RMB2,790,522,000 in aggregate.

(b) Guaranteed notes issued in 2018

On 24 May 2018, the Company and China Overseas Grand Oceans Finance IV (Cayman) Limited ("COGO Finance IV"), a wholly-owned subsidiary of the Company incorporated in the Cayman Islands, entered into a subscription agreement (the "2018 Notes Subscription Agreement") regarding the issue of guaranteed notes in aggregate principal amount of US$500,000,000 (the "2018 Guaranteed Notes"). The completion of the 2018 Notes Subscription Agreement took place and the 2018 Guaranteed Notes were issued on 1 June 2018. The 2018 Guaranteed Notes were issued at 99.917% of the principal amount.

The 2018 Guaranteed Notes are unsecured and unsubordinated obligations of COGO Finance IV, and are unconditionally and irrevocably guaranteed by the Company.

Interest on the 2018 Guaranteed Notes is payable semi-annually in arrears on 1 June and 1 December in each year at the rate of 4.875% per annum, commencing on 1 December 2018.

COGO Finance IV may at any time upon giving not less than 30 or more than 60 days' notice to the noteholders, redeem the 2018 Guaranteed Notes, in whole but not in part, at the early redemption amount as defined in the 2018 Notes Subscription Agreement. The 2018 Guaranteed Notes are also subject to redemption at the option of the noteholders under certain conditions.

Unless previously redeemed, or purchased and cancelled, the 2018 Guaranteed Notes will mature on 1 June 2021 at their principal amount.

35. GUARANTEED NOTES PAYABLE (CONTINUED)

(b) Guaranteed notes issued in 2018 (Continued)

The net proceeds from the issue of the 2018 Guaranteed Notes at 99.917% of the principal amount after deducting the direct transaction costs of RMB13,906,000 were RMB3,189,059,000. The guaranteed notes payable are initially measured at fair value, net of directly attributable costs incurred and subsequently, measured at amortized cost using the effective interest rate of 5.063% per annum. For the year ended 31 December 2019, imputed interest of RMB174,016,000 was incurred (2018: RMB97,081,000). The 2018 Guaranteed Notes are listed on the Stock Exchange. With reference to the average quotation of the 2018 Guaranteed Notes published by a leading global financial market data provider, the fair value of the 2018 Guaranteed Notes as at 31 December 2019 was RMB3,607,533,000 (2018: RMB3,422,072,000) and it is within Level 1 of the fair value hierarchy.

(c) The movements of the carrying amount of the guaranteed notes payable are set out as below:

	RMB'000
Carrying amount as at 1 January 2018 (Re-presented)	2,640,792
Fair value on initial recognition of 2018 Guaranteed Notes (note (b))	3,202,965
Direct transaction costs of issuing 2018 Guaranteed Notes (note (b))	(13,906)
Imputed interest expense (note 10)	242,147
Finance costs paid	(215,991)
Translation adjustment	396,278
Carrying amount as at 31 December 2018 and 1 January 2019 (Re-presented)	**6,252,285**
Imputed interest expense (note 10)	**182,020**
Finance costs paid	**(238,930)**
Redemption of 2014 Guaranteed Notes (note (a))	**(2,719,792)**
Translation adjustment	**45,866**
Carrying amount as at 31 December 2019	**3,521,449**

36. DEFERRED TAX

Details of the deferred tax liabilities and assets recognized by the Group and movements during the current and prior reporting periods are as follows:

	Inventories of properties RMB'000	Revaluation of properties RMB'000	Provision for LAT RMB'000	Withholding tax RMB'000	Tax losses RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
At 1 January 2018 as originally reported	2,260,699	510,695	(205,324)	393,900	(83,866)	–	2,876,104
Adjustment on initial adoption of HKFRS 15	–	–	–	–	10,719	348,520	359,239
Restated balance at 1 January 2018 (Re-presented)	2,260,699	510,695	(205,324)	393,900	(73,147)	348,520	3,235,343
(Credited)/Charged to profit or loss (note 11)	(306,421)	(761)	(348,714)	142,057	5,604	282,689	(225,546)
At 31 December 2018 and 1 January 2019 (Re-presented)	**1,954,278**	**509,934**	**(554,038)**	**535,957**	**(67,543)**	**631,209**	**3,009,797**
Acquisition of subsidiaries (note 42)	**36,463**	**–**	**–**	**–**	**–**	**–**	**36,463**
(Credited)/Charged to profit or loss (note 11)	**(349,493)**	**42,807**	**(549,879)**	**209,584**	**(25,490)**	**(114,096)**	**(786,567)**
At 31 December 2019	**1,641,248**	**552,741**	**(1,103,917)**	**745,541**	**(93,033)**	**517,113**	**2,259,693**

Represented by:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Deferred tax liabilities	**2,869,227**	3,171,148
Deferred tax assets	**(609,534)**	(161,351)
	2,259,693	3,009,797

The two-tiered profits tax rates regime have no material impact on the deferred tax balances of the Group as at 31 December 2019 and 2018 as the qualifying entity nominated by the Group did not have material temporary differences as at 31 December 2019 and 2018. Deferred tax assets and liabilities of other group entities that are subject to Hong Kong profits tax continue to be measured using a flat rate of 16.5%.

As at 31 December 2019, the Group has unused tax losses of RMB1,112,871,000 (2018: RMB808,842,000) available for offset against future profits. A deferred tax asset of RMB93,033,000 (2018: RMB67,543,000) has been recognized in respect of tax losses of approximately RMB372,130,000 (2018: RMB270,170,000). No deferred tax assets have been recognized in respect of the remaining tax losses of RMB740,741,000 (2018: RMB538,672,000) due to unpredictability of future profit streams. The tax losses incurred by the relevant subsidiaries may be carried forward for five years from the financial year when the corresponding loss was incurred.

36. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008 and the applicable tax rates are 5% or 10%.

As at 31 December 2019, deferred tax liabilities of approximately RMB745,541,000 (2018: RMB535,957,000) have been recognized in respect of the undistributed earnings of certain PRC subsidiaries amounting to approximately RMB14,826,234,000 (2018: RMB10,634,561,000). Deferred tax liabilities of approximately RMB97,205,000 as at 31 December 2019 (2018: RMB41,938,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of other relevant PRC subsidiaries as at 31 December 2019, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately RMB2,028,691,000 as at 31 December 2019 (2018: RMB923,351,000).

37. SHARE CAPITAL

	Number of ordinary shares '000	Carrying amount RMB'000 (Re-presented)
Issued and fully paid		
Balance at 1 January 2018	2,282,240	1,850,440
Issue of shares under Rights Issue (note)	1,141,120	3,728,660
Balance at 31 December 2018, 1 January 2019 and 31 December 2019	**3,423,360**	**5,579,100**

Note:

On 5 February 2018, the Company completed the rights issue of approximately 1,141,120,000 rights shares on the basis of one rights share for every two existing shares of the Company at a subscription price of HK$4.08 per rights share (the "Rights Issue"). The gross proceeds from the Rights Issue was HK$4,655,769,000, equivalent to approximately RMB3,767,588,000 and after deducting direct transaction costs of RMB38,928,000, net proceeds amounting to approximately RMB3,728,660,000 were raised by the Company. The number of issued ordinary shares of the Company was increased to approximately 3,423,360,000 shares and the share capital of the Company was increased from RMB1,850,440,000 to RMB5,579,100,000.

38. RESERVES

THE GROUP

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities into the presentation currency in accordance with the accounting policy set out in note 4.20.

Asset revaluation reserve

Asset revaluation reserve arises from revaluation of assets such as properties (excluding investment properties).

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentage of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Retained profits

Retained profits of the Group comprise:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Final dividend proposed for the year (note 12(a))	**586,810**	322,741
Retained profits after proposed dividend	**12,866,573**	10,629,244
Total retained profits as at 31 December	**13,453,383**	10,951,985

38. RESERVES (CONTINUED)

THE COMPANY

Details of the movements on the Company's reserves are as follows:

	Translation reserve RMB'000 (note)	Retained profits RMB'000	Total RMB'000
At 1 January 2018 (Re-presented)	(100,558)	1,006,158	905,600
Profit for the year	–	1,245,927	1,245,927
Other comprehensive income for the year			
Exchange differences arising from translation into presentation currency	485,354	–	485,354
2018 interim dividend paid (note 12(a))	–	(89,323)	(89,323)
2017 final dividend paid (note 12(b))	–	(83,659)	(83,659)
At 31 December 2018 and 1 January 2019 (Re-presented)	**384,796**	**2,079,103**	**2,463,899**
Profit for the year	**–**	**343,160**	**343,160**
Other comprehensive income for the year			
Exchange differences arising from translation into presentation currency	**181,181**	**–**	**181,181**
2019 interim dividend paid (note 12(a))	**–**	**(184,465)**	**(184,465)**
2018 final dividend paid (note 12(b))	**–**	**(337,514)**	**(337,514)**
At 31 December 2019	**565,977**	**1,900,284**	**2,466,261**

Note:

As disclosed in note 3.3, the Group has changed the presentation currency for its consolidated financial statements from HK$ to RMB. The change has resulted in recognition of translation reserve for the Company which amounted to RMB100,558,000 (debit balance) and RMB384,796,000 (credit balance) respectively as at 31 December 2017 and 31 December 2018.

Retained profits of the Company comprise:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Final dividend proposed for the year (note 12(a))	**586,810**	322,741
Retained profits after proposed dividend	**1,313,474**	1,756,362
Total retained profits as at 31 December	**1,900,284**	2,079,103

39. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2019 were RMB1,967,981,000 (2018: RMB727,591,000), which are attributed to those subsidiaries not wholly-owned by the Group. In the opinion of the directors, none of the non-controlling interests of these subsidiaries are material to the Group.

40. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. Details of the transitional requirements that were applied as at 1 January 2019 are set out in note 2.1. The accounting policies applied subsequent to the date of initial application, i.e. 1 January 2019, are disclosed in note 4.10A.

(a) The Group as lessee

Nature of leasing activities

The Group has interests in leasehold land and buildings where the Group is the registered owner of those property interests. In addition, the Group leases various properties including office premises, quarters and shopping mall. For certain leases, the periodic rent is fixed over the lease term whereas for other leases, rental is adjusted periodically at predetermined rate. Leases of these properties are negotiated for periods ranging from six months to six years (2018: six months to thirty years).

Right-of-use assets

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

	Land use rights of the properties with ownership interests held for own use RMB'000	Other properties leased for own use RMB'000	Total RMB'000
At 1 January 2019 (Restated) (note 2.1)	**271,979**	**39,981**	**311,960**
Translation adjustment	–	94	94
Additions	–	7,669	7,669
Reclassification from investment properties (note 15(b))	905	–	905
Reclassification from inventories of properties (note 16(a))	47,270	–	47,270
Depreciation provided	(8,021)	(11,333)	(19,354)
At 31 December 2019	**312,133**	**36,411**	**348,544**

During the year ended 31 December 2019, the Group derived income from subleasing right-of-use assets amounting to RMB14,868,000.

40. LEASES (CONTINUED)

(a) The Group as lessee (Continued)

Lease liabilities

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

	Other properties leased for own use RMB'000
At 1 January 2019 (Restated) (note 2.1)	**39,356**
Translation adjustment	**95**
Additions	**7,669**
Interest expense (note 10)	**1,132**
Lease payments	**(12,094)**
At 31 December 2019	**36,158**

Future lease payments are due as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
As at 31 December 2019			
Within one year	**12,515**	**(945)**	**11,570**
In the second to fifth year, inclusive	**16,153**	**(2,025)**	**14,128**
Over five years	**11,250**	**(790)**	**10,460**
	39,918	**(3,760)**	**36,158**

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
As at 1 January 2019 (Restated)			
Within one year	18,370	(1,061)	17,309
In the second to fifth year, inclusive	11,765	(2,305)	9,460
Over five years	13,750	(1,163)	12,587
	43,885	(4,529)	39,356

40. LEASES (CONTINUED)

(a) The Group as lessee (Continued)

Lease liabilities (Continued)

The present value of future lease payments are analyzed as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000 (Restated)
Current liabilities	**11,570**	17,309
Non-current liabilities	**24,588**	22,047
	36,158	39,356

For the year ended 31 December 2019, the Group had total cash outflows for leases of RMB17,254,000.

Comparative information under HKAS 17

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2018 RMB'000 (Re-presented)
Within one year	13,798
In the second to fifth years, inclusive	20,644
Over five years	14,375
	48,817

40. LEASES (CONTINUED)

(b) The Group as lessor

The Group leases out its investment properties (note 15), the shopping mall and certain units of inventories of properties under operating lease arrangements with leases negotiated for period ranging from six months to twenty years (2018: one year to twenty years). Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 and 2018 are as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Within one year	**233,710**	241,279
After one year but within two years	**199,629**	166,007
After two years but within three years	**158,898**	127,858
After three years but within four years	**96,537**	99,323
After four years but within five years	**75,082**	71,449
Over five years	**196,492**	201,937
	960,348	907,853

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Re-presented)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,498**	1,064
Right-of-use assets		**3,629**	–
Interests in subsidiaries	52	**1,741,537**	1,703,388
		1,748,664	1,704,452
Current assets			
Other receivables, prepayments and deposits		**1,393**	51,956
Amounts due from subsidiaries		**20,107,180**	16,550,574
Cash and bank balances		**470,792**	2,830,324
		20,579,365	19,432,854
Current liabilities			
Other payables and accruals		**70,725**	49,167
Amounts due to subsidiaries		**4,412,509**	6,225,661
Lease liabilities		**3,680**	–
Borrowings		**1,567,679**	510,884
		6,054,593	6,785,712
Net current assets		**14,524,772**	12,647,142
Non-current liabilities			
Borrowings		**8,228,075**	6,308,595
Net assets		**8,045,361**	8,042,999
CAPITAL AND RESERVES			
Share capital	37	**5,579,100**	5,579,100
Reserves	38	**2,466,261**	2,463,899
Total equity		**8,045,361**	8,042,999

On behalf of the directors

Zhuang Yong
Director

Wang Man Kwan, Paul
Director

42. BUSINESS COMBINATION

On 29 May 2019, China Overseas Grand Oceans Property Group Company Limited ("COGO Property"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with 深圳中海新城鎮發展有限公司 Shenzhen China Overseas New Town Development Limited* (the "Seller"), an indirect wholly owned subsidiary of China Overseas Holdings Limited ("COHL") in relation to the acquisition of the entire issued share capital of 中海投資渭南有限公司 China Overseas Investment Wei Nan Limited* (the "Target Company") at a consideration of RMB490,000,000 (the "Acquisition"). COHL is an intermediate holding company of COLI.

The Target Company and its subsidiaries ("Weinan Group") are principally engaged in the development, sale, investment and management of properties in the PRC.

The Acquisition was completed on 15 August 2019.

The recognized amounts of identifiable assets and liabilities of Weinan Group on the date of the Acquisition are as follows:

	2019 RMB'000
Cash consideration	**490,000**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	94
Inventories of properties	916,908
Amount due from a related company	100,000
Trade and other receivables, prepayments and deposits	88,905
Contract assets	1,508
Tax prepaid	11,126
Restricted cash and deposits	25,501
Cash and bank balances	311,643
Trade and other payables	(234,704)
Contract liabilities	(694,514)
Deferred tax liabilities	(36,463)
Total identified net assets acquired at fair value	490,004
Gain on bargain purchase	(4)

42. BUSINESS COMBINATION (CONTINUED)

An analysis of cash flows arising from the Acquisition is as follows:

	2019 RMB'000
Cash (outflow)/inflow on the Acquisition	
Purchase consideration settled in cash during the year	(490,000)
Cash and bank balances acquired	311,643
Cash outflow included in cash flows from investing activities	(178,357)
Transaction costs included in cash flows from operating activities	(341)
	(178,698)

* English translation is for identification only

The fair value of the land and buildings classified as inventories of properties at the date of Acquisition have been determined with reference to the valuation carried out by CHFT Advisory and Appraisal Limited.

The fair value of trade and other receivables including amount due from a related company amounted to RMB188,905,000, which is same as the gross amount of these receivables. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group recognized a gain on bargain purchase of RMB4,000 in "other gains or losses — Gain on bargain purchase".

Since the date of the Acquisition, Weinan Group has contributed revenue of RMB48,564,000 and loss of RMB5,729,000 to the Group's profit or loss. Had the Acquisition been occurred on 1 January 2019, the Group's revenue and profit would have been RMB28,659,995,000 and RMB3,489,218,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2019, nor it is intended to be a projection of future performance.

The acquisition-related costs of RMB341,000 have been expensed and are included in administrative expenses.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2018, capital contributions by the non-controlling shareholders of certain subsidiaries amounted to RMB53,600,000, of which RMB3,340,000 was settled by cash payment. The remaining amount of RMB50,260,000 was settled through the current accounts with the non-controlling shareholders, of which RMB39,600,000 was included in "amounts due to non-controlling interests" and RMB10,660,000 was included in "amounts due from non-controlling interests".

In addition, a subsidiary returned capital amounting to RMB60,000,000 to the non-controlling shareholder during the year ended 31 December 2018. The amount was settled through the current account with the non-controlling shareholder, which was included in "amounts due from non-controlling interests".

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Guaranteed notes payable RMB'000 (note 35)	Lease liabilities RMB'000 (note 40)	Amounts due to associates RMB'000	Amounts due to joint ventures RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to related companies RMB'000
At 1 January 2019 as originally reported (Re-presented)	22,370,308	6,252,285	–	23,334	1,179,244	2,044,260	378,390
Adjustment on initial adoption of HKFRS 16	–	–	39,356	–	–	–	–
Restated balance as at 1 January 2019	22,370,308	6,252,285	39,356	23,334	1,179,244	2,044,260	378,390
Changes from cash flows							
Proceeds from new borrowings	13,115,462	–	–	–	–	–	–
Repayment of borrowings	(8,457,218)	–	–	–	–	–	–
Advances received	–	–	–	41,470	401,991	5,017,734	–
Repayment of advances	–	–	–	(981)	(766,109)	(2,107,417)	–
Redemption of guaranteed notes	–	(2,719,792)	–	–	–	–	–
Capital element of lease payment	–	–	(10,962)	–	–	–	–
Interest element of lease payment	–	–	(1,132)	–	–	–	–
Interest paid	(1,075,201)	(238,930)	–	–	–	(5,645)	(2,522)
	3,583,043	(2,958,722)	(12,094)	40,489	(364,118)	2,904,672	(2,522)
Exchange adjustment	239,609	45,866	95	–	–	–	–
Other changes							
Interest expenses	1,075,201	182,020	1,132	–	–	5,645	3,362
Increase in lease liabilities from entering into new leases	–	–	7,669	–	–	–	–
Dividend credited to the current account with non-controlling interests	–	–	–	–	–	127,500	–
	1,075,201	182,020	8,801	–	–	133,145	3,362
As at 31 December 2019	27,268,161	3,521,449	36,158	63,823	815,126	5,082,077	379,230

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings RMB'000 (Re-presented)	Guaranteed notes payable RMB'000 (Re-presented) (note 35)	Lease liabilities RMB'000 (Re-presented)	Amounts due to associates RMB'000 (Re-presented)	Amounts due to joint ventures RMB'000 (Re-presented)	Amounts due to non-controlling interests RMB'000 (Re-presented)	Amounts due to related companies RMB'000 (Re-presented)
At 1 January 2018	20,238,936	2,640,792	–	147,853	1,031,684	512,768	4,131,340
Changes from cash flows							
Proceeds from new borrowings	9,783,961	–	–	–	–	–	–
Repayment of borrowings	(8,112,527)	–	–	–	–	–	–
Net proceeds from issue of guaranteed notes	–	3,189,059	–	–	–	–	–
Advances received	–	–	–	1,817	740,205	2,128,584	3,364
Repayment of advances	–	–	–	(26,070)	(592,645)	(557,492)	(3,763,792)
Interest paid	(876,436)	(215,991)	–	–	–	–	(41,045)
	794,998	2,973,068	–	(24,253)	147,560	1,571,092	(3,801,473)
Exchange adjustment	459,938	396,278	–	–	–	–	7,562
Other changes							
Interest expenses	876,436	242,147	–	–	–	–	40,961
Dividend credited to the current account with associates	–	–	–	(100,266)	–	–	–
Contribution from non-controlling interests (note (a))	–	–	–	–	–	(39,600)	–
	876,436	242,147	–	(100,266)	–	(39,600)	40,961
As at 31 December 2018	22,370,308	6,252,285	–	23,334	1,179,244	2,044,260	378,390

44. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognized in profit or loss of RMB39,914,000 (2018: RMB37,507,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2019, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2018: nil).

45. PLEDGE OF ASSETS

As at 31 December 2019, the carrying amount of the assets pledged by the Group to secure for borrowings and banking facilities granted to the Group are analyzed as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Pledge for borrowings and banking facilities of the Group		
Owners-occupied properties (note 16(b))	**–**	220,120
Inventories of properties (note 23)	**1,416,589**	200,600
	1,416,589	420,720

46. COMMITMENTS

As at 31 December 2019, the Group had significant commitments as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Contracted for but not provided for in the financial statements:		
— Acquisition of land	**1,296,490**	1,998,569
— Property development	**14,803,485**	9,074,407
Authorized but not contracted for:		
— Acquisition of land	**1,621,172**	2,010,029

47. CONTINGENT LIABILITIES

(a) Guarantees

The Group provided guarantees to banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties as well as a bank in respect of the banking facilities granted to a joint venture. The amount of the relevant facilities utilized and outstanding as at 31 December 2019 and 2018 are as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Mortgage loans granted by banks and government agencies to certain purchasers of the Group's properties	**30,453,627**	29,306,309
Bank loan granted by a bank to a joint venture	**–**	225,000

In the opinion of the directors, if the purchasers default payment of the mortgage loans during the period of guarantee, the net realizable value of the related properties can cover the repayment of the outstanding loans together with the accrued interest thereon. In addition, as assessed by the directors, the risk of default of payment of the outstanding bank loan together with the accrued interest thereon by the joint venture was low. Accordingly, no provision has been made in the financial statements in respect of these guarantees.

(b) The Group, being a property developer in the PRC, is subject to extensive government requirements in many aspects of its property development operations, including but not limited to land acquisition and transfer, planning and construction works, etc. In the ordinary course of business, certain development projects of the Group are behind the development timeline as stipulated in the land transfer agreements or approved by the local authorities. According to the regulation "Measures for Disposal of Unused Land" and other relevant regulations, the government is empowered to levy idle land penalty and in the extreme case, confiscate the undeveloped land depending on circumstances. In addition, the delay in development may constitute default in contract terms of the underlying land transfer agreements, of which the transferor can claim for liquidated damages.

As at 31 December 2018, the Group had exposure to the aforementioned penalties and liquidated damages which were mainly related to the land parcels of the project companies in Zibo and Jiujiang. The directors estimated that the maximum amount of penalty and liquidated damages would not be more than approximately RMB569 million in aggregate, which was quantified based on the relevant regulations and terms included in the land transfer agreements. The carrying amount of the concerned land parcels as at 31 December 2018 was approximately RMB2,808 million in aggregate.

47. CONTINGENT LIABILITIES (CONTINUED)

(b) (Continued)

As disclosed below, the project companies in Zibo has reached agreement with local government authority regarding those land parcels during the year and thus the Group's exposure as at 31 December 2019 is reduced to mainly related to the relevant land parcels at Jiujiang. Further details about the projects are discussed below:

Zibo projects

During the year, the project companies in Zibo ("Zibo Project Companies") together with a related company, entered into an agreement with the local government authority for the resumption of the concerned land parcels. The related company is the subsidiary of COHL and it engaged in primary development of the concerned land parcels previously.

Pursuant to the agreement, Zibo Project Companies returned the concern land parcels to the local government authority during the year and the local government authority agreed on the amount of compensation to be RMB852 million. The directors estimated that Zibo Project Companies was entitled to receive a sum of approximately RMB748 million which is receivable as to RMB577 million from the local government authority and RMB171 million from the related company. The balances were included in "trade and other receivables, prepayments and deposits" and "amount due from a related company" respectively.

Jiujiang projects

The directors estimated that the maximum amount of penalty and liquidated damages exposed by the project companies in Jiujiang ("Jiujiang Project Companies") as at 31 December 2019 would not be more than RMB423 million, which was quantified based on to the relevant regulations and terms included in the land transfer agreements. The carrying amount of the concerned land parcels as of 31 December 2019 was RMB2,039 million.

Having regard to their past experiences in handling similar matter, the latest local development and the latest project status, the legal advice, together with the application for extending the commencement dates of construction works submitted and the recent communications with relevant local government authorities on the updated position of the project, the directors considered that the risk of confiscation of the concerned land parcels as well as penalty and liquidated damages exposed by Jiujiang Project Companies is low.

Having regard to the nature and latest development of the projects concerned, the directors are of the opinion that no non-conformity instance would have material impact on the result and financial position of the Group.

48. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

(a) On 31 March 2017, the Company and COLI entered into a trademark licence agreement (the "2017 Trademark Licence Agreement"), pursuant to which COLI grants a non-exclusive right to the Company, its subsidiaries and the member company as defined in the 2017 Trademark Licence Agreement, a licence to use the trademark "中海地產" (the "Trademark") in the PRC for a term commenced from 1 April 2017 and ending on 31 March 2020 (both days inclusive). The Trademark is registered in the PRC and owned by a subsidiary of COLI.

Pursuant to the 2017 Trademark Licence Agreement, the Company agrees to pay 1% of its audited annual consolidated turnover for each financial year ended 31 December 2017, 2018 and 2019 as royalty. The royalty payments are to be made in arrears on or before 31 March each succeeding year until the expiry or earlier termination of the 2017 Trademark Licence Agreement. The total royalty payable under the 2017 Trademark Licence Agreement for each of the twelve-month period between 1 April 2017 and 31 March 2020 shall not exceed HK$200,000,000.

Royalty incurred by the Group under the 2017 Trademark Licence Agreement in respect of financial year ended 31 December 2019 amounted to HK$200,000,000, equivalent to RMB175,809,000 (2018: HK$200,000,000, equivalent to RMB168,350,000).

As at 31 December 2019, the royalty payable to COLI amounted to HK$200,000,000, equivalent to RMB179,163,000 (2018: HK$200,000,000, equivalent to RMB175,239,000) which was included in "trade and other payables" in the consolidated statement of financial position. The amount due to COLI is unsecured, interest-free and repayable based on terms stipulated in the 2017 Trademark Licence Agreement.

(b) On 28 July 2017, the Group entered into tenancy agreements (the "2017 Tenancy Agreements") with 北京仁和燕都房地產開發有限公司 and 北京中信新城逸海房地產開發有限公司 for a term of three years commenced from 1 August 2017 and ending on 31 July 2020. The annual rent payable by 北京仁和燕都房地產開發有限公司 and 北京中信新城逸海房地產開發有限公司 are RMB10,260,000 and RMB5,145,000 respectively. The total rental payable under the 2017 Tenancy Agreements for each of the twelve-month period between 1 August 2017 to 31 July 2020 shall not exceed RMB15,405,000.

For the year ended 31 December 2019, total rental income generated from the 2017 Tenancy Agreements is RMB14,671,000 (2018: RMB14,671,000). As at 31 December 2019, rental income received in advance from these leases amounted to RMB1,284,000 (2018: RMB1,284,000).

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) On 20 October 2017, the Company and COPH entered into a framework agreement ("Prevailing Projects Framework Agreement") for the provision of property management services and engineering services by COPH and its subsidiaries ("COPH Group") to the Group for property development projects in the PRC, Hong Kong, Macau and other locations (excluding the New Projects under the New Projects Framework Agreement as defined below). The Prevailing Projects Framework Agreement commenced on 1 January 2018 and will end on 30 June 2020. COPH was a subsidiary of COLI on 1 June 2015 and subsequently becomes a fellow subsidiary of COLI.

According to the Prevailing Projects Framework Agreement, the total service fee payable by the Group for the years ended 31 December 2018 and 2019 and for the period commencing on 1 January 2020 and ending on 30 June 2020 shall not exceed HK$115,600,000, HK$96,500,000 and HK$57,900,000 respectively.

On 20 October 2017, the Company and COPH entered into another framework agreement ("New Projects Framework Agreement") pursuant to which any member of COPH Group may provide property management services and engineering services to the Group for certain property development projects in emerging third-tier cities in the PRC acquired by the Group from COLI Group in December 2016 which were not managed by COPH Group at the date of entering into the New Projects Framework Agreement (the "New Projects"). The New Projects Framework Agreement commenced on 1 January 2018 and will end on 30 June 2020.

According to the New Projects Framework Agreement, the total service fee payable by the Group for the years ended 31 December 2018 and 2019 and for the period commencing on 1 January 2020 and ending on 30 June 2020 shall not exceed HK$47,800,000, HK$45,900,000 and HK$25,800,000 respectively.

For the year ended 31 December 2019, property management services and engineering services fee incurred by the Group under the Prevailing Projects Framework Agreement and the New Projects Framework Agreement amounting to HK$95,618,000, equivalent to RMB84,052,000 (2018: HK$46,011,000, equivalent to RMB38,730,000) and HK$35,410,000, equivalent to RMB31,127,000 (2018: HK$13,166,000, equivalent to RMB11,082,000) respectively.

As at 31 December 2019, property management services and engineering services fee payable to COPH Group amounted to RMB5,233,000 (2018: RMB13,198,000) in aggregate, which were included in "trade and other payables" in the consolidated statement of financial position and property management services and engineering services fee prepaid to COPH Group amounted to RMB50,000 (2018: RMB2,181,000). The services fee payable by the Group to COPH Group are unsecured, interest-free and will be settled pursuant to the payment terms set out in the relevant agreements.

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) On 24 March 2016, the Company and China State Construction International Holdings Limited ("CSC") entered into a framework agreement (the "Construction Supervision Service Agreement") pursuant to which the Group may appoint CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) ("CSC Group") as construction supervisor to provide supervision and management service for the property development projects of the Group in the PRC. The Construction Supervision Service Agreement has a term of three years commenced from 1 April 2016 and ended on 31 March 2019 (both days inclusive). CSC is a fellow subsidiary of COLI.

The management fee with respect to the construction supervision service will be charged on a "cost plus" basis, which will be determined based on the total staff cost incurred by CSC Group with respect to the provision of the construction supervision service plus a margin of 18%. The management fee payable by the Group to CSC Group for the period from 1 April 2016 to 31 December 2016, each of the two years ended 31 December 2018 and for the period from 1 January 2019 to 31 March 2019 shall not exceed RMB110,000,000, RMB136,000,000, RMB191,000,000 and RMB65,000,000 respectively. The management fee payable by the Group to CSC Group will be settled monthly in cash.

For the year ended 31 December 2019, no management fee was incurred by the Group under the Construction Supervision Service Agreement whereas management fee incurred by the Group for the year ended 31 December 2018 was RMB11,948,000. As at 31 December 2019 and 2018, there was no service fee payable by the Group to CSC Group.

(e) During the year ended 31 December 2019, 中海監理有限公司 ("China Overseas Supervision") provided construction supervision services to the Group in respect of the prevailing projects of the Group. Previously, China Overseas Supervision was a wholly-owned subsidiary of CSC. Following the completion of acquisition of the entire equity interests in China Overseas Supervision by China State Construction Development Holdings Limited ("CSCD", formerly known as Far East Global Group Limited) on 26 June 2018, China Overseas Supervision becomes a wholly-owned subsidiary of CSCD. CSCD is a fellow subsidiary of COLI.

For the year ended 31 December 2019, total management fee charged by China Overseas Supervision against the Group (excluding those management fee incurred under the Construction Supervision Service Agreement set out in note (d)) above amounted to RMB17,184,000 (2018: RMB11,097,000).

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) On 26 June 2018, the Company and CSCD entered into a framework agreement ("COGO Framework Agreement") pursuant to which the Group may appoint CSCD and its subsidiaries ("CSCD Group") to provide project management, supervision and consultancy services for the property development projects of the Group in the PRC. The COGO Framework Agreement covers a period commenced from 1 July 2018 and ending on 30 June 2021.

According to the COGO Framework Agreement, the maximum total contract sum that may be awarded by the Group to CSCD Group for the period from 1 July 2018 to 31 December 2018, each of the two years ending 31 December 2020 and for the period from 1 January 2021 to 30 June 2021 shall not exceed HK$30 million, HK$60 million, HK$60 million and HK$30 million respectively. The management services fee payable by the Group to CSCD Group will be settled pursuant to the payment terms set out in the tender documents or specific contracts.

For the year ended 31 December 2019, contracts with contract sum amounting to HK$13,524,000, equivalent to RMB11,888,000 were awarded by the Group but no management service fee was incurred by the Group under the COGO Framework Agreement. For the year ended 31 December 2018, no contract was awarded by the Group.

(g) On 27 June 2019, the Company and China State Construction Engineering Corporation Limited ("CSCECL") entered into an agreement ("CSCECL Group Engagement Agreement") whereby CSCECL and its subsidiaries ("CSCECL Group") may tender for the Group's construction works in the PRC and if tender is awarded, CSCECL Group may act as construction contractor for the Group. CSCECL is an intermediate holding company of COLI.

The CSCECL Group Engagement Agreement has a term of three years from 1 July 2019 and ending on 30 June 2022.

According to the CSCECL Group Engagement Agreement, the maximum total contract sum that may be awarded by the Group to CSCECL Group for the period between 1 July 2019 and 31 December 2019, each of the two years ending 31 December 2021 and for the period from 1 January 2022 to 30 June 2022 shall not exceed HK$300 million, HK$600 million, HK$600 million and HK$300 million respectively. The construction fees payable by the Group to CSCECL Group will be settled pursuant to the payment terms set out in the tender documents for the relevant construction contracts.

For the year ended 31 December 2019, no contract was awarded by the Group under the CSCECL Group Engagement Agreement.

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) On 23 October 2019, the Company and COPH entered into a framework agreement ("Framework Agreement for Car Parking Spaces") pursuant to which COPH Group may from time to time enter into transactions with the Group for the acquisition of right-of-use of car parking spaces (including the right to occupy, assign or rent out, until the land use right(s) of the relevant project(s) at which the car parking spaces are located expire) (the "Transactions"), such car parking spaces being car parking spaces of developments or properties built, developed or owned by the Group and managed by COPH Group as property manager.

The Framework Agreement for Car Parking Spaces has a term of three years commenced from 1 December 2019 and ending on 30 November 2022 (both dates inclusive).

The aggregate amount of the Transactions to be entered into between COPH Group and the Group for the period from 1 December 2019 to 31 December 2019, for the financial years ending 31 December 2020 and 2021 and for the period from 1 January 2022 to 30 November 2022 shall not exceed nil, HK$400 million, HK$300 million and HK$300 million respectively.

For the year ended 31 December 2019, no Transaction took place under the Framework Agreement for Car Parking Spaces.

(i) As at 31 December 2018, certain of the Group's borrowings and banking facilities are guaranteed by the subsidiaries of COLI. During the year ended 31 December 2019, the Group fully settled the related borrowings.

(j) As at 31 December 2018, the Group provided corporate guarantee amounting to RMB225,000,000 to secure for certain borrowings and banking facilities of a joint venture. During the year ended 31 December 2019, the joint venture fully settled the borrowings.

(k) For the year ended 31 December 2019, the Group received interest income from a joint venture and non-controlling interests amounting to RMB8,903,000 (2018: RMB12,744,000) and RMB36,971,000 (2018: RMB33,696,000) (note 8) respectively whereas it incurred interest expense amounting to RMB5,645,000 (2018: nil) and RMB3,362,000 (2018: RMB40,961,000) on amounts due to non-controlling interests and related companies (note 10) respectively.

(l) In connection with the Rights Issue of the Company as detailed in note 37, the Company entered into an underwriting agreement with COLI on 7 November 2017. Pursuant to the underwriting agreement, COLI agreed to underwrite the rights shares of Company and COLI was entitled to underwriting commission which was calculated at 1.5% of the aggregate subscription price in respect of the underwritten shares.

The Rights Issue was completed on 5 February 2018 and an underwriting commission amounting to HK$43,316,000, equivalent to RMB36,461,000 was incurred and paid by the Group to COLI during the year ended 31 December 2018.

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(m) Key management personnel remunerations include the following expenses:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Short-term employee benefits	**24,786**	20,795
Post-employment benefits	**554**	521
	25,340	21,316

(n) Transactions with other state-controlled entities in the PRC

The Group is not controlled by the PRC government. However, the Group is an associated company of COLI while the ultimate holding company of COLI is CSCEC, a company controlled by the PRC government, as such, the PRC government is regarded as a related party of the Group. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities. The directors consider the transactions with those state-controlled entities are conducted on an arms' length basis.

In connection with its property development activities, other than those disclosed in notes above, the Group awards construction and other works contracts to PRC entities, some of which, to the best knowledge of management, are state-controlled entities. The Group has also entered into various transactions with the PRC government departments or agencies, mainly regarding acquisition of land through tendering to those government departments or agencies. During the year ended 31 December 2019, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately RMB27,860,384,000 (2018: RMB19,599,551,000).

In addition, in the normal course of business, the Group entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities.

The Group is active in property sale and property leasing in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with state-controlled entities. However, the directors are of the opinion that the transactions with state-controlled entities are entered into in the normal course of business of the Group.

In addition to the above transactions and balances, details of the Group's other balances with related parties are disclosed in consolidated statement of financial position and notes 27, 28, 29 and 30.

The related party transactions in respect of item (a) to (j) and (l) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

49. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of net gearing ratio (i.e. net debt to equity). Net debt includes borrowings and guaranteed notes payable less restricted cash and deposits and cash and bank balances. Equity represents equity attributable to owners of the Company. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The net gearing ratios of the Group as at 31 December 2019 and 2018 were as follows:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Borrowings	**27,268,161**	22,370,308
Guaranteed notes payable	**3,521,449**	6,252,285
Less: restricted cash and deposits	**(10,671,299)**	(6,924,235)
Less: cash and bank balances	**(16,755,435)**	(22,221,637)
Net debt	**3,362,876**	N/A
Capital represented by equity attributable to owners of the Company	**19,545,327**	17,040,376
Net gearing ratio	**17.2%**	N/A

The Group targets to maintain a net gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

50.1 Categories of financial instruments

	2019 RMB'000	2018 RMB'000 (Re-presented)
Financial assets		
Financial assets at fair value through profit or loss*	–	3,914
Financial assets at fair value through other comprehensive income@	1,000	1,000
Financial assets at amortized cost#	31,405,495	32,147,734
Financial liabilities		
Financial liabilities at amortized cost^	47,970,729	40,963,003

* a derivative financial instrument

@ unlisted equity investments

\# including trade and other receivables, amounts due from an associate, a joint venture, non-controlling interests and a related company and bank balances including restricted cash and deposits

^ including trade payables, other payables and accruals, amounts due to associates, joint ventures, non-controlling interests and other related companies, lease liabilities , borrowings and guaranteed notes payable

50.2 Financial results by financial instruments

	2019 RMB'000	2018 RMB'000 (Re-presented)
Fair value (loss)/gain on:		
Financial asset at fair value through profit or loss	(3,927)	2,098
Interest income or (expenses) on:		
Financial assets at amortized cost	337,187	332,338
Financial liabilities at amortized cost	(1,267,360)	(1,159,544)

50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

50.3 Fair value measurement

(a) *Financial instruments not measured at fair value*

Financial instruments not measured at fair value include trade and other receivables, amounts due from/to associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals, lease liabilities, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, amounts due from/to associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals approximate their fair values.

For disclosure purpose, the fair values of amount due to a related company, lease liabilities, borrowings and guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow model and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risks of the Group.

(b) *Financial instruments measured at fair value*

The following table provides an analysis of financial instruments carried at fair value as at 31 December 2019 and 2018 by level of fair value hierarchy.

— Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: Inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

— Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets				
Financial assets at fair value through profit or loss				
— A derivative financial instrument	–	–	–	–
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	1,000	1,000
	–	–	1,000	1,000

50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

50.3 Fair value measurement (Continued)

(b) Financial instruments measured at fair value (Continued)

	Level 1 RMB'000 (Re-presented)	Level 2 RMB'000 (Re-presented)	Level 3 RMB'000 (Re-presented)	Total RMB'000 (Re-presented)
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
— A derivative financial instrument	–	3,914	–	3,914
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	1,000	1,000
	–	3,914	1,000	4,914

During the years ended 31 December 2019 and 2018, there were no transfers between levels.

The fair value of the derivative financial instrument, as being an interest rate swap contract, as at 31 December 2018 was determined with reference to the valuation carried out by Asset Appraisal Limited, an independent professional valuer. The valuation was determined as the present value of the estimated future cash flows based on observed yield curves.

The fair value of the unlisted equity investments as at 31 December 2019 and 2018 was estimated by the directors using discounted cash flow method which is a level 3 fair value measurement.

The movements in fair value measurement within Level 3 during the year ended 31 December 2019 and 2018 are as follows:

	RMB'000
Unlisted equity investments	
At 1 January 2018 under HKAS 39	–
Effect of adoption of HKFRS 9	1,000
At 1 January 2018 as restated, 31 December 2018 (Re-presented) and 31 December 2019 under HKFRS 9	**1,000**

51. FINANCIAL RISK MANAGEMENT

51.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

51.2 Market risk

(a) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are HK$ and RMB. The Group is exposed to currency risk arising from fluctuations on foreign currencies against the functional currencies of the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in RMB and make payments in RMB. In addition, the Group's borrowings were denominated in HK$, US$ and RMB. The directors consider that a natural hedge mechanism existed to certain extent and the Group's exposure on foreign currency risk is not significant. The Group would, however, closely monitor the volatility of the RMB exchange rate.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from lease liabilities, borrowings, guaranteed notes payable and certain balances with associates, joint ventures, non-controlling interests and other related companies which are interest-bearing. Balances arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Details of the Group's lease liabilities, borrowings, guaranteed notes payable and balances with associates, joint ventures, non-controlling interests and other related companies at the end of the reporting period are disclosed in notes 40, 34, 35, 27, 28, 29 and 30 respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure on bank deposits is not significant as interest-bearing deposits are within short maturity periods in general.

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.2 Market risk (Continued)

(b) Interest rate risk (Continued)

The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group entered into an interest rate swap contract for a US$ denominated floating-rate bank loan. Details of this interest rate swap contract are set out in note 22.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings (including amount due to a related company), after excluding the bank loan which is hedged by the interest rate swap contract, with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
(Decrease)/Increase in profit after tax and retained profits		
+ 50 basis point ("bp") (2018: 50 bp)	**(2,946)**	(5,693)
–10 bp (2018: 10 bp)	**589**	1,139

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the balances outstanding at the end of the reporting period resembles that of the corresponding financial year.

51.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees.

The carrying amounts of trade and other receivables, amounts due from an associate, a joint venture, non-controlling interests and a related company, restricted cash and deposits and cash and bank balances represent the Group's maximum exposure to credit risk in respect of these items. The maximum exposure to credit risk in respect of the financial guarantees provided by the Group at the end of the reporting period is disclosed in note 47(a).

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.3 Credit risk (Continued)

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Credit risk on restricted cash and deposits as well as cash and bank balances (note 31) is mitigated as cash is deposited with reputable banks and financial institutions. The credit and investment policies have been consistently applied and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

For the years ended 31 December 2019 and 2018, the Group did not have significant concentration of credit risk as its trade and other receivables consist of a large number of customers and debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 26.

In respect of trade receivables as at 31 December 2019 and 2018, significant amount was arising from sales of properties and at the end of the reporting period, the application of mortgage loans in respect of those sales was in progress. Management expects that the customers will settle these receivables in due course once the mortgage loans are granted by the banks or the government agencies. In addition, the titles of those properties have been retained by the banks or the government agencies. Accordingly, management considers that recoverability concern over those receivables is remote.

In respect of other receivables, amounts due from an associate, a joint venture, non-controlling interests and a related company, the Group considers the background and regularly monitors the financial condition of the counterparties to assess the recoverability of the outstanding balances.

The Group typically provides guarantees to banks or government agencies in connection with the customers' borrowing of mortgage loans to finance their purchase of properties (note 47(a)). If a purchaser defaults on the payment of the mortgage during the period of guarantee, the bank or government agency holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are generally secured by properties with current market price higher than the guaranteed amounts, management considers the Group would recover any loss incurred arising from the guarantee provided by the Group. In addition, as of 31 December 2018, the Group provided guarantees to a bank for a bank loan of a joint venture. In the opinion of the management, it was not probable that the joint venture would default payment of the bank loan and accordingly, the Group's credit risk in this respect was remote. The joint venture has fully settled that bank loan during the year ended 31 December 2019.

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.3 Credit risk (Continued)

Impairment under ECL model

As disclosed in note 4.12(ii), the Group recognizes loss allowance for ECL on debt instruments carried at amortized cost and measured at fair value through other comprehensive income. The Group applies simplified approach to measure ECL on trade receivables; and general approach to measure ECL on other receivables, amounts due from an associate, a joint venture, non-controlling interests and a related company, restricted cash and deposits and cash and bank balances. Under the simplified approach, the Group measures loss allowance at an amount equal to lifetime ECL. Under the general approach, the Group applies the "3-stage" impairment model for ECL measurement based on change in credit risk since initial recognition as follows:

— Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

— Stage 2: If the credit risk of the financial instrument has increased significantly since initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

— Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECL for financial instruments in Stage 1 are measured at an amount equal to 12-month ECL whereas the ECL for financial instruments in Stage 2 or Stage 3 are measured at an amount equal to lifetime ECL.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

Having regard to industry practice, relevant regulation and government measures, as well as the background and behavior of the debtors/counterparties, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. In addition, the Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 180 days past due.

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.3 Credit risk (Continued)

Impairment under ECL model (Continued)

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or past due event;

(c) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data and adjusted for forward-looking information through the use of industry trend and experienced credit judgment to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios.

In respect of trade receivables, they are subject to collective assessment using a provision matrix for which the ECL rate is considered to be minimal.

In respect of other receivables, amounts due from an associate, a joint venture, non-controlling interests and a related company, the Group considers the background and regularly monitors the financial condition of the counterparties to assess the recoverability of the outstanding balances. Loss allowance of RMB6,000,000 has been provided for other receivables as at 31 December 2019 (2018: RMB6,000,000) for which the balance was considered credit-impaired and it was measured at an amount equal to lifetime ECL. Other than that, management does not expect any loss allowance from non-performance by the counterparties and assessed that the ECL in respect of these balances was immaterial.

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables including amounts due to related companies and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain prudent liquidity risk management which is to maintain sufficient cash and bank balances as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been consistently applied and are considered to have been effective in managing the Group's liquidity risk.

The following tables summarize the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on agreed scheduled repayment dates set out in the agreements or the repayment schedules agreed with the banks and other lenders.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2019						
Non-derivatives						
Bank borrowings	25,968,161	27,847,716	12,458,046	6,370,200	9,019,470	–
Other loans	1,300,000	1,404,275	220,526	851,770	331,979	–
Guaranteed notes payable	3,521,449	3,773,193	171,409	3,601,784	–	–
Trade payables, other payables and accruals	10,804,705	10,804,705	10,804,705	–	–	–
Amounts due to associates	63,823	63,823	63,823	–	–	–
Amounts due to joint ventures	815,126	815,126	815,126	–	–	–
Amounts due to non-controlling interests	5,082,077	5,082,077	5,082,077	–	–	–
Amounts due to related companies	379,230	382,082	382,082	–	–	–
Lease liabilities	36,158	39,918	12,515	6,526	9,627	11,250
	47,970,729	50,212,915	30,010,309	10,830,280	9,361,076	11,250
Financial guarantees issued — Maximum amount guaranteed	–	30,453,627	30,453,627	–	–	–

51. FINANCIAL RISK MANAGEMENT (CONTINUED)

51.4 Liquidity risk (Continued)

	Carrying amount RMB'000 (Re-presented)	Total contractual undiscounted cash flow RMB'000 (Re-presented)	On demand or within 1 year RMB'000 (Re-presented)	1 to 2 years RMB'000 (Re-presented)	2 to 5 years RMB'000 (Re-presented)
As at 31 December 2018					
Non-derivatives					
Bank borrowings	21,070,308	22,907,246	5,086,965	9,318,545	8,501,736
Other loans	1,300,000	1,373,012	1,373,012	–	–
Guaranteed notes payable	6,252,285	6,679,946	2,989,404	167,654	3,522,888
Trade payables, other payables and accruals	8,715,182	8,715,182	8,715,182	–	–
Amounts due to associates	23,334	23,334	23,334	–	–
Amounts due to joint ventures	1,179,244	1,179,244	1,179,244	–	–
Amounts due to non-controlling interests	2,044,260	2,044,260	2,044,260	–	–
Amounts due to related companies	378,390	384,796	306,927	77,869	–
	40,963,003	43,307,020	21,718,328	9,564,068	12,024,624
Financial guarantees issued					
— Maximum amount guaranteed	–	29,531,309	29,531,309	–	–

As disclosed in note 51.3, it is not probable that guarantees provided would result in significant financial impact to the Group including credit loss and liquidity risk.

52. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Be Affluent Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Best Beauty Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Big Leader International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Bliss China Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Bliss Depot Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Capital Way Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Celestial Wealth Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
China Grand (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
China Overseas Grand Oceans Finance IV (Cayman) Limited	Cayman Islands	Ordinary	1 share of US$1 each	100%	–	Fund-raising
China Overseas Grand Oceans Investments Limited	Hong Kong	Ordinary	HK$1	100%	–	Investment holding
China Overseas Grand Oceans Property Group Company Limited	PRC^	Paid up capital	RMB133,000,000	–	100%	Investment holding and property development
China Overseas Yin Chuan Investments Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Citirich International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
City Glory Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
East Pacific (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Elite Way Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ever United Development Limited	Hong Kong	Ordinary	HK$1	100%	–	Financing and investment
Flourish Ray Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Global East Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Grand Marine Investment Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Grand Success Group Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Grand Will Asia Pacific Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Grandca International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Grandwide (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Greatbo (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Great Kind Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Green Fortune Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hai Jian International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Han Yang Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hero Path Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
High Faith Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hongbo Global Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hong Bao Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Jet Pacific Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Long Capital Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Longwide Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Main Lucky International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Marine Key Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Max Pacific Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Ocean Continent Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ocean Ease Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ocean Empire Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Oceanic Roc Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Pacific King Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100%	–	Investment holding
Precious Joy Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Qiangfa Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Rainbow Hero Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Sea Coral Enterprises Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Sino Global Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Sure Shine International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Talent Race Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Top Wonder International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Unibo Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Wan Chang International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Well Great (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
World Dynasty Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
World United International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
上海中海宏洋置業有限公司	PRC#	Paid up capital	RMB15,000,000	–	100%	Investment holding
中海宏洋地產(合肥)有限公司	PRC^	Paid up capital	RMB580,000,000	–	100%	Property development
中海宏洋地產(銀川)有限公司	PRC*	Paid up capital	RMB840,000,000	–	85%	Property development
中海宏洋地產(贛州)有限公司	PRC*	Paid up capital	RMB100,000,000	–	88%	Property development
中海宏洋地產(揚州)有限公司	PRC^	Paid up capital	RMB1,720,000,000 (2018: RMB1,000,000,000)	–	100%	Property development
中海宏洋地產(常州)有限公司	PRC^	Paid up capital	RMB600,000,000	–	100%	Property development
中海宏洋地產(鹽城)有限公司	PRC^	Paid up capital	RMB938,839,800	–	100%	Property development

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
中海宏洋置地(常州)有限公司	PRC^	Paid up capital	RMB50,000,000	–	100%	Property development
中海宏洋置地(鹽城)有限公司	PRC^	Paid up capital	RMB350,000,000	–	100%	Property development
中海宏洋置業(合肥)有限公司	PRC^	Paid up capital	RMB1,000,000,000	–	100%	Property development
中海宏洋置業(常州)有限公司	PRC^	Paid up capital	RMB1,000,000,000	–	100%	Property development
中海宏洋(南通)投資開發有限公司	PRC^	Paid up capital	RMB600,000,000	–	100%	Property development
中海海宏(南通)投資開發有限公司	PRC^	Paid up capital	RMB50,000,000	–	100%	Property development
北京中海宏洋地產有限公司	PRC#	Paid up capital	RMB28,000,000	–	100%	Investment holding and property development
北京中京藝苑置業有限公司	PRC#	Paid up capital	RMB30,000,000	–	100%	Property investment and property leasing
北京華世柏利房地產開發有限公司	PRC#	Paid up capital	RMB60,000,000	–	90%	Property development
北京快樂城堡購物中心有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property leasing
北京通惠房地產開發有限責任公司	PRC#	Paid up capital	RMB100,000,000	–	100%	Property development
呼和浩特光大環城建設開發有限公司	PRC#	Paid up capital	RMB120,000,000	–	80%	Property development
呼和浩特市中海宏洋地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
呼和浩特市榮城房地產開發有限公司	PRC#	Paid up capital	RMB15,000,000	–	100%	Property development
南寧中海宏洋房地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
深圳市建地投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Investment holding
廣州中海橡園房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
廣州市光大花園房地產開發有限公司	PRC*	Paid up capital	RMB800,000,000	–	100%	Property development
廣州新都房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	90%	Property development
蘭州中海宏洋房地產開發有限公司	PRC#	Paid up capital	RMB1,000,000,000	–	100%	Property development
吉林市中海宏洋房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
吉林市怡恒偉業房地產開發有限公司	PRC#	Paid up capital	RMB200,000,000	–	70%	Property development
吉林市中海海華房地產開發有限公司	PRC#	Paid up capital	RMB50,000,000	–	85%	Property development
桂林建禹地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
合肥中海新華房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	60%	Property development
合肥中海榮祥房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
南寧中海宏洋置業有限公司	PRC^	Paid up capital	RMB1,700,000,000	–	100%	Property development
紹興中海宏洋地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中海宏洋置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中潤置業有限公司	PRC^	Paid up capital	RMB758,000,000	–	100%	Property development
汕頭市中海宏洋地產有限公司	PRC#	Paid up capital	RMB230,000,000	–	100%	Property development
汕頭市中海宏洋置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
中海宏洋地產(徐州)有限公司	PRC^	Paid up capital	RMB126,150,000	–	100%	Property development
中海宏洋(鹽城)房地產開發有限公司	PRC*	Paid up capital	RMB344,375,000	–	100%	Property development
中海宏洋地產(黃山)有限公司	PRC*	Paid up capital	US$2,500,000	–	55%	Property development
中海潤洋置業(揚州)有限公司	PRC^	Paid up capital	US$60,000,000	–	100%	Property development
中海宏洋(深圳)投資有限公司	PRC^	Paid up capital	RMB600,000,000 (2018: RMB244,000,000)	–	100%	Property development
中海瘦西湖房地產揚州有限公司	PRC#	Paid up capital	RMB240,000,000	–	70%	Property development
揚州市江都區信泰置業有限公司	PRC#	Paid up capital	RMB185,600,000	–	100%	Property development
中海宏洋地產汕頭投資有限公司	PRC#	Paid up capital	RMB370,000,000	–	100%	Property development
汕頭中海宏洋南濱置業發展有限公司 (formerly known as 汕頭中海宏洋南濱大酒店有限公司)	PRC#	Paid up capital	RMB10,000,000	–	100%	Hotel operation
汕頭中信南烽房地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	51%	Property development
汕頭市金平區中信房產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	70%	Property development
中海宏洋惠州控股有限公司	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
惠州市中海宏洋地產有限公司	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
中海宏洋惠州城市建設開發有限公司	PRC#	Paid up capital	RMB130,000,000	–	100%	Property development
惠州盈通投資有限公司	PRC#	Paid up capital	RMB60,000,000	–	100%	Property development

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
中海宏洋惠州湯泉開發有限公司	PRC#	Paid up capital	RMB60,000,000	–	100%	Hotel operation
南昌宏洋地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中海宏洋廬山西海(九江)投資有限公司	PRC#	Paid up capital	RMB800,000,000	–	100%	Property development
九江市深水灣投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市桃花里投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市溪谷投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市納帕谷投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
淄博中海海頤置業有限公司	PRC^	Paid up capital	RMB338,360,000 (2018: RMB266,360,000)	–	100%	Property development
淄博中海海悦置業有限公司	PRC^	Paid up capital	RMB220,369,600	–	100%	Property development
淄博中海海昌置業有限公司	PRC^	Paid up capital	RMB206,571,410	–	100%	Property development
中海淄博置業有限公司	PRC^	Paid up capital	HK$770,000,000	–	100%	Property development
濰坊中海興業房地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
中海宏洋置業(徐州)有限公司	PRC#	Paid up capital	RMB60,000,000	–	34%	Property development
西寧中海宏洋房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
贛州中海地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
中海海華南通地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
合肥中海宏洋海東房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
合肥中海宏洋海創房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
揚州海龍置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州海富置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
包頭市中海宏洋地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	60%	Property development
蘭州中海海富房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
包頭市宏洋海富地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
贛州中海海華房地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
鹽城潤洋置業有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
南通市華璽房地產有限公司	PRC#	Paid up capital	RMB20,000,000	–	30%	Property development
南通市中海海富房地產開發有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
吉林市中海海富房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
吉林市中海海悦房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
銀川中海海華置業有限公司	PRC#	Paid up capital	–	–	100%	Property development
柳州中海宏洋房地產有限公司	PRC#	Paid up capital	RMB28,571,429 (2018: RMB20,000,000)	–	70%	Property development
蘭州中海環宇商業運營管理有限公司	PRC#	Paid up capital	–	–	100%	Provision of property management services
濟寧中海宏洋地產有限公司	PRC#	Paid up capital	RMB20,000,000 (2018: nil)	–	100%	Property development
合肥中海宏洋海悦房地產開發有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
呼和浩特市海巍地產有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
合肥中海宏洋海華房地產開發有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
合肥中海宏洋海晟房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	60%	Property development
合肥中海宏洋海宸房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	60%	Property development
南寧中海宏洋海悦房地產有限公司 (note)	PRC#	Paid up capital	RMB33,333,333	–	60%	Property development
蘭州中海海通房地產開發有限公司 (note)	PRC#	Paid up capital	RMB16,666,667	–	60%	Property development
蘭州中海海創房地產開發有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development
揚州市海盛房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
南通市中海海盛房地產開發有限公司 (note)	PRC#	Paid up capital	RMB700,000,000	–	60%	Property development
南通市中海海通房地產開發有限公司 (note)	PRC#	Paid up capital	RMB800,000,000	–	60%	Property development
南通市中海海潤房地產開發有限公司 (note)	PRC#	Paid up capital	RMB650,000,000	–	60%	Property development

52. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
常州市海盛房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中海宏洋恒華置業(常州)有限公司 (note)	PRC*	Paid up capital	RMB625,000,000	–	100%	Property development
濰坊中海海翔地產有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
濟寧中海宏洋置業有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
徐州海創置業有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development
中海投資渭南有限公司 (note)	PRC#	Paid up capital	RMB300,000,000	–	100%	Property development
渭南中海興業置業有限公司 (note)	PRC#	Paid up capital	RMB400,000,000	–	100%	Property development
渭南中海興華置業有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
渭南中海親頤物業服務有限公司 (note)	PRC#	Paid up capital	RMB1,000,000	–	100%	Provision of property management services
清遠市中海宏洋房地產開發有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
揚州市海創房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
桂林中海宏洋房地產有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
深圳市創史企業管理有限公司 (note)	PRC#	Paid up capital	RMB400,000,000	–	51%	Investment holding
南寧市平德房地產開發有限公司 (note)	PRC*	Paid up capital	RMB500,000,000	–	41%	Property development
徐州海麗置業有限公司 (note)	PRC#	Paid up capital	RMB270,000,000	–	100%	Property development
泉州市中海宏洋海創房地產開發有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
吉林市中海海盛房地產開發有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
中海宏洋地產(九江)有限公司 (note)	PRC^	Paid up capital	–	–	100%	Property development

Note:

These subsidiaries were newly established or invested during the year ended 31 December 2019.

^ The companies are incorporated in the PRC as wholly-foreign-owned enterprises.

* The companies are incorporated in the PRC as sino-foreign equity joint ventures.

The companies are incorporated in the PRC as limited liability companies.

None of the subsidiaries had any debt securities in issue as at 31 December 2019 and 2018 except for COGO Finance II and COGO Finance IV which had issued 2014 Guaranteed Notes and 2018 Guaranteed Notes respectively as set out in note 35. None of these guaranteed notes were held by the Group.

53. PARTICULARS OF ASSOCIATES

The particulars of the associates as at 31 December 2019 are as follows:

name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
中信房地產汕頭華鑫有限公司	PRC#	Paid up capital	RMB10,000,000	–	30%	Property development
中信房地產汕頭金城有限公司	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development
汕頭市中信濱河房地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development

\# The companies are incorporated in the PRC as limited liability companies.

54. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2019 are as follows:

Name of joint venture	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC*	Paid up capital	US$2,400,000	–	65%	Property investment and property leasing
中海宏洋海富(合肥)房地產開發有限公司	PRC*	Paid up capital	RMB550,000,000	–	45%	Property development
汕頭中海凱旋置業有限公司	PRC#	Paid up capital	RMB102,040,816	–	51%	Property development

* The companies are incorporated in the PRC as sino-foreign equity joint ventures.

\# The company is incorporated in the PRC as a limited liability company.

Five Year Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Revenue	**28,590,883**	21,524,668	17,509,568	14,622,314	13,347,704
Profit before income tax	**8,295,572**	5,338,847	2,747,734	1,808,855	1,382,448
Income tax expense	**(4,798,611)**	(3,233,178)	(1,658,248)	(1,009,406)	(641,837)
Profit for the year	**3,496,961**	2,105,669	1,089,486	799,449	740,611
Profit/(Loss) for the year attributable to:					
Owners of the Company	**3,329,681**	2,043,204	1,097,831	770,097	683,856
Non-controlling Interests	**167,280**	62,465	(8,345)	29,352	56,755
	3,496,961	2,105,669	1,089,486	799,449	740,611

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Total assets	**134,097,274**	103,626,806	79,682,142	72,773,696	46,746,498
Total liabilities	**(112,583,966)**	(85,858,839)	(67,592,393)	(62,768,061)	(36,852,198)
	21,513,308	17,767,967	12,089,749	10,005,635	9,894,300
Equity attributable to owners of the Company	**19,545,327**	17,040,376	11,432,831	9,322,772	9,360,549
Non-controlling interests	**1,967,981**	727,591	656,918	682,863	533,751
	21,513,308	17,767,967	12,089,749	10,005,635	9,894,300

Particulars of Major Properties & Property Interests

(A) PROPERTY HELD FOR OWN USE

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
Room 05–08, 23F, No.1 Building, China Overseas International Center No. 28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	1,128	100%	Medium
2F, 3F, 3AF and 23F, CITIC City Plaza 1093 Shennan Zhong Road, Futian District, Shenzhen, Guangdong, the PRC	Office	6,603	100%	Medium
18F and 19F, CITIC City Plaza 2 Wenming Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Office	3,065	100%	Medium
Commercial Tower, Central Mansion No. 150, Qingnian Zhong Road, Chongchuan District, Nantong, the PRC	Office	3,234	100%	Medium
Room 2307, 2501–2506 and 2508 China Overseas Building (No. 9 Office Building) No. 139 Jilin Street, Jilin City, Jilin Province, the PRC	Office	1,319	100%	Medium
Room 501, 502, 601 and 602 The Azure — Cai Fu Plaza Annan road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Office	2,081	100%	Medium

(B) PROPERTY HELD FOR INVESTMENT

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
Office units, No. 1 Building, China Overseas International Center No. 28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	39,795	100%	Medium
China Overseas Building (No. 9 Office Building) No. 139 Jilin Street, Jilin City, Jilin Province, the PRC	Office	123	100%	Medium
CITIC Building (Room 102 and 1502) Jinsha East Road, Longhu District, Shantou, Guangdong Province, the PRC	Office	278	100%	Medium
Jin Xin Building (Room 204, 207 and 208) Jinsha Road, Longhu District, Shantou, Guangdong Province, the PRC	Office	1,326	100%	Medium
China Overseas Plaza Anning District, Lanzhou, the PRC	Commercial	46,333	100%	Medium

(C) PROPERTY HELD AS INVENTORIES

(I) Properties Under Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
The Phoenix West of Fenghuang Road, North of Zhongwu Avenue, Tianning District, Changzhou, the PRC	Residential/ Commercial	2,100	7,800	100%	Superstructure in progress	2013.04	2nd half of 2020
Huizhou Tangquan 298 Huizhou Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	157,100	203,200	100%	Superstructure in progress	2014.05	2nd half 2022
Yangzhou Jiajing No. 67, Shangfangsi Road Yangzhou, Jiangsu Province, the PRC	Residential/ Commercial	26,500	73,500	70%	Superstructure in progress	2014.09	1st half of 2020
Huating West of Chengxi Avenue, Chaoyang District, Shantou, Guangdong Province, the PRC	Residential	48,100	117,500	51%	Superstructure in progress	2015.01	2nd half 2020
China Overseas Plaza Anning District, Lanzhou, the PRC	Residential/ Commercial	44,800	236,100	100%	Superstructure in progress	2016.03	1st half 2020
La Cite Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	71,600	427,300	100%	Superstructure in progress	2016.11	1st half 2020
Da Guan Tian Xia No. 5716, Dongfang Road, Gaoxin District, Weifang, Shandong Province, the PRC	Residential/ Commercial	160,400	627,600	100%	Superstructure in progress	2017.02	2nd half 2020
Harbour City Xuri Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	29,300	111,900	100%	Superstructure in progress	2017.03	1st half 2020
The Glorious North of Xuehai Road, West of Daizhuang Road, Yancheng, Jiangsu, the PRC	Residential/ Commercial	19,800	60,700	100%	Superstructure in progress	2017.03	1st half 2020
Triumph Town No. 2, Wenzu Road, San Dong Town, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	9,100	8,000	100%	Superstructure in progress	2017.04	2nd half 2020
Glory Manor North of Pujiang Road, West of Long Chuan Nan Road, Yangzhou, Jiangsu Province, the PRC	Residential/ Commercial	43,000	141,200	100%	Superstructure in progress	2017.05	2nd half 2020
Coastal Palace West of Woniushan Road, North of Xuxiao Highway, Quanshan District, Xuzhou, the PRC	Residential	3,700	11,000	100%	Superstructure in progress	2017.06	1st half 2020
International Community No. 1 Tainshiling Road, Xingning District, Nanning, the PRC	Residential/ Commercial	135,000	484,300	100%	Superstructure in progress	2017.07	2nd half 2021

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Coli City Feidong County, Hefei, the PRC	Residential	126,600	350,200	100%	Superstructure in progress	2017.09	1st half 2020
International Community Yishan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	39,900	113,300	85%	Superstructure in progress	2017.09	2nd half 2020
International Community South of Jinfeng Eighth Street, East of Zhengyuan South Street, Jinfeng District, Yinchuan City Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	178,400	544,600	85%	Superstructure in progress	2017.09	2nd half 2022
COGO City South of Shiwu Street Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	34,900	91,100	85%	Superstructure in progress	2017.10	1st half of 2020
Central Mansion West of Xiaoxi Road, Chongchuan District, Nantong, the PRC	Residential	38,800	79,600	100%	Superstructure in progress	2017.10	1st half of 2020
One Riverside Park Zhanggong District, Ganzhou, the PRC	Residential/ Commercial	64,600	197,900	100%	Superstructure in progress	2017.10	2nd half 2020
City Plaza No.7 Jiangbei Zone, Huizhou, Guangdong Province, the PRC	Commercial	36,800	228,300	100%	Superstructure in progress	2018.01	2nd half 2022
The Paragon East of Daizhuang Road, Chengnan New District, Yancheng, Jiangsu, the PRC	Residential/ Commercial	51,800	144,100	100%	Superstructure in progress	2018.01	2nd half 2020
Grand Polis West of Jiliang Road, North of Zhuxi Road, Yangzhou, Jiangsu Province, the PRC	Residential/ Commercial	60,600	153,500	100%	Superstructure in progress	2018.01	1st half 2020
Eternal Treasure South of Fumin Road, East of Dujiang South Road, Yangzhou, Jiangsu Province, the PRC	Residential	67,900	171,800	100%	Superstructure in progress	2018.02	1st half 2020
The Cullinan Zhanggong District, Ganzhou, the PRC	Residential/ Commercial	75,800	187,200	100%	Superstructure in progress	2018.02	2nd half 2020
Times Metropolis South of Guanchao Road, East of Taiping Road, Nantong, the PRC	Residential/ Commercial	47,100	142,800	30%	Superstructure in progress	2018.03	2nd half 2020
Platinum Mansion North of Guanghua Road, East of Lingxi Road, Tianning District, Changzhou, the PRC	Residential/ Commercial	62,500	183,200	100%	Superstructure in progress	2018.04	1st half 2020

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Glorioushire Junction of Menyuan Road and Haihu Avenue, Chengbei District, Xining, Qinghai Province, the PRC	Residential	182,200	639,000	100%	Superstructure in progress	2018.04	2nd half 2021
The Riverside Jingkai District, Ganzhou, the PRC	Residential/ Commercial	47,900	132,900	100%	Superstructure in progress	2018.06	2nd half 2020
Glorioushire (previously named as "Xindoushi District Project #1") West of Jingjiu Road, North of Qingsha Road, Baotou, Inner Mongolia Antonomous Region, PRC	Residential/ Commercial	166,100	453,300	60%	Superstructure in progress	2018.07	1st half 2021
Royal Mansion East of East Xinqu Road, North of Letian Road, Gaoxin District, Weinan City, Shaanxi Province, the PRC	Residential/ Commercial	74,200	226,700	100%	Superstructure in progress	2018.07	2nd half 2020
Royal Villa (previously named as "Shushan District Project ") Shushan District, Hefei, the PRC	Residential	116,900	206,900	100%	Superstructure in progress	2018.09	1st half 2021
Patrimonial Mansion East of Sanhuan West Road, Gulou District, Xuzhou, the PRC	Residential	81,200	177,500	34%	Superstructure in progress	2018.09	2nd half 2020
Treasure Mansion East of Sanhuan West Road, Gulou District, Xuzhou, the PRC	Residential	100,000	218,200	34%	Superstructure in progress	2018.09	2nd half 2021
Platinum Mansion North of Shiwu Road, East of Shi Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	126,400	302,100	85%	Superstructure in progress	2018.10	1st half 2021
Glory Mansion East of Kangju Road, Chengnan New District, Yancheng, Jiangsu, the PRC	Residential	102,900	289,800	100%	Superstructure in progress	2018.10	1st half 2021
Rose Garden (previously named as "Huicheng District #1") Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	29,600	116,300	100%	Superstructure in progress	2018.12	2nd half 2020
ColiCity (previously named as "Rencheng District Project") West of Dianhua Road, Jining, Shandong Province, the PRC	Residential/ Commercial	194,400	426,600	100%	Superstructure in progress	2018.12	1st half of 2022
Cullinan (previously named as "Yufeng District Project") No. 38, Jianlan Road, Yufeng District, Liuzhou, Guangxi Province, the PRC	Residential/ Commercial	94,700	269,400	70%	Superstructure in progress	2018.12	2nd half 2022
China Overseas Platinum Pleased Mansion (previously named as "Qilihe District Project") Qilihe District, Lanzhou, the PRC	Residential/ Commercial	72,700	324,800	100%	Superstructure in progress	2019.01	2nd half of 2021

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Riverview Mansion (previously named as "Huicheng District #2") Wentou Ning, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	52,900	243,000	100%	Superstructure in progress	2019.01	2nd half of 2020
Overlooking River Mansion (previously named as "Changyi District Project ") Leju Road, Changyi District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	121,000	347,300	100%	Superstructure in progress	2019.04	2nd half of 2021
The New Metropolis (previously named as "Chuanying District Project") North of Wusong West Road, Chuanying District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	63,900	156,500	100%	Superstructure in progress	2019.04	2nd half of 2020
Jardin De Rive Gauche (previously named "Jingkai District Project") Jingkai District, Ganzhou, the PRC	Residential/ Commercial	71,000	217,300	100%	Superstructure in progress	2019.04	2nd half of 2021
Upper East (previously named as "Hanjiang District Project #1") North of Beicheng Road, West of Wudong Road, Yangzhou, Jiangsu Province, the PRC	Residential	101,600	229,200	100%	Superstructure in progress	2019.04	2nd half of 2021
Upper East (previously named as "Kaifa District Project") North of Yuanxing Road, East of Xinkai North Road, Nantong, the PRC	Residential	56,900	186,300	100%	Superstructure in progress	2019.04	1st half of 2021
Gorgeous Mansion (previously named as "Hanjiang District Project #2") North of Kaifa Road, West of Hongda Road, Yangzhou, Jiangsu Province, the PRC	Residential	72,800	193,400	100%	Superstructure in progress	2019.04	2nd half of 2021
Mansion Yue (previously named as "Jinfeng District Project") East of Mancheng Street, North of Helan Mountain Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential	198,600	339,000	100%	Superstructure in progress	2019.05	1st half 2021
Lakeville (previously named as "Baiyan Technology Park District Project") Feixi County, Hefei, the PRC	Residential	83,000	208,100	100%	Superstructure in progress	2019.05	2nd half of 2020
Tai Ping Guan Zhi Taiping Lake Town, Huangshan District, Anhui Province, the PRC	Residential/ Commercial	415,300	249,500	55%	Superstructure in progress	2019.05	1st half 2022
Glorious Qiantou Village, Chidian Town, Quanzhou City, Fujian Province, the PRC	Residential/ Commercial	90,400	290,200	100%	Superstructure in progress	2019.06	1st half of 2021

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Patrimonial Mansion Jiuhua Road, Guilin, Guangxi, the PRC	Residential/ Commercial	30,700	70,100	100%	Superstructure in progress	2019.06	1st half 2021
The Premier Mansion (previously named as "Dragon Cove") South of Erhuan Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	80,400	260,600	100%	Superstructure in progress	2019.08	1st half 2022
Hai Hua Garden West of West Heng Tang River Road, South of West Dong Fang Road, Changzhou City, the PRC	Residential/ Commercial	99,900	297,300	100%	Superstructure in progress	2019.08	2nd half of 2021
Glorious Qiantou Village, Chidian Town, Quanzhou City, Fujian Province, the PRC	Residential/ Commercial	19,800	59,000	100%	Superstructure in progress	2019.08	1st half 2021
Golden Coast Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential	99,700	224,600	100%	Superstructure in progress	2019.08	2nd half 2021
PT Hyatt (previously named as "Xindoushi District Project #2") South of Shahe West Street, Baotou, Inner Mongolia Antonomous Region, PRC	Residential/ Commercial	53,700	125,100	100%	Superstructure in progress	2019.09	2nd half 2021
Celestial Heights (previously named as "Qingxiu District Project") North of Shangzhou Road, East of Xianhu Avenue, Qingxiu District, Nanning, the PRC	Residential	212,500	283,200	60%	Superstructure in progress	2019.09	2nd half 2021
Da Guan Tian Xia No. 5716, Dongfang Road, Gaoxin District, Weifang, Shandong Province, the PRC	Residential/ Commercial	146,000	608,900	100%	Superstructure in progress	2019.09	2nd half 2021
Hohhot Glorioushire West of Tianjiao Road, South of Fengzhou Bei Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	69,500	162,000	100%	Superstructure in progress	2019.10	1st half 2023
Glorioushire North of Wenhu Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	167,500	518,500	100%	Superstructure in progress	2019.10	1st half of 2023
Harrow Community East of Lunggang Da Dao, South of Sanhe Road, Yining District, Nanning, the PRC	Residential/ Commercial	166,700	472,200	41%	Superstructure in progress	2019.10	2nd half of 2022

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Clouds Fairyland East of West Heng Tang River Road, South of West Dong Fang Road, Changzhou City, the PRC	Residential/ Commercial	95,500	276,500	100%	Superstructure in progress	2019.10	1st half of 2023
Coli city East county West of Shier Street, North of Shiwu Street, JinFeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	69,000	185,000	85%	Superstructure in progress	2019.11	2nd half of 2021
Glorioushire West of Shiyi Street, South of Shiwu Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	193,200	371,000	85%	Superstructure in progress	2019.11	2nd half of 2021
China Overseas Platinum Garden Qilihe District, Lanzhou, the PRC	Residential/ Commercial	107,300	480,200	60%	Superstructure in progress	2019.11	1st half of 2023
Jade Park East of Xiluan Road, North of Guanchang Road, Nantong, the PRC	Residential	142,500	414,900	60%	Superstructure in progress	2019.11	2nd half of 2021
Central Mansion Yuecheng District, Shaoxing City	Residential	40,400	101,700	100%	Superstructure in progress	2019.11	2nd half of 2021
One Lake Vision Feilai Road, Qingxin District, Qingyuan City Guangdong Province, the PRC	Residential/ Commercial	54,600	180,700	100%	Superstructure in progress	2019.11	2nd half of 2021
Central Mansion Binhu District, Hefei City	Residential/ Commercial	104,500	290,200	60%	Superstructure in progress	2019.12	1st half of 2022
The Platinum Pleased Mansion South of NanShan Ting Yuan, Xuzhou City, the PRC	Residential	46,000	136,500	100%	Superstructure in progress	2019.12	2nd half of 2021
River View Mansion Qiantou Village, Chidian Town, Quanzhou City, Fujian Province, the PRC	Residential/ Commercial	53,200	159,100	100%	Superstructure in progress	2019.12	2nd half of 2021

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
Glorioushire North of Wenhu Road, Fengman District Jilin City, Jilin Province, the PRC	Residential/ Commercial	27,900	114,300	100%	Land under development
Royal Villa Xiangshan Road, Fengman District Jilin City, Jilin Province, the PRC	Residential/ Commercial	41,000	118,500	100%	Land under development
Coli Phoenix Community Rencheng District, Jining City, Shandong Province, the PRC	Residential/ Commercial	39,500	111,300	100%	Land under development
Central Mansion Xunyang District, Jiujiang City, Jiangxi Province, the PRC	Residential/ Commercial	57,800	110,000	100%	Land under development
Lushan Xihai Jinkou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential/ Commercial	2,086,500	1,887,900	100%	Land under development
Quanshan District Project #2 Wo Niu Pian District, Quanshan District, Xuzhou, the PRC	Residential	39,200	134,900	100%	Land under development
Quanshan District Project #3 Wo Niu Pian District, Quanshan District, Xuzhou, the PRC	Residential	16,500	57,500	100%	Land under development
Haojiang District Project Bingpian District, South of Zhongxing Binghaixincheng, Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	80,000	353,600	100%	Land under development
Gold Coast (previously named as "Longhu Sands Project") Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	684,400	1,593,000	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
Da Guan Tian Xia No. 5716, Dongfang Road, Gaoxin District, Weifang, Shandong Province, the PRC	Residential/ Commercial	123,500	483,700	100%	Land under development
Fangzi District Project No. 39 Fenghuang Street, Fangzi District, Weifang, Shandong Province, the PRC	Residential	31,200	62,700	100%	Land under development
Binghu Project Binhu District, Hefei City	Residential/ Commercial	45,900	119,100	60%	Land under development
Xincheng District Project #4 South of Hong Shan Street, West of 24M kuihau Street, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	45,200	128,900	100%	Land under development
Xincheng District Project #2 West of Fengzhou Bei Street, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	28,500	67,500	100%	Land under development
Xincheng District Projects #1 North of 18M kuihau Street, East of 24M kuihau Street, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	44,800	107,900	100%	Land under development
COGO City West of Shi Street, South of Liu Pan Shan Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	65,600	185,800	85%	Land under development
COGO City West of Shier Street, North of Shiliu Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	99,000	274,000	85%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
COGO City East of Shiyi Street, North of Shiliu Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	15,600	15,700	85%	Land under development
Chengguan District Project Chengguan District, Lanzhou City	Residential/ Commercial	72,100	249,500	100%	Land under development
Guangling District Project #1 North of G328, East of Yaojin He Bing He Lu Dai Yangzhou, Jiangsu Province, the PRC	Residential	113,700	260,000	100%	Land under development
Guangling District Project #2 North of Yaojin River Road, South of West Lianyun Road, Yangzhou, Jiangsu Province, the PRC	Residential	48,200	120,500	100%	Land under development
The Central Mansion East of Yanma Road, North of Xiwang Road, Yancheng, Jiangsu, the PRC	Residential	50,200	167,000	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation

Name/Location	Category	Approximate Contracted area (sq.m.) (excluding Car Park)	Attributable Interest
Maple Palace No. 54, Zhuanchang Hutong, Chaoyang District, Beijing, the PRC	Residential/ Commercial	28,400	100%
The Azure East of Xingan South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	13,900	100%
Left Bank West of Fu Bilie Road, North of Yinhe North Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Commercial	20,700	100%
Harbour City Xuri Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	32,300	100%
Huizhou Tangquan 298 Huizhou Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential	20,000	100%
International Community Yishan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	26,200	85%
Lushan Xihai Jinkou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	64,400	100%
Mansion No. 2 Tianshiling Road, Xingning District, Nanning, the PRC	Residential/ Commercial	18,700	100%
Royal Lakefront No. 6, Xinji Road, Gaoxin District, Nanning, the PRC	Residential	14,000	100%
Royal Pavilion No. 29 Dawu Road, Xingning District, Nanning, the PRC	Residential/ Commercial	37,000	100%

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation (Continued)

Name/Location	Category	Approximate Contracted area (sq.m.) (excluding Car Park)	Attributable Interest
La Cite Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	19,900	100%
Huating West of Chengxi Avenue, Chaoyang District, Shantou, Guangdong Province, the PRC	Residential	13,500	51%
Golden Coast Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	12,500	100%
Nolbe Manor (previously named as "Yangzhou Jinyuan") No. 8, Hanjiang North Road, Yangzhou, Jiangsu Province, the PRC	Residential	16,100	100%
International Community North of Liu Pan Mountain Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	12,800	85%
Lakeside Style Town Wenchang Lake Tourist Town, Zibo, Shandong Province, the PRC	Residential	88,300	100%
COGO City East of Shiyi Street South of Liu Pan Mountain Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	31,100	85%
The Crown East Dongyue Road, Huayang, Weinan City, Shaanxi Province, the PRC	Residential/ Commercial	168,100	100%

(D) PROPERTY HELD UNDER JOINT VENTURE

(I) PROPERTY HELD FOR INVESTMENT

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
China Overseas Jinhe Information Technology Park No. 10, Lane 198, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Office	16,381	65%	Medium

(II) PROPERTY HELD AS INVENTORIES — Properties Under Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Central Mansion Baohe District, Hefei, the PRC	Residential/ Commercial	16,700	34,400	45%	Superstructure in progress	2016.04	1st half 2020
The Arch Xin Jin Pian District, East Coast New Town, Shantou, Guangdong Province, the PRC	Residential	8,600	33,300	51%	Superstructure in progress	2016.11	1st half 2020

Glossary

2019 Guaranteed Notes	the US$400 million 5.125% guaranteed notes due 2019 issued by the Group and guaranteed by the Company
Board	the board of Directors
CG Code	Corporate Governance Code in Appendix 14 to the Listing Rules
COHL	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of COLI
COLI	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688), being a controlling shareholder of the Company
COLI Group	COLI and its subsidiaries from time to time
Companies Ordinance	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
Company Secretary	the company secretary of the Company
COPH	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669), being a subsidiary of COHL
COPH Group	COPH and its subsidiaries from time to time
CSC	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311), being a subsidiary of COHL
CSC Group	CSC and its subsidiaries (excluding listed subsidiary(ies)) from time to time
CSCD	China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 830), being a subsidiary of CSC
CSCD Group	CSCD and its subsidiaries from time to time
CSCEC	中國建築集團有限公司 (China State Construction Engineering Corporation), a state-owned corporation organized and existing under the laws of the PRC, which is the holding company of CSCECL

CSCECL	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC which is an intermediate holding company of COLI
CSCECL Group	CSCECL and its subsidiaries (excluding COHL, COLI, CSC, CSCD, COPH and their respective subsidiaries) from time to time
Directors	the director(s) of the Company
GDP	gross domestic product
GFA	gross floor area
Group	the Company and its subsidiaries from time to time
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
PRC	the People's Republic of China
Share(s)	the ordinary share(s) of the Company
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
sq. m.	square meter
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

Note: This section is not applicable to the section "Independent Auditor's Report" and the consolidated financial statements of the Group set out on pages 72 to 193 of this annual report.

* English or Chinese translations are for identification only (as the case may be).

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