JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：865

2019
Annual Report
二零一九年年報

TABLE OF CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shie Tak Chung *(Chairman and Chief Executive Officer)*
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

COMPANY SECRETARY

Mr. Wong Kin Tak *(ACCA, HKICPA)*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

Loeb & Loeb LLP
21/F CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square,
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, Fortress Tower
250 King's Road
Hong Kong

REGISTERED OFFICE

P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

STOCK CODE

Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the stock code 00865

CORPORATE WEBSITE

www.jiande-intl.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Jiande International Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

INDUSTRY REVIEW

Looking back to 2019, the Chinese central government reiterated that "houses are for living in, not for speculation", stressing the need for property developers to guard against the potential impact of financial risks and tightening the capital regulations. With the implementation of "one city, one strategy", regional governments continuously optimised their adjusting and controlling policies based on the local situations, promoting the balance between supply and demand and facilitating the long-term stable and healthy development of property market. Despite reaching record high annual sales amount, the overall growth rate of real estate industry in the People's Republic of China (the "PRC") slowed down during 2019. According to the National Bureau of Statistics, the PRC sales of commodity properties for 2019 amounted to RMB15,972.5 billion, representing a year-on-year increase of 6.5%, and the gross floor area of commodity properties sold amounted to 1,715.58 million square meters, generally the same as 2018.

BUSINESS PERFORMANCE AND PROSPECT

The Group continued to generate revenue by selling the completed properties in the Binjiang International project in Quanzhou, Fujian Province and The Cullinan Bay project in Yangzhou, Jiangsu Province. During the year ended 31 December 2019, the Group's business operation achieved revenue of RMB184,082,000, representing an increase of 15.1% as compared with that for the year ended 31 December 2018. Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2019 grew by 202.6% and reached RMB33,144,000. Basic earnings per share for the year ended 31 December 2019 were RMB0.57 cents, rising threefold compared to the previous year's.

In 2020, the Group will focus on the development of its two new residential property projects located in Xinyang, Henan Province and Wugang, Hunan Province respectively, in addition to ongoing construction of the remaining part of The Cullinan Bay project.

The coronavirus (the "COVID-19") outbreak since the beginning of 2020 in the PRC have affected the overall economy. Despite causing temporary closure of sales centres and suspension of site construction, the Group has performed strict control over its operation in response to the epidemic situation while steadily promoting the resumption of work and production. The management of the Company believes that the impact of the COVID-19 on the real estate industry is temporary but will closely monitor the development of the epidemic, making appropriate measures timely.

The management estimates that the situations are becoming more challenging in 2020. Tightened policies are not expected to be relaxed by the central government in the short term for the stabilisation of housing prices and the promotion of long-term stable and healthy development of real estate industry in the PRC.

The Group is dedicated to developing quality properties accompanied with a living community to customers, particularly in those cities in the PRC where the rigid demand for housing remain strong due to the continuous urbanization process. The Group will also aim at being customer-centred and innovating product functions to realise customers' pursuit for better lives.

As at 31 December 2019, the status of the Group's property development projects are as follows:

						Properties held for sale					
Location	Project Name	Address	Type	Site area ('000 sq.m)	Total gross floor area ('000 sq.m)	Properties for development ('000 sq.m)	Properties under development ('000 sq.m)	Properties completed ('000 sq.m)	Properties held for investment (Note e) ('000 sq.m)	Actual/ expected time of whole project completion	Percentage interest attributable to the Group
Quanzhou, Fujian Province	Binjiang International (濱江國際)	Southeast of Xibin Park (溪濱公園東南側), Luoyang Town, Huian County, Quanzhou	Residential (Note b)	83	346	0	0	329	17	2014	98.4%
Yangzhou, Jiangsu Province	The Cullinan Bay (天璽灣)	East of Linjiang Road and north of Dingxing Road (臨江路東側鼎興路北側), Yangzhou	Residential (Note c)	82	237	0	36	198	3	2021	100%
Xinyang, Henan Province	Kangqiaoxueyuan (Note a) (康橋學苑)	West of Shuyinggongda Road and north of Xirangda Road (叔穎公大道西側息壤大道北側), Xi County, Xinyang	Residential (Note c)	55	119 (Note d)	119 (Note d)	0	0	0	2022	80%
Total				220	702	119	36	527	20		

Notes:

(a) English name of this project is not official and for identification purpose only.

(b) Car parking spaces, retail stores and kindergarten are included as ancillary facilities of this residential property project.

(c) Car parking spaces and retail stores are included as ancillary facilities of this residential property project.

(d) Total gross floor area for this project is estimated by the Group and subject to the relevant authorities' approvals.

(e) Properties are situated on land held on long lease according to the term stated in the relevant state-owned land use rights certificates.

APPRECIATION

I wish to take this opportunity to express my gratitude for the support from the Group's business partners and customers over the years. Also, I would like to thank my fellow directors for their invaluable advice and guidance, and to each and every staff member for their hard work and unwavering commitment to the Group.

Shie Tak Chung
Chairman
31 March 2020

FINANCIAL REVIEW

Financial Performance

The Group's revenue for the year ended 31 December 2019 continued to be derived from the sale and delivery of properties in The Cullinan Bay and the Binjiang International projects to customers. Revenue rose 15.1% from RMB159,959,000 for the year ended 31 December 2018 to RMB184,082,000 for the year ended 31 December 2019, primarily attributable to the increase in delivery of the completed residential properties in The Cullinan Bay project during the year.

Along with the growth of revenue, gross profit of the Group increased by 21.8% from RMB48,164,000 for the year ended 31 December 2018 to RMB58,664,000 for the year ended 31 December 2019. Gross profit margin improved from 30.1% for the year ended 31 December 2018 to 31.9% for the year ended 31 December 2019, mainly due to the upward adjustment of average selling price of the properties in The Cullinan Bay project sold.

Selling expenses increased by 31.9% from RMB4,720,000 for the year ended 31 December 2018 to RMB6,226,000 for the year ended 31 December 2019, primarily attributable to the increase in agents' commission as a result of sales growth.

Administrative expenses increased by 1.4% from RMB15,909,000 for the year ended 31 December 2018 to RMB16,138,000 for the year ended 31 December 2019, mainly due to the additional costs incurred by the Group's operation in Xinyang, Henan Province for its new property development project subsequent to the acquisition of land use rights in July 2019.

Income tax expense, consisting of LAT, EIT and withholding PRC EIT in the PRC, decreased by 24.9% from RMB21,873,000 for the year ended 31 December 2018 to RMB16,425,000 for the year ended 31 December 2019, whereas effective income tax rate calculated based on income tax expense divided by profit before tax decreased from 66.1% for the year ended 31 December 2018 to 32.7% for the year ended 31 December 2019 as income tax expense for the year ended 31 December 2018 included the prior years' net under provision of RMB13,077,000 after the Group completed the settlement of LAT and EIT of its Binjiang International project with the relevant tax authority.

Profit attributable to owners of the Company for the year ended 31 December 2019 reached RMB33,144,000, representing a year-on-year increase of 202.6%, primarily due to the increase in revenue and gross profit from the Group's property development business and the decrease in income tax expense for the aforesaid reasons.

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of RMB1,283,692,000 which were financed by total equity of RMB676,534,000 and total liabilities of RMB607,158,000.

The Group's working capital requirements were mainly financed by internal resources. As at 31 December 2019 the Group had time deposits, short-term financial products and bank balances and cash of RMB278,011,000 (2018: RMB255,122,000) and no bank borrowings (2018: Nil).

Current ratio of the Group was 1.93 times as at 31 December 2019 (2018: 1.84 times).

Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and all the business transactions of the Group are denominated in RMB. Net foreign exchange gain for the year ended 31 December 2019 primarily resulted from the translation of the bank balance and cash denominated in currencies other than RMB into RMB. Currently, the Group does not use derivative financial instruments and has not entered into any derivative contracts. However, the management will monitor the currency fluctuation exposure and will consider hedging significant foreign exchange risk should the need arises.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 38 full-time employees, excluding the directors of the Company (the "Directors"), in the PRC. During the year ended 31 December 2019, the total staff costs, including Directors' remuneration, was RMB6,966,000 (2018: RMB7,163,000). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration and benefit package to its employees. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans.

DIVIDEND POLICY

The Company has adopted a dividend policy (the “Dividend Policy”), aiming to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Company shall take into account, inter alia, the following factors:

— the Group’s operating results, actual and expected financial performance;
— retained earnings and distributable reserves of the Company and each of the members of the Group;
— the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants;
— the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
— the Group’s liquidity position;
— general economic conditions, business cycle of the Group’s business and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and
— any other factors that the Company may deem appropriate and relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company. Any declaration and payment of future dividend under the Dividend Policy are subject to the board’s determination that the same would be in best interests of the Group and the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

The board (the "Board") of Directors of the Company herein present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of properties in the PRC. Details and principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2019.

BUSINESS REVIEW

The Company is a property developer in the PRC, focusing on the development of residential properties. Details of the Group's business review, prospect and financial performance and the principal risks and uncertainties facing the Company are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" and the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 40 to 116 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements. The Group has not adopted any share option scheme.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 43 of this annual report and in note 40 to the consolidated financial statements, respectively.

As at 31 December 2019, the distributable reserves of the Company as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to RMB497,155,000.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of its significant assets and offers equal employment opportunities to safeguard its staff against discriminations arising from age, race, ethnicity, gender and religion, while striving to develop a fair, respectful, diversified, cooperative and friendly corporate culture and working environment. With a view to enhancing the satisfactory level of the staff, the Group provides the staff with competitive remuneration packages and comprehensive training programmes, so as to encourage the staff to reach their full potential and contribute their talents.

The Group is committed to providing high-quality products and services to its customers. Through on-site visits and major customers satisfaction surveys, the Group reaches out for its existing and prospective customers to understand their needs and collect their feedback for identifying areas of improvement and advancing the Group to achieve excellence.

The Group values mutually beneficial long-term relationships with its suppliers. Their steady supply of products and provision of services in high quality are crucial for the Group. The Group is committed to developing stable and sustainable partnership among its suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 4.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately 0.8%. Purchases from the Group's five largest suppliers accounted for approximately 71.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 36.9%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

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

Save as disclosed in this annual report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

CHARGE ON ASSETS

As at 31 December 2019, the Group had no charge on its assets.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 117 to 118 of this annual report. This summary does not form part of the audited financial statements included in this annual report.

DIRECTORS

The Directors, comprising executive directors (the "Executive Directors") and independent non-executive directors (the "Independent Non-executive Directors"), during the year and up to the date of this report of the directors were as follows:

Executive Directors

Mr. Shie Tak Chung *(Chairman and Chief Executive Officer)*
Mr. Tsoi Kin Sze *(Chief Executive Officer) (Resigned on 22 November 2019)*
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

In accordance with clause 108 of the Company's articles of association (the "Articles"), Messrs. Wu Zhisong, and Ma Sai Yam will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 31 to 33 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

The remuneration of the Directors is principally determined with reference to the balance of skill and experience appropriate to the Group's business.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2019, so far as is known to the Directors, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Shie Tak Chung	Interest of a controlled corporation	1,517,896,394 (Note)	26.00%

Note: Fame Build Holdings Limited ("Fame Build"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2019 and up to the date of this report of directors, Fame Build was solely and beneficially owned by Mr. Shie Tak Chung.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

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

As at 31 December 2019, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Fame Build	Beneficial owner	1,517,896,394	26.00%
Talent Connect Investments Limited (Note)	Beneficial owner	1,780,596,394	30.50%
Tsoi Kin Sze (Note)	Interest of a controlled corporation	1,780,596,394	30.50%

Save as disclosed above, as at 31 December 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note: Talent Connect Investments Limited ("Talent Connect"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2018 and up to the date of this report of directors, Talent Connect was solely and beneficially owned by Mr. Tsoi Kin Sze.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received the confirmations signed by Mr. Tsoi Kin Sze and Talent Connect (collectively, the "Current Controlling Shareholders") and Mr. Shie Tak Chung and Fame Build (collectively, the "Former Controlling Shareholders") on 25 March 2020 (collectively, the "Confirmations") confirming that (i) in respect of the Current Controlling Shareholders, for the year ended 31 December 2019 and up to the date of signing of the Confirmations by the Current Controlling Shareholders, and (ii) in respect of the Former Controlling Shareholders, for the period from 1 January 2019 to the day the Former Controlling Shareholders cease to be controlling shareholders of the Company, each of them has fully complied with the deed of non-competitions respectively executed by the Current Controlling Shareholders and the Former Controlling Shareholders in favour of the Group on 26 February 2016 (the "Deed of Non-Competition") and, in particular, each of them and their respective associates have not, directly or indirectly, own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (being the property development of residential and commercial properties) from time to time in the PRC.

The Independent Non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition have been complied with during the year ended 31 December 2019.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, there were no connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the related party transactions as disclosed in note 38 to the consolidated financial statements constitutes a connected transaction under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

To demonstrate the commitment of maintaining sustainable development and to comply with the relevant laws and regulations in respect of environmental protection, the Group endeavors to minimise the impacts of its operating activities on the environment.

The Group has taken into consideration the environmental factors in the course of planning and development for its property projects, such as promoting planting and landscaping during project design to optimise the green ecosystem and adopting a series of emission reduction, water pollution prevention and resources saving measures on the construction sites. The Group also procures and selects environment-friendly materials for both outdoor and indoor construction, so as to provide residents with a comfortable living environment and conserve natural resources upon the completion of the project. In addition, engaging construction contractors with sound environmental protection and safety track records, the Group has closely monitored its projects at every stage to ensure the construction process is in compliance with environmental protection and safety laws and regulations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. To the best knowledge of the Directors, the Group has complied in material respects with all the relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 30 of this annual report.

EVENT AFTER THE REPORTING DATE

Significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report of directors are set out in note 41 to the consolidated financial statements.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as auditors of the Company.

On behalf of the Board
Shie Tak Chung
Chairman

31 March 2020

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance best suited to the needs and interests of the Group in order to achieve sustainable development and enhance corporate performance. The Board recognizes that effective corporate governance practices of the Company with emphasis on integrity, sound internal control and high level of accountability and transparency are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

To the best knowledge of the Directors, the Company has complied with the code provisions as set out in Appendix 14 of the Listing Rules — Corporate Governance Code and Corporate Governance Report (the "CG Code") during the year ended 31 December 2019, except the deviation from code provision A.2.1 as stated in the paragraph headed "Chairman and CEO" in this corporate governance report.

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles.

Board Composition

The Board currently comprises a total of six Directors, being three Executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Stock Exchange and the Company respectively. The list specifies whether the Director is an Independent Non-executive Director and expresses the respective roles and functions of each Director.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the direction and oversight of the Group's strategic priorities. The Directors give sufficient time and attention to the affairs of the Group. All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Board Diversity Policy

The Company recognises and embraces the benefits of a diversity of Board members and has adopted a policy of the Board diversity (the "Board Diversity Policy"). The Board Diversity Policy endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments shall continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be made according to the merits of candidates and their contribution to the Board.

Independent Element on the Board

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement. Save for those as disclosed in the section headed "Directors' Biographies" of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Independent Non-executive Directors play an important role on the Board. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise.

The Board has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent. The Company identifies the Independent Non-executive Directors in all corporate communications which disclose the names of directors.

Role and Function of the Board and the Management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee and the Compliance Committee. Further details of these Board committees are set out in this report.

Chairman and CEO

With respect to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the resignation of the former chief executive officer of the Company ("CEO"), Mr. Shie Tak Chung held the offices of both chairman of the Board (the "Chairman") and CEO since 22 November 2019.

The Board believes that with support of the management, vesting the roles of both the Chairman and CEO in Mr. Shie Tak Chung could facilitate the execution of the Group's business strategies and boost effectiveness of its operation, and under the supervision of the Board (comprised of three executive Directors and three independent non-executive Directors), the present structure would not impair the balance of power and authority between the Board and the management and could protect the interests of the Company and its shareholders as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation.

Records of Meetings of the Board and the Board Committees

The board shall meet regularly and at least four times a year at approximately quarterly intervals under code provision A.1.1 of the CG Code, the chairman should at least annually, hold meetings with the non-executive directors (including Independent Non-executive Directors) without the Executive Directors present under the code provision A.2.7 of the CG Code, and the audit committee must meet, at least twice a year, with the issuer's auditors under code provision C.3.3(e)(i) of the CG Code.

During the year ended 31 December 2019, the Board met four times, the Chairman held a meeting with all the Non-executive Directors without the presence of other Executive Directors, and the Audit Committee met four times with the Company's auditors. Attendance of individual Directors at the meetings of the Board and the Board committees for the year ended 31 December 2019 is as follows:

	Number of meetings attended/eligible to attend				
	Board	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Compliance Committee**
Executive Directors					
Shie Tak Chung	4/4	1/1	1/1	0/0	0/0
Tsoi Kin Sze (Resigned on 22 November 2019)	3/3	0/0	0/0	0/0	0/0
Wu Zhisong	4/4	0/0	0/0	0/0	0/0
Lee Lit Mo Johnny	4/4	0/0	0/0	0/0	2/2
Independent Non-executive Directors					
Ma Sai Yam	4/4	1/1	1/1	4/4	2/2
Zhang Senquan	4/4	1/1	1/1	4/4	2/2
Yang Quan	4/4	0/0	0/0	4/4	0/0

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings. Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, the Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all meetings of the Board and the Board committees are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

Appointment and Re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to article 112 of the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. According to article 108 of the Articles, at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

All Directors have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code.

Employees who are likely to possess inside information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

Insurance for Directors' and Officers' Liabilities

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Directors' Training and Professional Development

The Directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities. Every newly appointed Director will be given an introduction of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2019:

	Read materials	**Attend seminars/ briefing**
Executive Directors		
Shie Tak Chung	✓	✓
Tsoi Kin Sze (Resigned on 22 November 2019)	✓	✓
Wu Zhisong	✓	✓
Lee Lit Mo Johnny	✓	✓
Independent Non-executive Directors		
Ma Sai Yam	✓	✓
Zhang Senquan	✓	✓
Yang Quan	✓	✓

Changes in Information of Directors and Chief Executive

There have been no changes in the information of Directors and chief executive of the Company since the publication of the 2019 interim report up to the date of this annual report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, save and except that:

Mr. Shie Tak Chung's appointment in Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會) has been re-designated from council member (理事) to executive vice president (常務副會長), and he ceased to serve as council member on China Overseas Friendship Association (中華海外聯誼會理事). He was appointed as the CEO of the Company with effect from 22 November 2019.

Mr. Tsoi Kin Sze resigned as the Executive Director and CEO of the Company with effect from 22 November 2019.

Mr. Ma Sai Sam has been appointed by Artini Holdings Limited (雅天妮集團有限公司), the shares of which are listed on the Stock Exchange (stock code: 789), as an independent non-executive director.

Mr. Zhang Senquan resigned from the position of managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812), and has served as the company secretary of Pengrun Holding Limited (鵬潤控股有限公司) and the company secretary of Kunda Mining Holdings Company Limited (坤達礦業控股有限公司). He has also been appointed as an independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1906); an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司); and an independent non-executive director of Sang Hing Holdings (International) Ltd., the shares of which are listed on the Stock Exchange (stock code: 1472).

The biographical details of Directors are set out in the section headed "Directors' Biographies" of this annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditors of the Company, Deloitte, regarding their reporting responsibilities on the financial statements of the Group for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" of this annual report.

The Directors, having made appropriate reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out in the audited financial statements on pages 40 to 116 of this annual report on a going concern basis. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed "Management Discussion and Analysis" of this annual report.

Access to Information

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Risk Management and Internal Control

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit and the Audit Committee.

Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish internal audit department, the Board conducted annual review of the Company's risk management and internal control systems through engaging ZHONGHUI ANDA Risk Services Limited (the "IC Advisor") to perform review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group for the year ended 31 December 2019 and reported to the Board. The Board considers that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed; and the risk management and internal control systems of the Group are effective and adequate.

The Group's risk management and internal control systems aim to provide reasonable assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance against any material misstatement or losses.

During the year ended 31 December 2019, the Board has adopted the Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Auditors' Remuneration

For the year ended 31 December 2019, the remuneration paid/payable for services provided by the auditors of the Company, Deloitte, is as follows:

	RMB'000
Services rendered	
Statutory audit services	1,320
Non-audit services	679

BOARD COMMITTEES

Composition of the Board Committees

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

During the year ended 31 December 2019, the Board had four Board committees, namely the Nomination Committee, Remuneration Committee, Audit Committee and Compliance Committee.

The table below provides membership information of these committees on which the relevant Board members serve:

	Nomination Committee	**Remuneration Committee**	**Audit Committee**	**Compliance Committee**
Executive Directors				
Shie Tak Chung	Chairman	Member		
Tsoi Kin Sze (Resigned on 22 November 2019)				
Wu Zhisong				
Lee Lit Mo Johnny				Member
Independent Non-executive Directors				
Ma Sai Yam	Member	Chairman	Member	Chairman
Zhang Senquan	Member	Member	Chairman	Member
Yang Quan			Member	

The terms of reference of each of the Board committees which deal clearly with its authorities and duties are made available on the websites of the Stock Exchange and the Company respectively.

Nomination Committee

The principal duties of the Nomination Committee include, amongst other things:

— reviewing the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships when a vacancy occurs on the Board;

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

— reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives; and

— assessing the independence of Independent Non-executive Directors.

For the year ended 31 December 2019, the Nomination Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

There was no nomination of new Director during the year ended 31 December 2019.

The summary of the work of the Nomination Committee for the year ended 31 December 2019 is as below:

— made recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company;

— assessed the independence of Independent Non-executive Directors; and

— reviewed the structure, size and composition of the Board.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

Remuneration Committee

The principal duties of the Remuneration Committee include, amongst other things:

— making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and the remuneration of non-executive Directors;

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

— reviewing and making recommendations on the roles and responsibilities, training and professional development of the senior management team.

For the year ended 31 December 2019, the Remuneration Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Remuneration Committee for the year ended 31 December 2019 is as below:

— reviewed the existing policy and structure of the remuneration of the executive Directors;

— reviewed the existing remuneration package of the independent non-executive Directors; and

— reviewed the existing policy and structure of the remuneration of management of the Group.

The Remuneration Committee may consult the Chairman and/or the CEO of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Details of the remuneration paid to the Directors and senior management are set out in notes 12 and 38 to the consolidated financial statements. The remunerations of each of the five highest paid individuals who are also the senior management members of the Group during the years ended 31 December 2019 are within HK$1,000,000. Four of the five highest paid employees For the year ended 31 December 2019 are Directors of the Company.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

Audit Committee

The principal duties of the Audit Committee include, amongst other things:

— overseeing the relationship with the Company's auditor;

— reviewing the Company's interim and annual reports and financial statements;

— overseeing the Company's financial reporting system, risk management and internal control systems; and

— reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

For the year ended 31 December 2019, the Audit Committee held four (4) meetings. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Audit Committee for the year ended 31 December 2019 is as below:

— reviewed the annual results announcement and annual report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the financial year ended 31 December 2018 before submission to the Board for approval and publication;

— reviewed the interim results announcement and interim report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the six months ended 30 June 2019 before submission to the Board for approval and publication;

— met with the auditors to discuss the accounting and audit or review issues of the Group and reviewed their findings, recommendations and independency;

— reviewed the Group's risk management and internal control systems based on the reports submitted by the IC Advisor; and

— reviewed the compliance with the non-competition undertaking by the Covenantors under the deed of non-competitions, of which the details on the compliance and enforcement of the undertaking are set out in the Report of Directors on pages 9 to 15 of this annual report.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

Chaired by Mr. Zhang Senquan who possesses the appropriate professional accounting qualifications and financial management expertise, the Audit Committee comprises all Independent Non-executive Directors. None of the members of the Audit Committee are former partners of the existing auditors of the Company.

There was no disagreement between the Audit Committee and the Directors in respect of matters about selection, appointment, resignation or dismissal of an external auditor during the year ended 31 December 2019.

The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2019, including the accounting principles and practices adopted.

Compliance Committee

The principal duties of the Compliance Committee include, amongst other things:

— reviewing and making recommendations to the Board in respect of policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any of the constitutional documents, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes;

— ensuring that appropriate monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies;

— monitoring the implementation of the Group's plan to maintain high standards of compliance with its own risk management standards; and

— taking remedial actions against any material deficiencies on legal and compliance aspects of the Company and keep the Board abreast of any such actions and/or developments.

For the year ended 31 December 2019, the Compliance Committee held two (2) meetings. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Compliance Committee for the year ended 31 December 2019 is as below:

— reviewed the compliance with the applicable legal and regulatory requirements and the CG Code by the Group; and

— made recommendations to the Board for the reinforcement on the corporate governance practices.

The Compliance Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Compliance Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Compliance Committee.

Pursuant to a board resolution dated 31 March 2020, the Compliance Committee has been abolished with effective from 31 March 2020. The Board is satisfied that effective compliance policies and procedures has been followed by the Company in all material respects since the establishment of the Compliance Committee on 20 October 2016 and believes that taking over the functions of the Compliance Committee by the Board and other existing Board committees shall improve the Board efficiency.

COMPANY SECRETARY

The position of the Company Secretary is held by Mr. Wong Kin Tak, who is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. During the year ended 31 December 2019, Mr. Wong has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this annual report, sufficient shares of the Company were on public float as required by the Listing Rules.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders through the publication of notices, announcements, circulars, interim and annual reports. Shareholders may access the Company's website at www.jiande-intl.com for the Group's information. Shareholders may also put to the Board any enquiries about the Group in writing by sending emails to ir@jiande-itl.com or mail to the principal office of the Company at Room 1910, Fortress Tower, 250 King's Road, Hong Kong. The Directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders in a timely manner.

The general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors shall make an effort to attend the general meeting to address queries raised by shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

During the year ended 31 December 2019, all Directors attended the AGM held on 6 June 2019 in Hong Kong.

For the year ended 31 December 2019, there was no significant change in the Company's constitutional documents.

DIRECTORS' BIOGRAPHIES

Mr. Shie Tak Chung, aged 63, appointed as an executive director and the Chairman of the Company on 25 October 2016 and taking on the additional role of Chief Executive Office of the Company since 22 November 2019, is mainly responsible for the overall corporate development, strategic planning and overall operation management of the Group. Mr. Shie has over 20 years of management experience in the real estate industry in the PRC. Mr. Shie obtained a bachelor's degree majoring in International Economics and Trade from Xiamen University in January 2014. Mr. Shie holds a lot of important social positions, including committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會委員), executive vice president of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會常務副會長), vice president of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席), consultant of Fujian Chamber of Commerce (旅港福建商會顧問), deputy chairman of the Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會副主席), honorary president (life) of Shishi City Residents' Association (石獅市旅港同鄉公會永遠榮譽會長), honorary president (life) of the General Association of Xiamen (H.K.) Limited (香港廈門聯誼總會永遠名譽會長), executive council member of Fujian Overseas Friendship Association (福建海外聯誼會常務理事), executive committee member of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會常務委員) and executive deputy chairman of Share-Happiness Benevolent Fund Limited (香港樂群慈善基金會有限公司常務副主席). He is the brother-in-law of Mr. Lee Lit Mo Johnny.

Mr. Wu Zhisong, aged 51, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the financial management and supervision of the Group. Mr. Wu has been the financial controller of Fujian Jiande Group Company Limited (福建建德集團有限公司) since December 2011 and was the financial controller of Shishi Jiande Property Development Company Limited (石獅市建德房地產有限公司) from August 2006 to December 2011. Prior to joining Shishi Jiande Property Development Company Limited, Mr. Wu worked as a civil servant at the National Tax Bureau of Quanzhou (泉州市國家税務局). Mr. Wu holds important social positions, including representative of the Quangzhou Municipal People's Congress (泉州市人民代表大會代表) and executive committee member of Shishi Federation of Industry & Commerce (石獅市工商聯常委). Mr. Wu obtained a bachelor's degree majoring in applied chemistry from Huaqiao University (華僑大學) in July 1990. Mr. Wu has become a qualified intermediate accountant of the PRC since December 1999 and has become a qualified senior economist of the PRC since February 2015.

Mr. Lee Lit Mo Johnny, aged 48, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the strategic development of the Group. Mr. Lee has more than 20 years of experience in financial industry. Mr. Lee was an executive director of Juda International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1329), from August 2010 to December 2013. He was an associate director of direct investment division of CCB International Asset Management Limited from March 2006 to August 2008. From April 2001 to March 2006, Mr. Lee worked in Core Pacific-Yamaichi Capital Limited and was responsible for corporate finance transactions and handling initial public offering projects and resigned as a senior manager in March 2006. From September 1996 to April 2001, he worked initially as investment analyst and later as assistant fund manager at SIIC Asset Management Company Limited (formerly known as Seapower Asset Management Company Limited). Mr. Lee graduated from McGill University in Montreal, Canada with a bachelor's degree in Commerce majoring in Finance and Management Information Systems in June 1995. He is the brother-in-law of Mr. Shie Tak Chung.

Mr. Ma Sai Yam, aged 56, appointed as an independent non-executive director of the Company on 25 October 2016, is a practicing solicitor in Hong Kong and has accumulated over 20 years of experience in the legal field. He was admitted to practice law as a solicitor in Hong Kong in September 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma has been a partner and a practicing solicitor of Ma Tang & Co., since March 2002. Prior to his current position, he had served as a consultant and a practicing solicitor of Tang, Lai & Leung from June 2000 to March 2002. Since May 2015, Mr. Ma has been an independent non-executive director of Golden Power Group Holdings Limited, the shares of which are listed on the Main Board (stock code: 3919) and transferred from GEM of the Stock Exchange (stock code: 8038) on 10 November 2017. Since February 2020, he has been an independent non-executive director of Artini Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 789). Mr. Ma graduated from the University of London in the United Kingdom as an external student in August 1991 with a Bachelor's science degree in Economics. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 1995 and a Master degree in laws from Renmin University of China in the PRC in January 2012.

Mr. Zhang Senquan, formerly known as Zhang Min, aged 43, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited (中瑞資本(香港)有限公司), a consultancy company, and also served as the company secretary of Pengrun Holding Limited (鵬潤控股有限公司) since February 2020 and the company secretary of Kunda Mining Holdings Company Limited (坤達礦業控股有限公司) since March 2020. Mr. Zhang currently is an independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 6188); an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1837); an independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1906); an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司); and an independent non-executive director of Sang Hing Holdings (International) Ltd., the shares of which are listed on the Stock Exchange (stock code: 1472). He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Zhang used to be the independent director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH), from December 2014 to March 2017, and the independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018. Mr. Zhang was the managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812) from February 2016 to March 2020. He was the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (stock code: 6830) from May 2014 to July 2015. He served as head of the Strategic Development Department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree in economics from Fudan University in 1999.

Mr. Yang Quan, aged 49, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Yang became an assistant professor of the School of Economics of Xiamen University in July 2006, an associate professor in August 2009 and a professor in August 2014. He was a visiting scholar of Cornell University in the United States of America from January 2011 to January 2012 and Durham University Business School in the United Kingdom from October 2017 to October 2018. Mr. Yang graduated from East China Institute of Chemical Technology (currently known as "East China University of Science and Technology") with a bachelor's degree in environmental supervision from the environmental engineering faculty in July 1991. He obtained a Master's degree in commercial economics in July 1997 and a doctor's degree in global economic in June 2006 from Xiamen University.

Deloitte. 德勤

TO THE SHAREHOLDERS OF JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiande International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 116, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties, as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant estimates required in determining the fair values. As at 31 December 2019, the Group's investment properties, comprised a kindergarten property, car parking spaces located in Quanzhou, Fujian Province, the People's Republic of China (the "PRC"), a retail store property and car parking spaces located in Yangzhou, Jiangsu Province, the PRC, were stated at fair value amounted to Renminbi ("RMB") 120,342,000, and the fair value change of investment properties for the year then ended amounted to RMB4,991,000. As set out in notes 3, 4 and 18 to the consolidated financial statements, all of the Group's investment properties, were measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). In estimating the fair values of the Group's investment properties, the directors of the Company worked with the Valuers to establish the appropriate valuation techniques and inputs to the model. The valuation of civil defense car parking spaces in Quanzhou, non-civil defense car parking spaces in Yangzhou, retail store property and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces in Quanzhou was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. The key inputs in evaluating the investment properties are term yield, reversionary yield and monthly market rent of civil defense car parking space in Quanzhou, car parking space in Yangzhou, retail store property and kindergarten property, and recent market transaction prices per car parking space of comparable properties for non-civil car parking space in Quanzhou.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuers' valuation approach to assess if they were consistent with the industry norms; • Obtaining an understanding from the management and Valuers about the key inputs to the valuation; • Evaluating the reasonableness of the key inputs underpinning the valuation, such as term yield, reversionary yield and monthly market rent of comparable properties of civil defense car parking space in Quanzhou, car parking space in Yangzhou, kindergarten property, retail store property and recent market transaction prices per car parking space in Quanzhou of comparable properties, by comparing these key inputs to other comparable in similar locations, recent lease renewals and transaction prices of comparable properties; and • Comparing other inputs in the investment approach and the direct comparison approach, on a sample basis, with the Group's records including underlying leases of the kindergarten property, retail store and the car parking spaces and recent sales agreements of car parking spaces.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of properties held for sale	
We identified the valuation of properties held for sale as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant management estimates are involved in determining the net realisable value ("NRV") of properties held for sale. As at 31 December 2019, the Group had properties held for sale at a carrying amount of RMB739,715,000, which included completed properties of RMB512,774,000, properties under development of RMB92,642,000 and properties for development of RMB134,299,000, which located in Fujian Province, Jiangsu Province and Henan Province in the PRC, as disclosed in note 19 to the consolidated financial statements. These properties held for sale were stated at the lower of cost and NRV on an individual property basis. As disclosed in note 4 to the consolidated financial statements, NRV was estimated at the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations. An allowance is made if the estimated NRV is less than the carrying amount.	Our procedures in relation to the valuation of properties held for sale included: • Obtaining an understanding of the control over the preparation and monitoring of the management budgets of construction and other costs for key property development project; • Evaluating the appropriateness of the estimated selling prices, on a sample basis, by comparing it with recent sales transactions for similar properties in similar locations to assess the lower of cost or NRV; and • Evaluating the reasonableness of the estimated construction cost to actual construction cost incurred by completed properties of the Group and the latest market data, on a sample basis.

OTHER INFORMATION

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue			
Sales of properties	5	184,082	159,959
Cost of sales		(125,418)	(111,795)
Gross profit		58,664	48,164
Other income	6	9,205	4,862
Other gains and losses	7	36	(44)
Impairment losses under expected credit loss model, net of reversal	8	(655)	–
Fair value change of investment properties	18	4,991	751
Fair value change upon transfer from properties held for sale to investment properties		295	–
Selling expenses		(6,226)	(4,720)
Administrative expenses		(16,138)	(15,909)
Finance costs	9	(8)	–
Profit before tax		50,164	33,104
Income tax expense	10	(16,425)	(21,873)
Profit and total comprehensive income for the year	11	33,739	11,231
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		33,144	10,954
Non-controlling interests		595	277
		33,739	11,231
		RMB	RMB
Earnings per share	15		
— Basic		0.57 cents	0.19 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	17	**1,076**	411
Investment properties	18	**120,342**	109,580
Right-of-use assets	22	**1,181**	–
Deferred tax assets	29	**10,967**	11,312
Time deposits	23	**20,000**	60,000
		153,566	181,303
CURRENT ASSETS			
Properties for/under development/properties for sale	19	**739,715**	690,043
Trade and other receivables	20	**55,952**	59,363
Contract costs	21	**3,275**	2,712
Prepaid land appreciation tax		**26,164**	21,337
Restricted bank deposits	23	**46,089**	75,841
Short-term financial products	23	**105,000**	60,000
Bank balances and cash	23	**153,011**	135,122
		1,129,206	1,044,418
Assets classified as held for sale	24	**920**	521
		1,130,126	1,044,939
CURRENT LIABILITIES			
Trade payables	25	**7,023**	16,478
Other payables and accruals	26	**59,157**	84,393
Pre-sales proceeds received on sales of investment properties	24	**533**	535
Contract liabilities	27	**474,287**	447,677
Amount due to a related party	30	**–**	2,283
Amount due to a non-controlling interests of a subsidiary	30	**25,080**	–
Income tax and land appreciation tax payable		**19,632**	16,488
Lease liabilities	28	**356**	–
		586,068	567,854
NET CURRENT ASSETS		**544,058**	477,085
TOTAL ASSETS LESS CURRENT LIABILITIES		**697,624**	658,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	**20,717**	19,400
Lease liabilities	28	**373**	–
		21,090	19,400
NET ASSETS		**676,534**	638,988
CAPITAL AND RESERVES			
Share capital	31	**25,451**	25,451
Reserves		**636,630**	603,486
Equity attributable to owners of the Company		**662,081**	628,937
Non-controlling interests		**14,453**	10,051
TOTAL EQUITY		**676,534**	638,988

The consolidated financial statements on pages 40 to 116 were approved and authorised for issue by the board of directors on 31 March 2020 and are signed on its behalf by:

Mr. Shie Tak Chung,
DIRECTOR

Mr. Wu Zhisong,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Issue equity										
	Share capital RMB'000	Other reserve RMB'000 (Note c)	Share premium RMB'000	Shareholders' contribution RMB'000 (Note a)	Other non-distributable reserve RMB'000 (Note b)	Other reserve RMB'000 (Note d)	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	25,451	524,285	193,733	59,139	10,738	(5,801)	187,822	(377,384)	617,983	9,774	627,757
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	10,954	10,954	277	11,231
Transfer to non-distributable reserve	–	–	–	–	198	–	–	(198)	–	–	–
At 31 December 2018	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(366,628)	628,937	10,051	638,988
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	33,144	33,144	595	33,739
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(193)	(193)
Non-controlling interests arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	4,000	4,000
At 31 December 2019	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(333,484)	662,081	14,453	676,534

Notes:

(a) Immediately before the resumption of trading the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 October 2016, the amounts advanced from Mr. Shie Tak Chung and Mr. Tsoi Kin Sze to the Group in prior years amounting to RMB59,139,000 were waived and such waived amounts were recognised as shareholders' contribution.

(b) Other non-distributable reserve principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China ("PRC"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant subsidiary.

(c) The amount included in other reserve represents the deemed listing expenses incurred upon the reverse asset acquisition of the Company by China General (HK) Company Limited ("China General") completed on 25 October 2016 which was measured at the fair value of the equity consideration deemed to be issued to the former shareholders of the Company amounted to Hong Kong Dollar ("HK$" or "HKD") 621,746,000 (equivalent to RMB542,101,000), less the amount of 4,086,592,788 consideration share issued at HK$0.005 per share amounted to HK$20,433,000 (equivalent to RMB17,816,000).

(d) Fujian Province Houde Enterprise Management Company Limited ("Houde Enterprise") acquired from 福建建弘投資有限公司 ("Jianhong Investment") the entire paid-up capital of Hengde (Shishi) Investment Company Limited ("Hengde (Shishi)") at a consideration of RMB10,000,000 in cash and the transaction was completed on 9 October 2014. Upon completion of acquisition, Hengde (Shishi) became a wholly-owned subsidiary of Houde Enterprise. The consideration is accounted for as a deemed distribution to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, who held 55% and 45% of the issued share capital of China General and each of them also held 50% beneficial interest in Jianhong Investment, and the dilution in Group's ownership interest in Yangzhou Dehui Real Estate Development Company Limited and its subsidiary amounting to RMB5,801,000 is charged to equity attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**50,164**	33,104
Adjustments for:		
Bank interest income	**(8,346)**	(4,017)
Depreciation of plant and equipment	**88**	110
Depreciation of right-of-use assets	**97**	–
Fair value change of investment properties	**(4,991)**	(751)
Fair value change upon transfer from properties held for sale to investment properties	**(295)**	–
Finance costs	**8**	–
Impairment losses under expected credit loss model, net of reversal		
— trade receivables	**(14)**	–
— other receivables	**669**	–
Net unrealised foreign exchange losses	**2**	61
Operating cash flows before movements in working capital	**37,382**	28,507
Increase in properties for/under development/properties for sale	**(43,187)**	(12,690)
Decrease (increase) in trade and other receivables	**3,723**	(32,900)
Increase in contract costs	**(563)**	(1,817)
(Decrease) increase in trade payables	**(9,455)**	13,174
Decrease in other payables and accruals	**(25,253)**	(23,391)
Increase in contract liabilities	**11,740**	203,543
Cash (used in) generated from operations	**(25,613)**	174,426
PRC income tax and PRC land appreciation tax paid	**(16,446)**	(55,011)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(42,059)**	119,415
INVESTING ACTIVITIES		
Placement of time deposits	**(60,000)**	(30,000)
Withdrawal of time deposits	**100,000**	40,000
Placement of short-term financial products	**(840,000)**	(250,000)
Withdrawal in short-term financial products	**795,000**	190,000
Purchase of plant and equipment	**(753)**	(19)
Placement of restricted bank deposits	**(1,641)**	(87,608)
Withdrawal in restricted bank deposits	**31,393**	50,115
Proceeds from sales of investment properties	**1,023**	15,533
Deposits received on sales of investment properties	**533**	535
Interest received from short-term financial products	**506**	–
Interest received from bank deposits	**7,840**	4,017
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**33,901**	(67,427)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Advance from a non-controlling interests of a subsidiary	25,080	–
Advance from a related party	–	2,283
Repayment to a related party	(2,283)	–
Repayment of lease liabilities	(557)	–
Proceeds from a non-controlling interests of a subsidiary	4,000	–
Dividends paid to non-controlling interests	(193)	–
NET CASH FROM FINANCING ACTIVITIES	26,047	2,283
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,889	54,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	135,122	80,851
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash	153,011	135,122

1. GENERAL

Jiande International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange. Fame Build Holdings Limited and Talent Connect Investments Limited, companies incorporated in the British Virgin Islands with limited liabilities which are wholly owned by Mr. Shie Tak Chung ("Mr. Shie") and Mr. Tsoi Kin Sze ("Mr. Tsoi"), respectively were collectively the immediate and ultimate holding companies of the Company pursuant to a deed of confirmation dated 23 October 2014 executed by Mr. Shie and Mr. Tsoi whereby they confirmed the existence of their acting in current arrangement, which resulted in Mr. Shie, Mr. Tsoi, Fame Build Holdings Limited and Talent Connect Investments Limited collectively becoming the controlling shareholders of the Company. The addresses of the registered office and principal place of business of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Room 1910, Fortress Tower, 250 King's Road, Hong Kong, respectively. The principal activities of the Company is investment holding and its subsidiaries (collectively referred as the "Group") are principally engaged in property development in the PRC.

The consolidated financial statements are presented in RMB, which is same as functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

Based on the assessment by the Group, the accumulated amount of lease liabilities and right-of-use assets to be recognised under HKFRS 16 is immaterial to the Group and therefore no additional lease liabilities and right-of-use assets are recognised as at 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases (Continued)

As a lessor (Continued)

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The discounting effect at transition has had no material impact on the consolidated financial statements of the Group for the current year.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards,* will be effective for annual periods beginning on or after 1 January 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange and by the Hong Kong Companies Ordinance ("Company Ordinance").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that an initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. The management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except or financial assets within the scope of HKFRS 9, investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

For sale of properties, revenue is recognised at a point in time when control of completed property is transferred to the customer and the Group has present right to payment and the collection of the consideration is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contract, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

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.

The Group recognises such costs (sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates 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.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand alone price for the increase in scope and any appropriate adjustments to that stand alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessee (prior to 1 January 2019) (Continued)

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised 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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group’s intended sale.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating lease.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

Contraction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the property is derecognised.

Impairment of plant and equipment, right-of-use-assets and contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use-assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment and right-of-use-assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of plant and equipment, right-of-use-assets and contract costs (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties for/under development/properties for sale

Properties for/under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties for/under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties for/under development for sale are transferred to properties for sale upon completion.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group’s ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, time deposits, restricted bank deposits, short-term financial products, bank balances and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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 at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables amount due to a non-controlling interests of a subsidiary and amount due to a related party are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer 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 terms of a debt instrument.

Financial guarantee contracts liabilities are measured initially at their fair values. They are subsequently measured at the higher of:

(i) the amount of loss allowance in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, 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 on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future years.

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

Estimation of fair value of investment properties

The valuations of investment properties were determined based on the investment approach or direct comparison approach. The valuation of civil defense car parking spaces in Quanzhou, non-civil defense car parking spaces in Yanzhou, retail store property and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces in Quanzhou was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

The carrying amount of investment properties at 31 December 2019 was RMB120,342,000 (2018: RMB109,580,000). Notwithstanding that the management employs independent professional qualified valuers to perform fair value assessments based on these assumptions, the fair values of these investment properties may be higher or lower depending on the future market conditions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated net realisable value on properties for/under development/properties for sale

In determining whether allowances should be made to the Group's properties for/under development/ properties for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations). An allowance is made if the estimated net realisable value is less than the carrying amount. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties for/under development in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2019, the carrying amount of the properties for/ under development/properties for sale was approximately RMB739,715,000 (2018: RMB690,043,000).

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimates is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates and the amount of the land appreciation was determined by subtracting the related deductible amounts, including the property development expenditures which require accounting estimation of the total budget of the property development project, from the sales revenue. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the years in which such tax is finalised with local tax authorities. As at 31 December 2019, the carrying amount of the land appreciation tax payable was approximately RMB1,296,000 (2018: RMB657,000).

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the Group in the normal course of business to customers.

(i) Disaggregation of revenue from contracts with customers

	2019 **RMB'000**	2018 RMB'000
Sales of properties		
Residential units in the Binjiang International Project*	**9,609**	15,643
Residential units in The Cullinan Bay Project**	**174,473**	144,316
	184,082	159,959

* The project represents completed properties located in Quanzhou, Fujian Province.

** The project represents properties under development and completed properties located in Yangzhou City, Jiangsu Province.

(ii) Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point of time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract these costs would otherwise have been fully amortised to profit and loss within one year.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	2019 RMB'000	2018 RMB'000
Sales of properties		
Within one year	305,387	333,143
More than one year but not more than two years	200,625	165,148
	506,012	498,291

Segment information

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each property development project constitutes an operating segment and the Group currently operated two property development projects called the Binjiang International Project and The Cullinan Bay Project. Approximately 95% (2018: 90%) of revenue for the year ended 31 December 2019 is derived from The Cullinan Bay Project. The management of the Group assesses the performance of the reportable segment based on the revenue for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3.

As all the property development projects have similar economic characteristics and are similar in the nature of property development and business processes, the type or class of customers and the methods used to distribute the properties, thus all property development projects were aggregated as one reportable segment. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide disclosures

Revenue from major products

Revenue during the years ended 31 December 2019 and 2018 represents sales of residential properties in property development projects as mentioned above in the PRC.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from the PRC based on the location of property development projects and all of the Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

There is no single customer or a group of customers under common control which contributed over 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

6. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Fixed rental income from investment properties	859	662
Bank interest income	7,840	4,017
Short-term financial products interest income	506	–
Others	–	183
	9,205	4,862

7. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Net foreign exchange gains (losses)	36	(44)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses (recognised) reversed on:		
— trade receivables	**14**	–
— other receivables	**(669)**	–
	(655)	–

Details of impairment assessment are set out in note 36(b).

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**8**	–

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**13,464**	15,933
PRC Land Appreciation Tax ("LAT")	**699**	1,361
Withholding PRC EIT	**600**	–
	14,763	17,294
(Over)underprovision in prior years:		
EIT	**–**	(16,673)
LAT	**–**	29,750
	–	13,077
Deferred tax (note 29)	**1,662**	(8,498)
	16,425	21,873

10. INCOME TAX EXPENSE (Continued)

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for the PRC EIT and the PRC LAT. Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In addition, under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

On 28 December 2006, the State Administration of Taxation of the PRC (the "SAT") issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), which took effect on 1 February 2007. Such notice provides further clarification regarding the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local conditions. On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值稅清算管理規程》), effective on 1 June 2009, which further clarifies the specific conditions and procedures for the settlement of LAT.

For the year ended 31 December 2018, the Group completed the settlement of LAT and EIT of the Group's Binjiang International Project in Quanzhou, Fujian Province, the PRC with the relevant tax authority. The Group agreed with the relevant tax authority to assess the LAT on deemed basis (核定徵收), instead of on an actual basis (查賬徵收), to determine the LAT on the Binjiang International Project. As agreed with the relevant tax authority, LAT of the Binjiang International Project is determined based on 5% to 6% (depending on the nature of the properties) of properties sales revenue. The Group previously estimated the LAT provision of the Binjiang International Project by applying the actual basis. As a result of the change in the LAT determination methodology, the Group recorded an under provision of LAT in prior year for the year ended 31 December 2018 amounting to RMB29,750,000. In addition to the increase in LAT expenses in the Binjiang International Project, the Group resulted an over provision of EIT of RMB16,673,000 in respect of the Binjiang International Project for the year ended 31 December 2018.

10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	50,164	33,104
Tax at the PRC EIT of 25% (2018: 25%) (Note)	12,541	8,276
Tax effect of expenses not deductible for tax purpose	1,696	3,142
Tax effect of income not taxable for tax purpose	(295)	(230)
The PRC LAT	699	1,361
Tax effect of the PRC LAT	(175)	(340)
Tax effect of tax losses not recognised	31	17
Withholding PRC EIT	600	–
Tax effect in respect of investment properties	1,328	(3,430)
Over provision of PRC EIT in respect of prior year	–	(16,673)
Under provision of PRC LAT in respect of prior year	–	29,750
Income tax expense for the year	16,425	21,873

Note: The tax rate represents the statutory tax rate of the jurisdiction where the operations of the Group are substantially based.

11. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,999	1,556
Depreciation of plant and equipment	88	110
Depreciation of right-of-use assets (note 22)	97	–
Total depreciation	185	110
Gross rental income from investment properties	(859)	(662)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	66	83
	(793)	(579)
Cost of properties held for sale recognised as an expense	123,236	111,087
Directors' emoluments (note 12)	2,583	2,528
Other staff costs		
— salaries and allowances	3,742	3,907
— retirement benefits scheme contributions	641	728
Total staff costs	6,966	7,163

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2019

	Chief executive Mr. Shie Tak Chung RMB'000	Mr. Tsoi Kin Sze (Resigned on 22 November 2019) RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors					
Fees	–	–	–	–	–
Other emoluments:					
Salaries and allowances	529	472	529	529	2,059
Retirement benefits scheme contributions	16	15	–	16	47
Sub-total	545	487	529	545	2,106

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	159	159	159	477
Other emoluments	–	–	–	–
Sub-total	159	159	159	477
Total				2,583

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

For the year ended 31 December 2018

	Mr. Shie Tak Chung RMB'000	Chief executive Mr. Tsoi Kin Sze RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors					
Fees	–	–	–	–	–
Other emoluments:					
Salaries and allowances	506	506	506	506	2,024
Retirement benefits scheme contributions	16	16	–	16	48
Sub-total	522	522	506	522	2,072

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	152	152	152	456
Other emoluments	–	–	–	–
Sub-total	152	152	152	456
Total				2,528

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2018: four) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining one (2018: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and allowances	741	684
Retirement benefits scheme contributions	16	16
	757	700

The remunerations of each of the five highest paid individuals during the years ended 31 December 2019 and 2018 are within HK$1,000,000.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the five highest paid individual of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	33,144	10,954

	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,837,990	5,837,990

The weighted average number of shares used for the purpose of calculating basic earnings per share for both years are determined by reference to the number of ordinary shares outstanding during the year.

No diluted earnings per share for the year ended 31 December 2019 and 2018 were presented as there were no potential ordinary shares in issue during both years.

16. RETIREMENT BENEFITS PLANS

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme with a cap of HK$1,500 per employee per month, which contribution is matched by employees.

In addition, the employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB688,000 (2018: RMB776,000) represents the contributions payable to these plans by the Group for the year ended 31 December 2019.

17. PLANT AND EQUIPMENT

	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
At 1 January 2018	1,917	3,271	5,188
Additions	14	5	19
Disposals	–	(135)	(135)
At 31 December 2018	1,931	3,141	5,072
Additions	184	569	753
At 31 December 2019	2,115	3,710	5,825
DEPRECIATION			
At 1 January 2018	1,793	2,893	4,686
Provided for the year	53	57	110
Eliminated on disposals	–	(135)	(135)
At 31 December 2018	1,846	2,815	4,661
Provided for the year	48	40	88
At 31 December 2019	**1,894**	**2,855**	**4,749**
CARRYING VALUES			
At 31 December 2019	**221**	**855**	**1,076**
At 31 December 2018	85	326	411

The above items of plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

18. INVESTMENT PROPERTIES

	Completed investment properties RMB'000
FAIR VALUE	
At 1 January 2018	112,827
Net fair value change recognised in profit or loss	751
Disposals	(3,477)
Reclassified as held for sale (note 24)	(521)
At 31 December 2018	109,580
Net fair value change recognised in profit or loss	4,991
Transfer from properties held for sale	8,680
Disposals	(1,989)
Reclassified as held for sale (note 24)	(920)
At 31 December 2019	**120,342**

The Group leases out car parking spaces, a kindergarten property and a retail store property under operating leases with rentals payable monthly. The leases typically run for an initial period of 3 months to 3 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

In determining the fair values of the investment properties, the Group engages third party qualified external valuers to perform the valuation. The fair value of the Group's investment properties as at 31 December 2019 and 2018 has been arrived on the basis of a valuation carried out on respective dates by Messrs. Cushman & Wakefield Limited ("C&W"), qualified professional valuers not connected to the Group. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

18. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties	Valuation technique	Significant unobservable input(s)	Sensitivity
Civil defense car parking spaces located in Quanzhou, Fujian Province, the PRC	Investment approach	Term yield: 4% (2018: 4%) Reversionary yield: 4% (2018: 4%) Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibility, between the comparables and the subject properties, ranging from RMB312 to RMB488 (2018: RMB310 to RMB536) per civil defense car parking space per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Car parking spaces located in Quanzhou, Fujian Province, the PRC	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties ranging from RMB130,000 to RMB160,000 (2018: RMB126,000 to RMB141,000) by taking into account the difference in location, and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa.
A kindergarten property located in Quanzhou, Fujian Province, the PRC	Investment approach	Term yield: 4% (2018: 4%) Reversionary yield: 4.5% (2018: 4.5%) Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility, between the comparables and the subject properties, at an average of RMB19 (2018: RMB19) per square meter per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Car parking spaces located in Yangzhou, Jiangsu Province, the PRC	Investment approach	Term yield: 3% (2018: N/A) Reversionary yield: 3% (2018: N/A) Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibilities, between the comparables and the subject properties, ranging from RMB200 to RMB260 (2018: N/A) per car parking space per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
A retail store property located in Yangzhou, Jiangsu Province, the PRC	Investment approach	Term yield: 4.3% (2018: N/A) Reversionary yield: 4.8% (2018: N/A) Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility and environment, between the comparables and the subject property, at an average of RMB71 (2018: N/A) per square meter per month.	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

18. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 and fair value	
	2019	2018
	RMB'000	RMB'000
Civil defense car parking spaces in Quanzhou	**26,953**	27,785
Car parking spaces in Quanzhou	**71,709**	69,095
A kindergarten property in Quanzhou	**13,000**	12,700
Car parking spaces in Yangzhou	**7,820**	–
A retail store property in Yangzhou	**860**	–
	120,342	109,580

There were no transfers into or out of level 3 during both years.

19. PROPERTIES FOR/UNDER DEVELOPMENT/PROPERTIES FOR SALE

Properties held for sale in the consolidated statement of financial position comprise:

	Level 3 and fair value	
	2019	2018
	RMB'000	RMB'000
Properties held for sale		
Properties for development	**134,299**	–
Properties under development	**92,642**	399,621
Completed properties	**512,774**	290,422
	739,715	690,043

19. PROPERTIES FOR/UNDER DEVELOPMENT/PROPERTIES FOR SALE (Continued)

Analysis of leasehold lands:

	RMB'000
As at 1 January 2019	
Carrying amount	–
As at 31 December 2019	
Carrying amount	134,299
For the year ended 31 December 2019	
Total cash outflow	134,299
Additions	134,299

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

All of the properties for development, properties under development and completed properties are located in Fujian Province, Jiangsu Province and Henan Province of the PRC. All the properties for/under development/properties for sale are stated at lower of cost and NRV on an individual property basis.

At 31 December 2019, properties for development of RMB134,299,000 (2018: Nil) and properties under development of RMB92,642,000 (2018: RMB184,628,000) are not expected to be realised within one year.

20. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables		
— Sale of properties	16	517
Less: allowance for credit losses	(16)	(30)
	–	487
Other receivables (note a)	7,505	7,680
Less: allowance of credit losses	(4,505)	(3,836)
	3,000	3,844
Receivables from disposal of investment properties	289	1,241
Prepaid taxes other than income tax and land appreciation tax	19,185	20,235
Advance to suppliers (note b)	28,748	30,180
Other deposits and prepayments	4,730	3,376
	55,952	58,876
Total trade and other receivables	55,952	59,363

Note a: The amount represents the public maintenance fund received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

Note b: The amount represents the advance payment to the contractors in order to secure construction services in projects. The advance is expected to be fully utilised in the construction projects within a year from the end of the reporting period.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB67,000.

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group generally grants no credit period to property buyers and only allows certain customers to settle their balances by instalments. The following is an aged analysis of trade receivables presented based on the date when the revenue from sales of the respective properties were recognised:

	2019 RMB'000	2018 RMB'000
181–365 days	–	487

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB487,000 which are past due over 90 days as at the reporting date and is not considered as in default by considering the historical payment arrangement of these trade receivables. The Group does not hold any collateral over these balances. There is no trade receivables past due but not impaired at 31 December 2019.

Details of impairment assessment of trade receivables and other receivables are set out in note 36(b).

21. CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Incremental costs to obtain contracts (Note)	3,275	2,712

Note: Contract costs capitalised as at 31 December 2019 and 2018 relate to the incremental commissions expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers which are still under construction or not yet delivered at the reporting date.

Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB1,059,000 (2018: RMB895,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised in both years.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

22. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 1 January 2019	
Carrying amount	–
As at 31 December 2019	
Carrying amount	1,181
For the year ended 31 December 2019	
Depreciation charge	97
Expense relating to short-term leases and other lease with lease terms end within 12 months of the date of initial application of HKFRS 16	60
Expense relating to lease of low value assets, excluding short-term leases of low value assets	48
Total cash outflow for leases	673
Additions to right-of-use assets	1,278

In current year, the Group leases various offices and showrooms for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in note 28.

23. TIME DEPOSITS, SHORT-TERM FINANCIAL PRODUCTS, BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

The market interest rates per annum of time deposits, short-term financial products, bank balances and restricted bank deposits at 31 December 2019 and 2018 as follow:

	2019	2018
Time deposits with original maturity more than one year	**3.00%**	3.00%
Short-term financial products	**2.00% to 3.90%**	2.70% to 4.80%
Bank balances	**0.00% to 1.00%**	0.00% to 1.00%
Restricted bank deposits (Note)	**1.00%**	1.00%

Note: Restricted bank deposits represented designated bank accounts solely for collecting pre-sales proceeds and settlement of construction costs of properties and will be released upon the completion of the development of properties.

Details of impairment assessment of this time deposits, short-term financial products, bank balances and restricted bank deposits are set out in note 36(b).

24. ASSETS CLASSIFIED AS HELD FOR SALE AND PRE-SALES PROCEEDS RECEIVED ON SALES OF INVESTMENT PROPERTIES

The major classes of assets classified as held for sale as at 31 December 2019 and 2018 are as follow:

	2019 **RMB'000**	2018 RMB'000
Assets classified as held for sale:		
Investment properties	**920**	521

During the years ended 31 December 2019 and 2018, the Group entered into sale agreements with independent third parties to sell certain car parking spaces. As at 31 December 2019 and 2018, the Group received sale deposits regarding sales of investment properties to RMB533,000 and RMB535,000, respectively. The investment properties which were expected to be sold within twelve months were classified as held for sale and were presented separately in the consolidated statement of financial position. During the year ended 31 December 2019, the investment properties classified as held for sale as at 31 December 2018 have been derecognised.

The fair values of the investment properties classified as held for sale at 31 December 2019 and 2018 been arrived on the direct comparison method carried out by C&W on respective dates as disclosed in note 18.

25. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2019 RMB'000	2018 RMB'000
0–60 days	2,261	10,296
61–90 days	15	–
91–180 days	626	779
181 days–1 year	1,359	3,027
Over 1 year	2,762	2,376
	7,023	16,478

The credit period on construction payable is normally within 90 days from the invoice date.

26. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Accrued construction costs	39,754	65,384
Accrual staff costs and contributions to the retirement benefits scheme	5,571	6,354
Public maintenance fund received from customers (Note)	2,283	4,100
Other tax payables	6,567	6,797
Others payables and accrued expenses	4,982	1,758
	59,157	84,393

Note: The public maintenance fund is received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

27. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Pre-sales proceeds received on sales of properties	**474,287**	447,677

As at 1 January 2018, contract liabilities amounted to RMB224,134,000.

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of properties	
	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**88,139**	126,642

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customers.

The directors of the Company considered that the balance of contract liabilities as at 31 December 2019 and 2018 will be recognised as revenue to profit or loss as follows:

	2019 **RMB'000**	2018 RMB'000
Within one year	**310,488**	301,481
After one year	**163,799**	146,196
	474,287	447,677

28. LEASE LIABILITIES

	31/12/2019 RMB'000
Lease liabilities payable	
Within one year	356
Within a period of more than one year	373
	729
Less: Amount due for settlement with 12 months shown under current liabilities	(356)
Amount due for settlement after 12 months shown under non-current liabilities	373

29. DEFERRED TAX ASSETS/LIABILITIES

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	10,967	11,312
Deferred tax liabilities	(20,717)	(19,400)
	(9,750)	(8,088)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2019 and 2018:

	Revaluation of investment properties RMB'000	Deferred tax on LAT payments on sales of properties deductible under EIT RMB'000	ECL provision RMB'000	Deferred tax on presales on sales of properties/ contract liabilities RMB'000	Deferred tax on contract costs RMB'000	Total RMB'000
At 1 January 2018	(23,684)	(2,116)	336	9,102	(224)	(16,586)
Credit (charge) to profit or loss (note 10)	3,980	(2,657)	–	7,629	(454)	8,498
At 31 December 2018	(19,704)	(4,773)	336	16,731	(678)	(8,088)
(Charge) credit to profit or loss (note 10)	(1,348)	(1,389)	161	1,054	(140)	(1,662)
At 31 December 2019	(21,052)	(6,162)	497	17,785	(818)	(9,750)

29. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are "non-tax resident enterprises" in respect of profits earned by the PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. The Group is subject to withholding tax in relation to the dividend paid by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of accumulated profits of the PRC subsidiaries amounting to RMB182,429,000 (2018: RMB153,193,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2019, the Group has unused tax losses of RMB674,000 (2018: RMB550,000) available for offsetting against future profits. No deferred tax asset has been recognised in relation to such unused tax losses due to the unpredictability of future profit streams. RMB124,000, RMB67,000 and RMB483,000 unrecognised tax losses will expire in 2024, 2023 and 2022, respectively.

30. AMOUNT DUE TO A RELATED PARTY/A NON-CONTROLLING INTERESTS OF A SUBSIDIARY

		2019 RMB'000	2018 RMB'000
Mr. Shie Tak Chung (Note)	Unsecured, non-interest bearing and repayable on demand	–	2,283
Shishi Qixin Trading Company Limited ("Shishi Qixin") (石獅市琦鑫貿易有限責任公司)	Unsecured, non-interest bearing and repayable when 息縣德建置業有限公司 consists of accumulated net cash inflow	25,080	–

Note: The amount due to a related party represented advances from Mr. Shie Tak Chung, the director of the Company.

31. SHARE CAPITAL

Share capital of the Company

	Number of shares '000	**Amount of share capital** HK$'000	**Amount of share capital** RMB'000
Authorised ordinary shares:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 at HK$0.005 each	100,000,000	500,000	435,951
Issued and fully paid ordinary shares:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 at HK$0.005 each	5,837,990	29,190	25,451

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

32. CONTINGENT LIABILITIES

	2019 **RMB'000**	2018 RMB'000
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	**546,259**	574,143

In accordance with market practice in the PRC, the Group provides guarantees for the property buyers' mortgage loans with the PRC banks to facilitate their purchases of the Group's properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loans as at 31 December 2019 amounted to RMB546,259,000 (2018: RMB574,143,000). Pursuant to terms of the guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the Group is responsible to repay to the bank outstanding balance of the mortgage loans as well as accrued interests and penalties owned by the defaulted property buyers. If the Group fails to do so, the mortgage banks will first deduct the bank balances existing in the banks owned by the property buyers. Any shortfall will be recovered through auction the underlying properties and recover the remaining balances from the Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The Group does not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

32. CONTINGENT LIABILITIES (Continued)

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

33. OPERATING LEASES

The Group as lessee

	31 December 2018 RMB'000
Minimum lease payments paid under operating leases during the year	118

As at 31 December 2018, the Group had no commitment for future minimum lease payments under non-cancellable operating leases which fall due.

Operating lease payment represented rentals payable by the Group for certain office premises. Leases are negotiated and rentals are fixed for terms ranging from 1 to 3 years.

The Group as lessor

Certain car parking spaces, a kindergarten property and a retail store property held for rental purposes have committed lessees for the next 3 months to 3 years respectively.

The minimum lease payments receivable on leases are as follows:

	31 December 2019 RMB'000
Within one year	**521**
In the second year	**457**
In the third year	**422**
After third year	**3,285**
	4,685

33. OPERATING LEASES (Continued)

The Group as lessor (Continued)

The Group had contracted with lessees for the following future minimum lease payments:

	31 December 2018 RMB'000
Within one year	291
In the second to fifth year inclusive	1,501
After five years	2,893
	4,685

34. OTHER COMMITMENTS

	2019 RMB'000	2018 RMB'000
Construction commitments in respect of properties under development contracted for but not provided in the consolidated financial statements	79,416	101,830

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new shares, issue as well as the issue of new debts.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	327,389	336,535
Financial liabilities		
Amortised cost	39,368	24,619

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, short-term financial products, restricted bank deposits, time deposits, bank balances and cash, trade payables, other payables, amounts due to a related party and a non-controlling interests of a subsidiary. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to short-term financial products, restricted bank deposits, time deposits and bank balances. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate of short-term financial products, restricted bank deposits, time deposits and bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of short-term financial products, restricted bank deposits, time deposits and bank balances is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk

The Group has certain other payables and bank balances and cash which are denominated in foreign currency of relevant group entity, hence they are exposed to foreign exchange risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each of the reporting period are as follows:

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
HKD	**3,770**	607	**43**	2,398

The Group does not enter into any derivative contracts to minimise the currency risk exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arises.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations of HKD.

The following table details the Group's sensitivity to a reasonably possible change of 5% in HKD against RMB while all other variables are held constant. 5% is the sensitivity rate used which represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting period for a 5% change in foreign currency rate.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis (Continued)

An analysis of sensitivity to currency risk is as follows:

	2019	2018
	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year		
— if RMB weakens against HKD	**140**	(67)
— if RMB strengthens against HKD	**(140)**	67

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the financial guarantee provided by the Group as disclosed in note 32. The Group's credit risk is primarily attributable to its trade and other receivables, short-term financial products, restricted bank deposits, time deposits and bank balances as stated in the consolidated statement of financial position at the end of each reporting period.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99% (2018: 99%) of the total financial assets as at 31 December 2019.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank deposits/time deposits/bank balances/short-term financial products

The credit risks on short-term financial products, restricted bank deposits, time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international/national credit-rating agencies. The management of the Group assumed that there is no material increase for the credit risk on deposits during the year. According, the loss allowance measured under 12m ECL and the amount of impairment is consider insignificant at an amount equal to 12m ECL and no loss allowance was recognised during the year ended 31 December 2019 and 2018.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group is responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on individual basis and provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance measured under 12m ECL were considered as insignificant as the balance does not consist of any overdue amount. For credit-impaired debtors on other receivables which assessed individually under ECL model, RMB4,505,000 (2018: RMB3,836,000) loss allowance was recognised as at 31 December 2019 of the outstanding amount.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Normal risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL – not credit-impaired
Credit impaired	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
Financial assets at amortised cost						
Trade receivables	20	N/A	(Note 1)	Lifetime ECL (provision matrix)	–	487
			Credit-impaired	Lifetime ECL (credit-impaired)	16	30
					16	517
Other receivables	20	N/A	(Note 2)	12m ECL	3,289	5,085
				Lifetime ECL (credit-impaired)	4,505	3,836
					7,794	8,921
Time deposits	23	A-AAA	N/A	12m ECL	20,000	60,000
Restricted bank deposits	23	A-AAA	N/A	12m ECL	46,089	75,841
Short-term financial products	23	A-AAA	N/A	12m ECL	105,000	60,000
Bank balances	23	A-AAA	N/A	12m ECL	152,632	134,854
Other items						
Financial guarantee contracts (Note 3)	32	N/A	Low risk	12m ECL	546,259	574,143
Total					877,790	914,276

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging of trade receivables.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2019	**Past due RMB'000**	**Not past due/ no fixed repayment terms RMB'000**	**Total RMB'000**
Other receivables	**4,505**	**3,289**	**7,794**

2018	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB'000
Other receivables	3,836	5,085	8,921

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

Provision matrix internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its trade receivables. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amount of RMB16,000 (2018: RMB30,000) as at 31 December 2019 were assessed individually.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Gross carrying amount

	2019		2018	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Internal credit rating				
Low risk	0.1%	–	0.1%	487

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group did not provided any impairment allowance for trade receivables based on the provision matrix as the amount was insignificant. Reversal of impairment allowances of RMB14,000 (2018: impairment allowance of RMB30,000) were made on credit-impaired debtors as at 31 December 2019.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) RMB'000
As at 1 January 2018 and 31 December 2018	30
Changes due to financial instruments recognised as at 1 January 2019:	
— Impairment losses reversed	(14)
As at 31 December 2019	16

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit-impaired) RMB'000
As at 1 January 2018 and 31 December 2018	3,836
Changes due to financial instruments recognised as at 1 January 2019:	
— Impairment losses recognised	1,625
— Impairment losses reversed	(956)
As at 31 December 2019	4,505

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB546,259,000 (2018: RMB574,143,000) as at 31 December 2019. At the end of the reporting period, the directors of the Company have performed impairment assessment on ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss because the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Details of the financial guarantee contracts are set out in note 32.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2019						
Financial liabilities						
Trade payables	–	7,023	–	–	7,023	7,023
Other payables	–	7,265	–	–	7,265	7,265
Amount due to a non-controlling interests of a subsidiary	–	25,080	–	–	25,080	25,080
Corporate guarantee for mortgage facilities granted to property buyers	–	546,259	–	–	546,259	–
		585,627	–	–	585,627	39,368
Other						
Lease liabilities	4.75	–	387	388	775	729
		585,627	387	388	586,402	40,097

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2018				
Trade payables	–	16,478	16,478	16,478
Other payables	–	5,858	5,858	5,858
Amount due to a related party	–	2,283	2,283	2,283
Corporate guarantee for mortgage facilities granted to property buyers	–	574,143	574,143	–
		598,762	598,762	24,619

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

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related party	**Amount due to a non-controlling interests of a subsidiary**	**Lease liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	–	–	–
Financing cash flow:				
Advance from a related party	2,283	–	–	2,283
At 31 December 2018	2,283	–	–	2,283
Financing cash flows:				
Advance from a non-controlling interests of a subsidiary	–	25,080	–	25,080
Repayment to a related party	(2,283)	–	–	(2,283)
Repayment of lease liabilities	–	–	(557)	(557)
Finance costs	–	–	8	8
New leases entered	–	–	1,278	1,278
At 31 December 2019	**–**	**25,080**	**729**	**25,809**

38. RELATED PARTY DISCLOSURES

Apart from details disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transaction with a related party during the year ended 31 December 2019 and 2018:

Name of related party	**Nature**	**2019 RMB'000**	2018 RMB'000
德泰物業管理有限公司揚州分公司 Detai Property Management Company Limited (Yangzhou Branch)* ("Detai Property Management")	Property management services fee paid	**–**	1,800

* English name is for identification purpose only

Detai Property Management is beneficially owned by Mr. Shie Tak Chung and Mr. Tsoi Kin Sze, the directors of the Company. Mr. Tsoi Kin Sze resigned his position of executive director and chief executive officer on 22 November 2019.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2019 and 2018 was as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**3,084**	3,286
Post-employment benefits	**158**	181
	3,242	3,467

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ paid-up capital	Proportion ownership interest attributable to the Company Directly 2019	2018	Indirectly 2019	2018	Proportion of voting power held by the Company 2019	2018	Principal activities
中總(香港)有限公司 China General	Hong Kong	Issued and fully paid share capital HKD488,184,682	100%	100%	–	–	100%	100%	Investment holding
創聯國際控股有限公司 Creative Union Global Holdings Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	–	–	100%	100%	Investment holding
駿麗國際投資有限公司 Nice Smart International Investment Limited	Hong Kong	Issued and fully paid share capital HKD1,000	–	–	100%	100%	100%	100%	Investment holding
惠安中總房地產開發有限公司 Hui An China General Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB62,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Property development
福建省厚德企業管理有限公司 Houde Enterprise	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Investment holding
恒德(石獅)投資有限公司 Hengde (Shishi)	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Investment holding
揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB100,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Property development
揚州德泰物業服務有限公司 Yangzhou Detai Property Services Company Limited*	The PRC	Paid-up capital of RMB1,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Provision of building management services
富鴻國際集團有限公司 Rich Honour International Group Limited***	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	–	–	100%	100%	Investment holding
廈門昶勵貿易有限公司 Xiamen Changli Trading Co, Ltd**	The PRC	Paid-up capital of RMB1,000,000	–	–	100%	100%	100%	100%	Inactive
廈門駿熠置業有限公司 Xiamen Junyi Property Co., Ltd.**	The PRC	Paid-up capital of RMB10,000,000	–	–	100%	100%	100%	100%	Inactive
息縣德建置業有限公司 Xixian Dejian****	The PRC	Paid-up capital of RMB20,000,000	–	–	80.0%	–	80.0%	–	Property development

* English names are for identification purpose only.

** These subsidiaries were newly incorporated during the year ended 31 December 2018.

*** The subsidiary was newly acquired during the year ended 31 December 2018.

**** This subsidiary was newly acquired during the year ended 31 December 2019 for 80% equity interests and the remaining 20% equity interests was acquired by Shishi Qixin, an independent third party.

All the subsidiaries operate predominantly in their respective places of incorporation/establishment.

None of the subsidiaries had any debt securities subsisting at the end of the reporting periods or at any time during the reporting periods.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	542,101	542,101
CURRENT ASSETS		
Prepayments, deposits and other receivables	409	28
Amount due from a subsidiary	121	93
Bank and cash balances	3,569	349
	4,099	470
CURRENT LIABILITIES		
Other payables and accruals	974	2,285
Amounts due to subsidiaries	22,620	11,009
Amount due to a related party	–	2,283
	23,594	15,577
NET CURRENT LIABILITIES	(19,495)	(15,107)
NET ASSETS	522,606	526,994
CAPITAL AND RESERVES		
Share capital	25,451	25,451
Reserves	497,155	501,543
TOTAL EQUITY	522,606	526,994

Movement in the Company's reserves

	Other reserve RMB'000	Share premium RMB'000	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	524,285	193,733	37,819	(247,649)	508,188
Loss and total comprehensive expense for the year	–	–	–	(6,645)	(6,645)
At 31 December 2018	524,285	193,733	37,819	(254,294)	501,543
Loss and total comprehensive expense for the year	–	–	–	(4,388)	(4,388)
At 31 December 2019	524,285	193,733	37,819	(258,682)	497,155

41. SUBSEQUENT EVENTS

(1) Subsequent to the end of the reporting period, an indirectly wholly-owned subsidiary of the Company succeeded in a bid of the land use rights of a parcel of land located at South side of Zhucheng Highway, Wugang City, Hunan Province, the PRC at the auction of RMB94 million (the "Land Acquisition") on 28 February 2020. The land use right grant contract in related to the Land Acquisition is signed on 20 March 2020.

Details of the Land Acquisition are set out in the Company's announcement dated 28 February 2020.

(2) An outbreak of respiratory illness caused by coronavirus (the "COVID-19") has been expanded across the PRC and globally, certain measures have been undertaken by the PRC central government and various provincial or municipal governments including travel restrictions in an effort to contain the COVID-19 outbreak. The Group have been directed by the local government to facilitate the prevention and control measures of the COVID-19 epidemic (the "Epidemic"), including expanding the Chinese New Year holidays, and adopted safety reparations for resuming operation under the guidance and approval of the local government.

The directors of the Company expected the progress of the sales of properties after Chinese New Year will result in a delay with the effect of the Epidemic. Pending of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated at the date of this report. The directors of the Company will continue to assess the impact of the Epidemic on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Epidemic.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2019

The consolidated results of the Company for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019 and its consolidated assets, liabilities and equity of the Company as at 31 December 2015, 2016, 2017, 2018 and 2019 are those set out in the consolidated financial statements included in this annual report and the Company's annual reports for the three years ended 31 December 2016, 2017 and 2018.

The summary below does not form part of the audited financial statements included in this annual report.

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited) (restated)
Revenue	**184,082**	159,959	355,869	158,125	103,196
Cost of sales	**(125,418)**	(111,795)	(294,767)	(112,251)	(48,379)
Gross profit	**58,664**	48,164	61,102	45,874	54,817
Other income	**9,205**	4,862	3,257	3,786	5,472
Other gains and losses	**36**	(44)	(498)	(1,519)	(2,371)
Impairment losses under expected credit loss model, net of reversal	**(655)**	–	(2,471)	–	–
Fair value change of investment properties	**4,991**	751	13,210	9,307	2,000
Fair value change upon transfer from properties held for sale to investment properties	**295**	–	–	–	–
Selling expenses	**(6,226)**	(4,720)	(8,433)	(7,075)	(5,824)
Administrative expenses	**(16,138)**	(15,909)	(17,742)	(12,138)	(9,692)
Finance costs	**(8)**	–	(1,435)	(326)	(207)
Deemed listing expense	**–**	–	–	(542,104)	–
Profit (loss) before tax	**50,164**	33,104	46,990	(504,195)	44,195
Income tax expense	**(16,425)**	(21,873)	(24,818)	(14,325)	(21,894)
Profit (loss) for the year	**33,739**	11,231	22,172	(518,520)	22,301
Attributable to:					
Owners of the Company	**33,144**	10,954	21,695	(518,956)	22,200
Non-controlling interests	**595**	277	477	436	101
	33,739	11,231	22,172	(518,520)	22,301

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2019

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
					(restated)
Total assets	**1,283,692**	1,226,242	1,037,720	1,181,522	1,084,264
Total liabilities	**(607,158)**	(587,254)	(409,627)	(575,601)	(561,063)
	676,534	638,988	628,093	605,921	523,201
Equity attributable to owners of the Company	**662,081**	628,937	618,319	596,624	514,340
Non-controlling interests	**14,453**	10,051	9,774	9,297	8,861
	676,534	638,988	628,093	605,921	523,201

JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司