NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278

精誠團結 共克時艱

推進城鎮化投資建設

Annual Report 2019

Corporate Profile

OVERVIEW

China New Town Development Company Limited (SEHK stock code: 1278) (the "Company" or "CNTD") has been listed by introduction on the main board of The Stock Exchange of Hong Kong Limited since 22 October 2010.

In March 2014, China Development Bank International Holdings Limited ("CDBIH"), a wholly-owned subsidiary of China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") completed its subscription for CNTD's 5,347,921,071 issued shares, and became CNTD's controlling shareholder. CDB Capital is a wholly-owned subsidiary of China Development Bank Corporation ("CDB"). CDB is one of the largest financial institutions focusing on development in China, and has been continuously supporting the urbanization construction in China since its establishment. Based on CDB's resources and brand advantage, CDB Capital has a national network layout in the business segment of new town development. Till then, the Company has officially become the sole listed platform of CDB and CDB Capital in the business segment of new urbanization. By giving full play to the advantage of the controlling shareholder's resources and experience, and combining with the policy orientation and opportunities of the new urbanization policy in China, we will build a leading brand in investment and operation of new type of urbanization in China.

We have established industry leadership through over ten years of solid track record since 2002, and are among the very first players to engage in primary land development. Upon CDB Capital becoming the controlling shareholder, with the trend of new urbanization in China and the Company's advantage in resources, the Company is gradually shaping development concepts and specifying business strategies. Going on with the basis to continuously follow the guidelines of national policy and with the demand of regional economic development and city life, we shall focus on creating new-type cities and towns featuring "city-industry integration", to improve the living quality and experience. With the business strategy of "investment + downstream operation", on top of fixed income investment in urbanization projects, we introduce brands of urbanization to the region in the field of people's livelihood improvement at the same time, such as education, tourism, healthcare and etc.

Currently, in terms of fixed income investments, our projects locate in areas with good economic development nationwide and can provide stable revenue and cash flow for the Company. In terms of livelihood improvement investments, the Company participates in developing such projects as Shanghai Luodian Project, Shenyang Lixiang Project, Beijing Junzhuang Project in Mentougou District, property development project for Nanjing Tiexin Bridge in Yuhuatai District, Lenovo Wuhan Research and Development Base Project and Qilin International School Project in Jiangning District, Nanjing. Among them, Shanghai Luodian and Shenyang Lixiang are existing primary land development projects before the acquisition, and Lenovo Wuhan Research and Development Base Project is a project located in Optical Valley High-Tech Development Zone in Donghu District, Wuhan that the Company acquired from Lenovo Mobile Communication Software (Wuhan) Co., Ltd. in 2018, and the leasing of office buildings and commercial properties has been basically completed in 2019 with good occupancy rates. The kindergarten campus of Chilin Bilingual School in Jiangning District, Nanjing has passed the completion inspection and acceptance and is put into operation, and will be officially opened after the domestic epidemic situation improves. For projects involved development and operation after the acquisition, we usually develop such projects with our industry partners. For example, we develop the project in Junzhuang with Vanke BJ to construct a comprehensive tourist, leisure and resort project in the surrounding Beijing.

Under the background of the national policy which supports new urbanization, we have confidence to realize the steady upgrade of the Company's scale of assets and operating results by fully integrating the resource advantages of controlling shareholder and the rich experience of project teams.

GOAL

Our Goal is to become the leading new town developer and livelihood investment and operation platform in China achieving long-term sustainable growth whilst we continue to strive for short to medium term profitability in order to deliver the greatest value to our shareholders.

MISSION

Our Mission is to provide urbanization and livelihood investment products which are consistent with the demand of regional economic development and city life, to enhance the region's urbanization level and citizens' living quality.

Contents

Our Business

OUR BUSINESS

Introduction

We started to enter the new town development industry in 2002. In the previous project development, we accumulated a complete operational experience in the industry chain of new town development, including preliminary planning, land consolidation and supporting construction of infrastructure facilities, resources introduction to the region, which has improved the region's urbanization level.

Upon becoming a subsidiary of CDB Capital, we have made good use of these operating experience, together with the national resources advantage of the controlling shareholder, to actively make an optimization of project operation model. We have established the business model of "investment + downstream operation", rapidly expanded the business scale, and achieved a good scale effect and financial basis and brand advantages. On top of fixed income investment in urbanization projects, and with the opportunity and business network of in-depth cooperation with various regional governments, we introduce brands of urbanization to the region in the field of people's livelihood improvement at the same time, such as education, tourism, healthcare and etc.

In the sector of fixed income investments, the Company has participated in various kinds of urbanization projects through equity or fund investment, such as the shanty-town renovation and improvement. In these investments, the Company shall receive a fixed investment gain based on the amount we have invested, according to the agreement.

After CDB Capital's acquisition, leveraging its nationwide network and resources, the Company has rapidly expanded such fixed income portfolio. As of the end of 2019, the Company has a portfolio of RMB3.2 billion in such investment, securing a total contractually guaranteed annual return before tax of approximately RMB330 million, which has contributed steady revenue and cash flow for the Company.

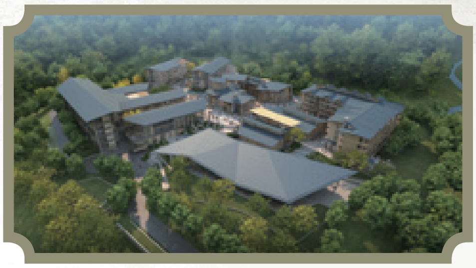
In the sector of livelihood improvement investments, we have chosen education, tourism, and heathcare as main downstream strategy, and fully leveraged the advantage of resources of the controlling shareholder. In October, 2016, the Company announced that it would cooperate with Beijing Vanke to develop Beijing Junzhuang Project in Mentougou District. By combining the premier partnership resources in the fields of healthcare, integrated tourism and international education established through the CDB Urbanization Strategic Alliance and the top-notch development and operation capability of Vanke in China, the Project is positioned to be developed into Beijing's integrated tourism and consumption destination showcase project. In early 2018, the Company built and operated a K12 international bilingual school, namely the bilingual school Reigate Grammar School Nanjing, in the Chilin High-tech Industrial Development Zone in Jiangning District, Nanjing, by cooperating with partners for development and construction, and participating in the establishment of an education industry fund. In June 2018, the Company completed the acquisition of Lenovo Wuhan Research and Development Base Project at the High-Tech Development Zone in Donghu District, Wuhan.

Fully supported by the resource advantages of CDB and CDB capital, and on the basis of the steady and good return from the fixed income investment, we shall intensively explore the investment opportunities in the fields of urbanization and livelihood improvement. By combining with low-cost financing channels, we shall integrate a wide range of resources and optimize investments and structures to promote sustained growth in the Company's assets and results.

Our Major Projects

Shanghai Luodian New Town Project (72.63% — owned)

- Total site area of 6.80 square kilometres
- Located at Baoshan District, connected to downtown Shanghai by metroline #7 (with two stops at Luodian), around 30 minutes ride to downtown Shanghai
- At the end of 2018, the Group signed a new cooperation agreement with the Baoshan District Government of Shanghai in respect to a new follow-up cooperation model.



Beijing Junzhuang Project in Mentougou District

- The Mentougou District is located in the western part of Beijing. The mountains in the district are connected to Xiangshan (香山), a renowned national tourism destination, comprising an integral part of the Western Beijing ecological conservation area. Located in the northeast of Mentougou and west part of Xiangshan Mountain, Junzhuang Town has formed the industrial pattern of "one town and four villages". Based on the unique geographical position of the project and combined with its spatial characteristics, it will be developed into a comprehensive industrial park with functions of cultural and technological innovation, ecological and healthcare, tourism and leisure, education and so on, and create an innovative town that combines cultural and technological innovation with green industry development.
- The Group and Beijing Vanke Enterprises Co. Ltd. has jointly established a project company (we are entitled to a 50% equity interest), which will be granted an exclusive right to develop and operate the Eastern Zone of the project. The project company will succeed in contracting the agricultural land (農用地) from the relevant village community economic cooperatives. In addition, using a model known as the "Village-Corporate Collaboration" with the co-ops, the project company shall also develop and operate the construction land collectively owned (集體建設用地) by the relevant village community economic cooperatives.

Our Major Projects

Property Development Project in Tiexin Bridge of Yuhuatai District, Nanjing

- Total site area of 23,475.91 square metres ("sq.m.")
- It is located in the Yuhuatai District of Nanjing, adjacent to the Software Valley. Software Valley is China's largest communication software industry R&D base and the first 100 billion level software industry base.
- This project is intended to build a complex of high-end office buildings, integrated commercial and boutique apartments, with a total planned area of 120,000 sq.m.. There will be at least 20,000 sq.m. of office buildings and 35,000 sq.m. for commercial purposes in the project for long-term holding and operation in the future.
- The Company has established a project company with Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") in which the Company holds an equity interest of 49%. It is the first large property project to be invested and developed in the region after the Two Bridge project in Yuhuatai District, Nanjing. Upon completion of the project, the Company will receive property sales and rental income, as well as commercial and office buildings as long-term investment in property assets.

Wuhan Optical Valley Project

- The total floor area of the project is 172,840 sq.m., of which 116,780 sq.m. are above-ground building area.
- Wuhan Optical Valley High-tech Development Zone is a nationwide renowned optoelectronic and semi-conductor industry base, which aligns with the strategic direction of the Company of developing integrated circuit industry property.
- The cooperation relationship of the integrated circuit industry fund and the overall industry resources advantage from CDB are leveraged to attract quality industry enterprises, including those in the integrated circuit industry, in the development zone, so as to develop well-established office buildings in the industry park, and to enjoy long-term rental income and contribute to asset appreciation.
- The project has basically completed attracting investments in office buildings and commercial projects in 2019 with good occupancy levels, and included in the first batch of "New Industrial Landmark" projects selected by Wuhan Changjiang Daily, Wuhan Municipal Economic and Information Bureau (武漢市經濟和信息化局) and other business units.

Nanjing Reigate Bilingual School Project

- Total site area of 122,233.96 sq.m.
- Situated in Nanjing Chilin Technology Innovation Park, Jiangning District, Nanjing, Jiangning District is also the most populated and largest area of Nanjing. Chilin Technology Innovation Park (Eco-technology City) is a high-tech industry development zone in Jiangsu Province, which is a trial site of smart city in the PRC, and a demonstration site of technology services in Jiangsu Province. Currently, offices of new industries including intelligent manufacturing, big data, energy conservation and environmental protection, new materials have been set up in the Park. Some of the leading projects, including R&F Science Park, DCITS industry base, headquarter and network centre of Jiangsu Broadcasting Cable Information Network Corp. Ltd. and Sinopec Chilin Information Technology Service Base.
- Kaiyuan Education Investment Fund, which is initiated and established by China Development Bank Education Company Limited ("China Development Bank Education"), a wholly-owned subsidiary of the Company, has executed Strategic Co-operation Framework Agreement with Reigate Grammar School, and is intended to initiate a long-term cooperation on exclusive school operation in the Greater China Region. China Development Bank Education is also introducing the Reigate brand into Nanjing Chilin Bilingual School, and to provide bilingual education courses that cover to K12.

Shenyang Lixiang Project (100%-owned)

- Site area of 20.55 sq. km.
- Located at Dongling District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport
- The Dahunnan area which is planned to be transformed into "New Centre, New Landmark, New Hub and New Energy" under the Government's strategic plan was the host of the 2013 National Games

Our Strengths & Strategies

STRATEGIC POSITIONING

- CDB and CDB Capital's sole listed platform in new urbanization and livelihood improvement investments.
- Integrate the network and resources of CDB Capital in the segment of new urbanization, and build a leading national investment and operation brand covering financing, investment, development and operation.

BUSINESS STRATEGY

- Leverage the close relationship between CDB and CDB Capital and government and their huge customer resources, choose high-quality project across the country, improve the quality of the Company's assets and improve profitability.
- Maintain a steady growth in the portfolio of fixed return investment, and to achieve stable revenue and cash flow on top of good control of investment risk.
- On top of fixed income investments, select region and partners nationwide with caution, and develop and operate projects in the fields of urbanization and livelihood improvement. Provide high-quality township facilities to people in the region and enhance the region's business value.
- Achieve a stable-scale investment portfolio of "investment in fixed income projects" and "investment and operation of products in the livelihood".

FINANCING STRATEGY

- Fully leverage the advantage of CDB and CDB Capital in the field of credit background, and build the Company's cross-market financing channel.
- Further improve the Group's financial strength by various innovative financing methods on projects.
- Benefiting from various operations of the listed platform in capital market, increase the Company's leverage, which will enhance return on equity.

CORE COMPETITIVENESS

- Continuously supplement and improve the Group's organization structure with CDBC's management expertise.
- Carry out cooperation with high-quality partners in respect of the investment in projects in the field of livelihood, such as education, tourism, and heath care.
- Standardize and systematically enhance project flows, accumulate relevant knowledge and experience.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Heqiang *(Chief Executive Officer)*
Ms. Yang Meiyu
Mr. Ren Xiaowei
Mr. Shi Janson Bing

Non-executive Directors
Mr. Zuo Kun *(Chairman)*
Mr. Li Yao Min *(Vice Chairman)*
Mr. Wei Dongzheng
Mr. Wang Jiangang

Independent Non-executive Directors
Mr. Henry Tan Song Kok
(Lead Independent Non-executive Director)
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. E Hock Yap

AUDIT COMMITTEE

Mr. Henry Tan Song Kok *(Chairman)*
Mr. Zhang Hao
Mr. E Hock Yap

NOMINATION COMMITTEE

Mr. E Hock Yap *(Chairman)*
Mr. Henry Tan Song Kok
Mr. Kong Siu Chee

REMUNERATION COMMITTEE

Mr. Kong Siu Chee *(Chairman)*
Mr. Henry Tan Song Kok
Mr. E Hock Yap

COMPANY SECRETARY

Ms. Cheng Lucy

BUSINESS ADDRESS

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Facsimile: (852) 3144 9663
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BVI PRINCIPAL SHARE REGISTRAR

Tricor Services (BVI) Limited
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISORS

Herbert Smith Freehills
Freshfields Bruckhaus Deringer
Winston & Strawn LLP
King & Wood Mallesons
Zhonglun W&D Law Firm
Zhong Lun Law Firm

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Auditor's Date of Appointment: 20 November 2007
Partner-in-charge: Mr. Kelvin Leung Shing Kit
since 21 September 2016

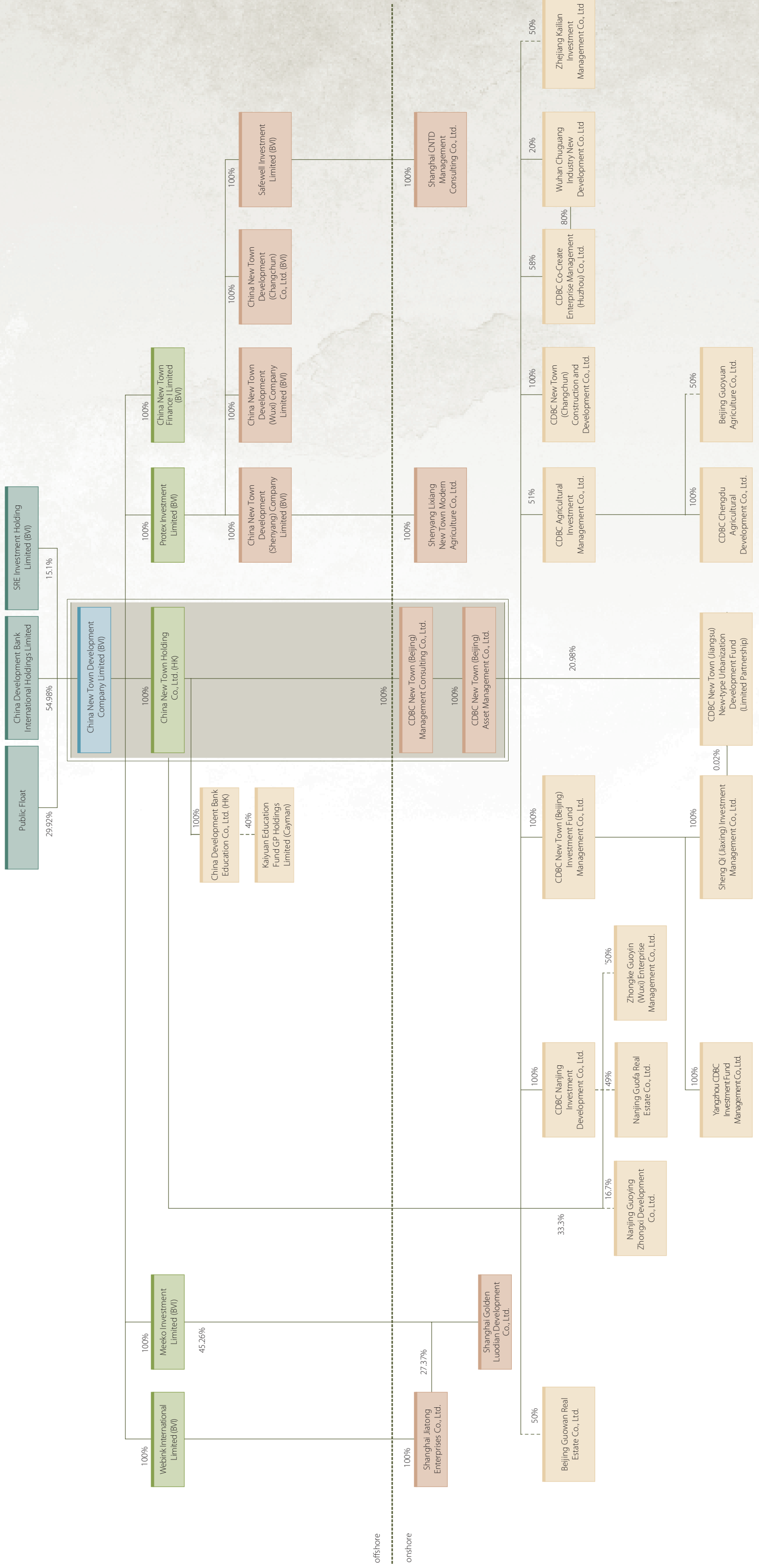
STOCK EXCHANGE LISTED

The Stock Exchange of Hong Kong Limited
Stock Name: ChinaNewTown
Stock Code: 1278
Board Lot: 2,500 shares

PRINCIPAL BANKERS

CITIC Bank International Limited
The Agricultural Bank of China
China Minsheng Bank
China Construction Bank (Asia)
Shanghai Pudong Development Bank
Bank of Communications Co., Ltd.

Group Structure



Note: CDBC Yangzhou Jiangguang Fusion Private Investment Fund is a contract fund.

Chairman's Statement

On behalf of the Board of Directors of China New Town Development Company Limited, I present the Chairman Statement of 2019.

DEAR SHAREHOLDERS,

During 2019, faced with the changing complicated markets at home and abroad, China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") adhered to the guidance of Xi Jinping's socialist ideology with Chinese characteristics in the new era, and leveraged the extensive experience in the industry and risk control of CDBC and CDB, the controlling shareholders of the Company, to further consolidate our management foundation and facilitate our business transformation. Furthermore, we continued to explore investments in livelihood improvement, propel the Company toward the high-quality development path, and create the value for shareholders.

OUR COMMITMENTS TO LIVELIHOOD IMPROVEMENT IN LINE WITH NATIONAL POLICY

In December 2019, it is proposed in the Central Economic Work Conference that effective fiscal and monetary policies are introduced to improve and develop the living standard, particularly facilitating the elderly healthcare service development, as well as rendering social support for universal access to child care services. In addition to the development of a high-quality tourism industry, the market-oriented development of the sports and fitness industry is encouraged.

In this regard, the Group persisted in following and carrying out national policies focused on livelihood improvement by exploring and establishing business operations that correspond to livelihood improvement, as well as continuing development in education, tourism, and healthcare and retirement sectors. Our initiatives culminated in positive and encouraging developments. Kaiyuan Education, which was invested and established by the Group, obtained the school license from Reigate Grammar School in the United Kingdom for the business operation in the Greater China region, and as a result entered into agreements to establish two K12 grammar schools in Nanjing and Zhangjiagang. Among which, Reigate Grammar School Nanjing in Jiangning District began the trial operation of kindergarten education following two-year construction and preparation, and anticipated its official opening in 2020. As for our healthcare and retirement segment, we continued to make progress in the planning and approval in connection with Beijing

Junzhuang Project in Mentougou District, while constantly expanding project pipelines to accumulate some potential resources. As for our tourism business, on the basis of the strategic cooperation framework agreement, the Company and MGM Resorts International continued to identify and select the location and cooperation schemes suitable for landing projects across the PRC. In 2019, CDB New Town (Beijing) Asset Management Company Limited cooperated with Ningbo Hangzhou Bay MGM Holdings Co., Ltd. (寧波杭州灣美高梅控股有限公司) to establish a project company, MGM (Beijing) International Cultural Tourism Development Ltd* (美高梅 (北京) 國際文化旅遊發展有限公司), through which, the Company invested in Shaoxing Shilihetang Comprehensive Operation Management Project as fixed income investments. At present, the Company has achieved initial results in the development of tourism products. At the same time, it has carried out in-depth communication with local governments in Hangzhou, Shaoxing, and Nanchang, among which, some regions have entered into intent cooperation agreements, which are expected to formally signed and executed for investment in 2020.

OUR COMMITMENTS TO STABILIZE FIXED INCOME INVESTMENTS

Despite the challenging economic landscape at home and abroad, the Group continued to stabilize its fixed income investments. By tapping into the national resources and stringent risk management of the CDB system, we took the initiative to decelerate project investments and keep the investment scale in check. By the end of December 2019, the fixed income investments of the Group amounted to approximately RMB3.2 billion, representing an average annualized pre-tax return rate of 10.3%. Throughout the year, there were five new investment projects with an additional investment size of approximately RMB900 million.

Given the complicated economic developments, particularly the rising credit risks in certain economic sectors, the Group was required to heighten its investment risk management standards. As a result, the Group strengthened its post-investment management of various projects, and took the positive stance to minimize project risks, both of which ensured the stability of the investment portfolio.

OUR POSITIVE PROGRESS IN THE LIVELIHOOD INVESTMENTS

In response to the direction of "developing a fair and quality education system" in the central government work report for 2019, the Group continued to focus on its development strategy as to our education segment. China Development Bank Education Company Limited, a wholly-owned subsidiary of the Company, led in the establishment of, and participated in managing, Kaiyuan Education Fund LP (the "Kaiyuan Education") to build an international bilingual K12 school as a starting point, which will gradually help establish the Group's layout in the education sector.

Currently, the Reigate Grammar School Nanjing in the Chilin High-tech Industrial Development Zone in Jiangning District, the construction and preparation of which is completed, gradually enters into operation. Among which, the kindergarten operation is expected to commence upon the epidemic stabilizing in the domestic market. The Reigate Grammar School is a top British private school and has accumulated the education philosophy and resources for more than 300 years. Carrying on its education philosophy and resources, the Reigate Grammar School Nanjing will leverage the essential values of the Eastern and Western education systems to develop future community members with a strong cultural confidence and international vision in strict compliance with the national policies on education. Last August, Kaiyuan Education entered into an agreement to construct and operate a high-end international school in Zhangjiagang, Suzhou under the lightweight asset model, which is expected to be in full swing between 2021 and 2022. By capitalizing on the resources and strengths of the Reigate Grammar School Nanjing in Jiangsu Province, the Reigate Grammar School Zhangjiagang will become a complementary role in catering to the affluent market in Shanghai and the Greater Southern Jiangsu region, allowing our Company to further increase our business scale and brand awareness in the education sector.

* *For identification purpose only*

Looking into the future, the Group will continue to support the development of Kaiyuan Education. Besides steadily proceeding with the preparation, construction, and operation of these above projects, we will continue to strengthen our commitments to investments and development, including but not limited to opportunities of investing and consolidating the upstream and downstream players in the value chain of K12 international education.

It is expected that the bilingual school Reigate Grammar School Nanjing in Qilin will be in full swing upon the epidemic stabilizing in the domestic market. Furthermore, we will endeavor to commence the elementary school operation by autumn 2020, depending on the epidemic impacts. In the meantime, we will continue with the construction of the secondary school operation in a view to completing the inception and acceptance procedures of construction work.

GOOD OCCUPANCY LEVEL OF INDUSTRY PROPERTY PROJECTS

In 2019, the Group's Optical Valley New Development International Center (光谷新發展國際中心), located in Wuhan City, Hubei Province, basically completed attracting investments in office buildings and commercial projects in 2019, both of which have reported good occupancy rates and rental levels. Despite a severe epidemic affecting Wuhan in early 2020, the Group adopted various scientific management techniques to maintain the smooth operation of the property projects and the safety of related personnel. In the future, the Group will continue with effective commercial lease by taking the initiative to collect and identify customer requirements, improving the satisfaction rate of tenants, and providing premier property management and comprehensive operation services. We will build the Optical Valley New Development International Center into a landmark property project in Wuhan.

CONTINUITY OF STABILIZING THE OPERATING RESULTS

In 2019, the Group's operating income for the year amounted to RMB615 million, and profit attributable to the equity holders of the parent was RMB95 million, which basically maintained the same momentum as 2018.

In recognition of the long-term support of investors, the board of directors of the Company (the "Board") recommended to distribute a final dividend of HKD0.0044 per share for 2019.

Looking ahead to 2020, the economy at home and abroad is still full of challenges. The Company will continue to seek business opportunities in the challenges, and persist in its own business transformation strategy. In synchronization with national policies, we will tap into the strengths of those projects and network resources as held by CDB and CDBC. By focusing on the livelihood sector in market orientation, we will steadily advance the premier development of the Company, and continuously create core value for shareholders in the long run.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, investors, financial institutions and relevant partners for their unremitting support to the Company in the past year. Meanwhile, I would like to pay sincere heartfelt respects to the hard work of directors, management and all staff. We will continue to strive to create more long-term interests and value for all shareholders.

CEO Statement

Dear Shareholders,

In 2019, China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") made steady progress by deepening its business development orientation in active response to challenges at home and abroad.

Under the tremendous support by CDB and CDBC, the controlling shareholders of the Company, the Group explored and established its business operations in the livelihood protection segment over our course of steady business transformation. In particular, positive developments had been achieved in our business segments including education and tourism, while resources had been accumulated for project pipelines, which has laid a solid foundation to the long-term sustainability development. As regards fixed income investments, we continued to maintain steady investments, while strengthening the efforts to prevent and manage investment risk exposure.

In the meantime, for the purpose of business transformation, the Group continued to deepen its internal reform and transformation by actively pursuing internal restructuring. For instance, the Group optimized the structure of a portion of subsidiaries, enabling an improved organizational structure for easier understanding.

Under the support of the controlling shareholders alongside the joint commitments across the Company, the Group's operating income for 2019 amounted to RMB615 million, and profit attributable to the equity owners of the parent amounted to RMB95 million, which basically maintained the same momentum.

OUR COMMITMENTS TO CONSOLIDATE INTERNAL DEVELOPMENT BY IMPROVING OUR CAPABILITY

In 2019, CDBC celebrated its fifth anniversary of the acquisition of the Company. During the year, it was also the first time for the Group to strengthen investments and transformation of livelihood improvement under the overall strategic planning introduced by the controlling shareholders. To fulfil the requirements for deepening the business transformation, the Group strived further to improve the rules and systems by combing and optimizing various systems, including internal management systems and structural systems in 2019. With our measures in place to identify and fix vulnerabilities, we laid a solid foundation for our subsequent business developments at the internal level.

CONSIDERABLE RETURNS FROM STABILIZED FIXED INCOME INVESTMENT PORTFOLIO

Fixed income investments, which plays an integral part of our major operating income, has been making positive contribution to the financial statements of the Group over the last couple of years. In 2019, amid our strengthened efforts to invest in livelihood improvement projects, the Group proactively continued with effective investments and management of fixed income projects, exercised investment risk control with caution, and maintained steady investments and suitable investment scales, for the purpose of yielding good investment incomes.

By the end of December 2019, the fixed income investments of the Group amounted to approximately RMB3.2 billion, representing an average annualized pre-tax return rate of 10.3%. Throughout the year, there were five new investment projects with an additional investment size of approximately RMB900 million.

Given the rising credit risks in certain economic sectors in the domestic market, a portion of investment projects of the Group are subject to risk exposure. Following due consideration, the Group provided an impairment allowance of approximately RMB131 million for risk-based investments in the audited 2019 annual results. In face of such risk exposure, the Group and corresponding investment partners maintained close communications on thorough research analysis over corresponding projects, and considered taking the relevant legal actions to recover investment income and principal so as to protect the interests of the public shareholders.

FOCUS ON INVESTMENTS IN LIVELIHOOD IMPROVEMENT

Given the development and requirements of the domestic economy, as well as the strategic positioning of CDBC, a controlling shareholder, the Group will focus its investments on the education, tourism, healthcare and retirement, and other livelihood improvement sectors, while redoubling its efforts to sustain investment development and reserve for projects.

1. **Smooth development in the education segment, evidenced by successful emulation**

Since 2017, the Group has recognized the education segment as an integral part of our investments in livelihood improvement. By leading the establishment of Kaiyuan Education Fund LP (the "Kaiyuan Education"), China Development Bank Education Company Limited ("China Development Bank Education"), a wholly-owned subsidiary of the Company, is principally engaged in investments and operation of K12 international schools in the Greater China region.

The flagship project was launched in the Chilin High-tech Industrial Development Zone in Jiangning District, Nanjing, to operate as an international school aimed at integrating bilingual courses. The Group is responsible for school development and construction through Nanjing Guoying Zhongxi Development Company Limited (南京國英中西建設開發有限公司), which is established with our partners. Following nearly two years of commitment, the review and approval of the project planning and design have been completed, and the kindergarten campus has passed the completion inspection and acceptance and is put into operation. Currently, we are fully committed to the construction work of an elementary school campus.

Kaiyuan Education is responsible for the school operations. Kaiyuan Education entered into the Strategic Cooperation Framework Agreement on Exclusive Operation License with Reigate Grammar School, a 300-year renowned British school, pursuant to which, the exclusivity right of school operation in Greater China has been obtained to establish and operate a number of bilingual international schools under the Reigate brand, and the school standards will be consistent with those of the Reigate Grammar School. Following in-depth study of education policies in the PRC and integration of educational philosophy and curriculum of the Reigate Grammar School, as well as in consideration of the education industry and the educational demands of families in Jiangsu, Kaiyuan Education focuses on the development of a curriculum system that is in line with Reigate Grammar School's long-standing educational heritage and integrates the Chinese and Western cultural values and education systems. At present, by focusing on the Chinese brand of "Bosong • Reigate" and the schooling philosophy of "Global Vision with Chinese Root", we build a team of management and faculty with extensive experience in international school operation. In 2019, the Nanjing Chilin Bilingual School Affiliated with Reigate Grammar School* (博頌 • 萊爵麒麟雙語學校) carried out a variety of branding and marketing activities, which achieved good results and attracted many families in Nanjing. Following our efforts, the trial operation of the bilingual kindergarten has been completed in 2019 successfully establishing the first family customer base.

Owing to the outstanding marketing results of Nanjing Chilin School, the Group swiftly emulated the second K-12 school operation project in Jiangsu. In August 2019, China Development Bank Education entered into a cooperation agreement with the Zhangjiagang High-Tech Industry Development Zone (張家港高新技術產業開發區) in Jiangsu Province ("Zhangjiagang High-Tech Zone") in relation to the investments in the operation of the Bilingual Reigate Grammar School* (萊爵公學雙語學校), pursuant to which Kaiyuan Education is encouraged to invest and operate the Bosong Reigate Grammar School Zhangjiagang ("Reigate Grammar School Zhangjiagang"). The Reigate Grammar School Zhangjiagang covers the fifteen-year education from kindergarten to senior high school. The Reigate Grammar School Zhangjiagang, which is located in the core area of the high-tech zone with an area of approximately 120 acres, will accommodate between 1,800 and 2,000 students after completion and is a key construction project developed by the government under the PPP model. Kaiyuan Education will continue to market the Reigate brand by virtue of lightweight asset operation, which will radiate out to the affluent market in Suzhou, Wuxi and Changzhou and develop a positive and interactive, and complementary role for the sister school in Nanjing. As a result, the bilingual school strategy of Kaiyuan Education will be deeply entrenched in Jiangsu, establishing a reputation and a positive growth cycle for student enrollment. Carrying on the resources and experiences of the Reigate Grammar School Nanjing, the Reigate Grammar School Zhangjiagang project is currently unfolding well. This school project has basically completed the planning and design work, the construction of which is expected to commence.

* For identification purpose only

2. **Good occupancy level of the Optical Valley New Development International Center in Wuhan**

In 2018, the Company completed the acquisition of Lenovo Wuhan Research and Development Base located in the Optical Valley High-Tech Development Zone in Donghu District, Wuhan. Following the operation of the completed project, the Group will fully leverage the industrial resources of the controlling shareholders to attract premier business tenants, enhance its operating efficiency and profitability of the projects, so as to yield long-term operating income.

In 2019, Wuhan Chuguang Industry New Development Co., Ltd.* (武漢楚光產業新發展有限公司), a non-wholly-owned subsidiary of the Company, pursued effective industrial and commercial leasing, and continued to improve its operation and management plan with reference to the management and service standards of local high-quality Grade A offices. The project, with the name of the Wuhan Optical Valley New Development International Center* (武漢光谷新發展國際中心), is positioned as a hub for innovative and leading companies engaged in new technologies and new industries. As for specific tenant attraction, a channel grading system has been established. Based on historical transaction data, we focused on pairing up with excellent partners, and made efforts to invest in key channel resources to improve investment efficiency. Leveraging the established industrial convergence of internet, new media and online education, the project has attracted high-quality internet companies to ensure that major customers commenced their businesses as planned, and the street opening ceremony is held successfully.

As of the end of 2019, the tenant attraction was substantially completed. The occupancy rate of office buildings exceeds 92% with an average monthly rent (inclusive of tax) of approximately RMB95 per square meter. The occupancy rate of commercial areas was close to 90% with an average monthly rent (inclusive of tax) of approximately RMB140 per square meter. The smooth operation of the project helped generate good cash flow and revenue to the Group. In 2019, owing to high-quality properties and excellent services, the project was recognized as part of "First Unique Cultural Industrial Parks" by the Publicity Department of the Wuhan Municipal Party Committee and was selected to the "New Industrial Landmark Project" by Wuhan-based Changjiang Daily, Bureau of Economy and Information Technology of Wuhan Municipal, and other agencies.

CONTINUOUS BREAKTHROUGHS IN REMAINING PROJECTS

At the end of 2018, Shanghai Golden Luodian Development Co., Ltd. ("SGLD"), a non-wholly-owned subsidiary of the Company, signed a new cooperation agreement with the Baoshan District Government of Shanghai (the "Local Government"), pursuant to which, the Local Government agreed to return the compensation of RMB1,522,580,000 in aggregate to SGLD for demolition, relocation and resettlement of the land parcel in the eastern area. In addition, a new cooperative development model for Shanghai Luodian Project was agreed. In 2019, the Company was in active negotiations with the Local Government to facilitate the payment of returned funds, and performed related work duties under the new cooperation model. The Local Government paid the first tranche of fund of RMB1 billion to SGLD and would pay the second tranche of fund of RMB522,580,000 before 30 September 2020 into the designated account of SGLD according to the Memorandum entered into by the parties at the end of 2019.

* For identification purpose only

2020 BUSINESS OUTLOOK

In 2019, while maintaining steady investments in the fixed income portfolio, the Group will continue to develop the livelihood improvement sector, and increase investments in the development of education, tourism, healthcare and retirement, and other sectors. Furthermore, the Group will explore operation opportunities for high-quality projects, and expand project reserves. In the meanwhile, the Company will continue to promote the disposal and improvement of remaining urbanization projects for the purpose of optimizing business models.

1. **Our commitments to stabilize fixed-income investment portfolio under stringent risk control**

   In 2020, the Group will continue to strengthen the research and analysis of fixed income investment models and steadily promote project investments in line with the domestic economic development by thoroughly understanding and implementing national policies. We will strengthen post-investment management and risk control for projects, while ensuring the stability of the balance and returns of investment portfolios and providing cash flow and income for the Group.

   As for projects whose post-investment conditions satisfy expectations, the Group will continue to strengthen management efforts in 2020, by increasing the management frequency and depth under various innovative approaches, and adopting a better initiative in post-investment management to ensure the smooth development of the projects. Ultimately, the expected targets will be achieved.

   As for projects that are exposed to potential risks, the Group will continue to keep close watch over and mitigate such risks, and make every effort to advance the work progress in 2020. The Group will internally extend more resources for risk management by strengthening its capability for risk identification, test and control. Furthermore, we will continue to deepen the management and operation before, during, and after investments, and concentrate our efforts to mitigate the risk of key projects. By deepening the research on the assets of our partners, we will proactively study asset disposal and preservation measures, while fully tapping into the external and internal resources of the CDB system. Besides strengthening communications with our partners, we will explore diversified solutions, and protect the investment interests of the Group by legal means, including initiating legal actions wherever necessary.

2. **Milestone results in the education segment**

   We will expedite the construction and preparation of our school projects in the pipeline, establish and strengthen our core products and concepts in the K12 education segment, and accelerate the pace to ensure stable cash inflow of the projects and generate profit. It is expected that the bilingual school Reigate Grammar School Nanjing in Qilin will be issued the kindergarten license in 2020, and be in full swing upon the epidemic stabilizing in the domestic market. Furthermore, we will endeavor to commence the elementary school operation by autumn 2020, depending on the epidemic impacts. In the meantime, we will continue with the construction of the secondary school operation in a view to completing the inception and acceptance procedures of construction work. It is expected that Phase I of Reigate Grammar School Zhangjiagang will be delivered by 2021 and the school year starts in 2022, which represents an important foothold in Jiangsu Province and successfully lays a solid foundation for the future development.

   We will be actively expanding new projects. In 2020, we aim to commence the operation of a lightweight asset for the purpose of achieving the marketing model of the optimized lightweight asset brand, enabling our education brand to establish the benchmark project in the first-tier cities. In line with national education policies, we will explore our strategic orientation and strive for the completion of projects falling under the strategic orientation, including but not limited to study tour programs, camp education events, and liberal education curriculum as part of the synergistic extension from international education.

   To improve our management standard, we will increase the efforts to develop and reserve the talent pool for education professionals, and strengthen the reputation and influence of China Development Bank Education in the education sector by actively attending forums organized by academic committees and external education organizations.

We will continue to pursue the development roadmap of investments and financing. In addition to original investors of Kaiyuan Education, we will continue to explore a wider spectrum of more premier investment and financing partners at home and abroad so as to ensure the appreciation of education investments.

3. **Our Continued Efforts to Operate and Manage Optical Valley New Development International Center**

Following the COVID-19 outbreak early 2020, economic activities in Wuhan suffer comparatively severe impacts. In this regard, the Group vigorously strengthens the epidemic prevention and control measures for our property projects in Wuhan so that the projects remain in steady operation. Subsequently, the Group will continue to carry out effective commercial lease of the remaining spaces by taking the initiative to collect and identify customer requirements, improving the satisfaction rate of landlords and tenants, and providing premier property management and comprehensive operation services. In addition, the Group will continue to maintain good partnerships and further explore partnership. On the other hand, by paying close attention to the dynamics of outstanding peers, we will analyze and strengthen our own advantages. By screening prospective tenants for occupancy and improving the tenant retention rate, we will build the Optical Valley New Development International Center into a landmark property project in Wuhan, and strive for the title of "Wuhan Outstanding Demonstration Building" (武漢市優秀示範大廈).

4. **Deepening the management of remaining projects**

In 2020, the Company will continue to deepen the management of remaining projects, including the execution of the new cooperation agreement between SGLD and the Local Government and the collection of funds, as well as the government negotiations and model optimization of Shenyang Lixiang Project.

5. **Promoting the development of new projects**

The Company will increase efforts to develop and invest in the projects that correspond to livelihood improvement, and proceed with inclusion of high-quality projects. By leveraging the partnership advantages based on the existing platforms, the Company will explore new tourism projects and increase tourism-related investments. In the meanwhile, we will push forward with inclusion of healthcare and retirement investment projects, including the specific planning approval and construction of the Junzhuang Project based on the approval of the overall planning of Mentougou District. Furthermore, we will expand the potential project portfolio, providing the excellent momentum drive the subsequent business development.

Looking ahead to 2020, the Group will put the advantage of the CDB's systematical network resources and extensive experiences into full play. Under the leadership of the Company's management team, it will integrate its advantages and unite with sincerity, aiming at building itself into a leading investment and operation platform in the field of livelihood improvement in China, and create long-term value for the shareholders.

Profiles of Directors and Senior Management

DIRECTORS

Mr. Zuo Kun,

aged 45, was appointed as a Non-executive Director and the vice chairman of the Board (the "Vice Chairman") on 28 March 2014. He was redesignated from a Vice Chairman to the chairman of the Board on 21 March 2019. Mr. Zuo holds a master's degree in politics and economics from Lanzhou University. Mr. Zuo is currently the vice president of China Development Bank Capital Corporation Limited* (國開金融有限責任公司) ("CDBC"), a controlling shareholder of the Company. He has extensive experience in the investment and financial industry. He joined CDBC in 2009 and has been the vice president of CDBC since March 2011. From 2001 to September 2009, Mr. Zuo had been working at, in a chronological order, the International Finance Bureau, Lanzhou Branch, and executive office of China Development Bank Corporation* (國家開發銀行) ("CDB").

Mr. Li Yao Min,

aged 69, was appointed as a Non-executive Director on 11 January 2007 and has been the Executive Vice Chairman of our Company since 1 April 2007. Mr. Li was previously appointed as Co-Vice Chairman on 1 December 2008 and has subsequently been re-designated as Chief Executive Officer and Co-Vice Chairman since 7 January 2010 and as Chief Executive Officer and Co-Chairman on 1 July 2011. Mr. Li was re-designated as a Non-executive Director and the Vice Chairman of the Board on 28 March 2014. From 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a General Manager, responsible for the overall management and development of commercial property. He has over 20 years of experience in business management and the property development industry, including over 12 years' experience in new town development in the PRC. Mr. Li is also a founder of SRE Group Limited ("SRE", Stock Code: 1207), and was reappointed as the co-chairman and executive director of SRE on 29 August 2013, and resigned on 5 February 2015. Mr. Li will be responsible for the duties in the absence of the chairman of the Board and the execution of the Group's business strategies and plans.

Mr. Liu Heqiang,

aged 50, was appointed as an Executive Director and the Chief Executive Officer on 28 March 2014. Mr. Liu graduated from University of Science and Technology Beijing with a master's degree in industrial engineering. Mr. Liu has extensive experience in banking and investment industry. From December 2009 to 1 April 2015, Mr. Liu was the general manager of the direct investment division III of CDBC, a controlling shareholder of the Company, where he was responsible for the investment in urban development related areas. From 1992 to 2009, Mr. Liu had been working at, in a chronological order, in State Raw Materials Investment Corporation (國家原材料投資公司), and Northeast Credit Department (東北信貸局), Tianjian Branch, and the Market and Investment Business Bureau, of CDB. Mr. Liu is the president of the Company and is responsible for the management of the business of the Company and its subsidiaries (the "Group"). Mr. Liu is also a director of several subsidiaries of the Company, such as China New Town Holding Company Limited.

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Profiles of Directors and Senior Management

Mr. Wei Dongzheng,

aged 47, was appointed as a Non-executive Director on 21 March 2019 and has more than 25 years of experience in financial, information technology and management. Mr. Wei graduated from Guanghua School of Management in Peking University in the PRC with an executive master's degree in business administration. Mr. Wei is currently an official cadre of CDBC who is assigned to Guokaiyuanrong Asset Management Co., Ltd. as deputy general manager. CDBC is the controlling shareholder of the Company. He joined CDBC in 2009 and had served as general manager of integrated business department. From December 1998 to December 2009, Mr. Wei served in Nanning Branch and Guangxi Branch of CDB. CDBC is a wholly-owned subsidiary of CDB. Before joining of CDB, he worked at the information centre of the main bureau of the General Office of the Party Committee of Guangxi Zhuang Autonomous Region and the Information Department of Guangxi Branch of China Investment Bank.

Mr. Wang Jiangang,

aged 38, was appointed as a Non-executive Director on 21 March 2019 and has more than 10 years of legal experience. He obtained a master's degree in international law from the International Law Department of Foreign Affairs College. Mr. Wang is currently a deputy general manager of investment management department and head of risk and legal compliance department of CDBC. CDBC is the controlling shareholder of the Company. He joined CDBC in 2010 and successively held the positions of deputy general manager of risk management department and head of legal affairs department. Prior to joining CDBC, he had worked at the bankruptcy reorganisation department and litigation and arbitration department of Beijing Jindu Law Firm.

Ms. Yang Meiyu,

aged 37, was appointed as an Executive Director on 28 March 2014. Ms. Yang graduated from Peking University with a master's degree in finance. Ms. Yang joined CDBC in December 2009, where she was responsible for urban development related investment and served as the manager, senior manager and assistant to general manager of the Direct Investment Division III of CDBC, a controlling shareholder of the Company, respectively, and the vice general manager of the Management Department of a subsidiary from April 2015 to August 2016. Currently, she also acts as directors and supervisors of various subsidiaries of CDBC. Prior to joining CDBC, Ms. Yang worked as an investment manager at China Reits Investment, where she was involved in various fund raising and land development projects. Ms. Yang is the vice president of the Company and is responsible for corporate financing, operation and investors' relation management. Ms. Yang is also the directors of several subsidiaries of the Company, such as Weblink International Limited, Meeko Investment Limited and Protex Investment Limited.

Mr. Ren Xiaowei,

aged 48, was appointed as an Executive Director on 28 March 2014. Mr. Ren graduated from Beijing Machinery and Industrial College (北京機械工業學院) with a bachelor's degree in engineering. He joined CDBC, a controlling shareholder of the Company, in December 2009. He worked as assistant general manager and chief operating officer of China Development Caofeidian Investment Company Limited (國開曹妃甸投資有限公司), the vice president and chief investment supervisor of China Development Jilin Investment Company Limited. Mr. Ren had been the senior manager of the direct investment division III of CDBC and the vice general manager of the department, respectively, from 2009 to 2014. He has extensive experience in import and export industry. Prior to joining CDBC, Mr. Ren worked as department manager of China National Machinery Import & Export Corporation (中國機械進出口公司) from 1995 to 2003 and as managing director of Bidwiin Tech from 2003 to 2009. Mr. Ren is currently the vice president of the Company and is responsible for the management of urban development projects and construction projects. Mr. Ren is also a legal representative of Shanghai Golden Luodian Development Co., Ltd. and a director of several subsidiaries of the Company.

Mr. Shi Janson Bing,

aged 36, graduated from the University of Southern California and obtained a bachelor's degree in accounting in May 2007, joined the Group in December 2007 and was an Executive Director from 12 December 2007 to 28 March 2014. Mr. Shi was appointed as an Executive Director on 12 August 2016 and is responsible for strategic cooperation of the Group. He was an executive director of SRE (Stock Code: 1207) from 17 July 2015 to 12 July 2018.

Mr. Henry Tan Song Kok,

aged 55, was appointed to our Board on 25 September 2007. He is the Lead Independent Non-executive Director and the Chairman of the audit committee of the Board (the "Audit Committee") and a member of each of the nomination and remuneration committees of the Board (the "Nomination Committee" and the "Remuneration Committee", respectively). He is the Managing Director of Nexia TS Public Accounting Corporation and Nexia TS Pte Ltd. He was the past Asia Pacific Regional Chairman and board member of Nexia International. He holds directorship for several companies. He is a director of YHI Corporation (S) Pte Ltd, BH Global Corporation Limited, Yinda Infocomm Limited and Asia Vets Holdings Ltd. He is the Chairman of the Nanyang Business School Alumni Advisory Board of NTU. Previously, he was a director of Raffles Education Corporation Limited and Ascendas Fund Management (S) Limited (Manager of Ascendas Real Estate Investment Trust). Mr. Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia and Insolvency Practitioners Association of Singapore Ltd and Singapore Institute of Directors and a member of Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Accredited Tax Professional Limited.

Profiles of Directors and Senior Management

Mr. Kong Siu Chee,

aged 73, was appointed as an Independent Non-executive Director on 30 November 2006. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr. Kong obtained a bachelor's degree in arts from the University of Hong Kong in November 1969 and a master degree in business administration from the Chinese University of Hong Kong in December 1980. He is an associate of The Chartered Institute of Bankers in the United Kingdom. Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a director of Champion Technology Holdings Limited from 1993 to 1994 and a director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 and 2005, he served as a director, Executive Vice President and Alternate Chief Executive Officer of CITIC Ka Wah Bank Limited (renamed as CITIC Bank International Limited in May 2010), and was also a director and the Managing Director of CITIC International Financial Holdings Limited from 2002 to 2005 and was an independent non-executive director of Harbin Bank Co., Ltd. (Stock Code: 6138) from October 2013 to October 2019. Mr. Kong has been appointed as an independent non-executive director of Chinney Kin Wing Holdings Limited (Stock Code: 1556) since 20 October 2015.

Mr. Zhang Hao,

aged 60, was appointed as an Independent Non-executive Director and a member of the Audit Committee on 13 February 2012. Mr. Zhang is currently the vice director and part-time professor of the Yangtze River Basin Development Institute of the East China Normal University. He graduated from the Department of Economics of the Nanjing University in August 1990 and then obtained a master degree in business administration from the Shanghai Jiao Tong University in March 2005. Mr. Zhang had previously served in various departments of the provincial government of the People's Republic of China for over 29 years. From August 1981 to August 1996, he worked first as the senior staff member in the Planning Commission of Chongming County and then as the superintendent of the Seawall Project Management of Chongming County. From August 1996 to December 2010, Mr. Zhang held various positions including as a senior staff member of the Cooperation Office of the Shanghai Municipal Government and a cadre of the department of district and county economy of the Shanghai Municipal Development Planning Commission.

Mr. E Hock Yap,

aged 64, was appointed as an Independent Non-executive Director on 29 May 2012. He is also the Chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. He obtained a bachelor's degree in Chemical Engineering from the University of Sheffield, United Kingdom in 1978. He is also a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the Chief Executive Officer and as the Managing Director of Prime Credit Limited during the period from August 1999 to December 2007. Mr. Yap has also been appointed as an executive director of Convoy Global Holdings Limited (Stock Code: 1019) since 9 December 2017.

SENIOR MANAGEMENT

Mr. Mao Yiping,
aged 51, joined SRE in 1993. He subsequently joined our Group in November 2006 and was appointed as an Executive Director on 30 November 2006 and was appointed as Vice President on 22 November 2007. He has been the General Manager for the new town project located in Shenyang Lixiang District ("Shenyang Project") since 1 April 2007 and is responsible for overseeing the development of the Shenyang Project. Mr. Mao obtained a bachelor's degree in mechanical engineering from the Shanghai Jiao Tong University in July 1991 and a master's degree in business administration from the City University of Hong Kong in November 2003. He resigned as an Executive Director on 28 March 2014, and was designated as Vice President of the Company with effect from 28 April 2014.

Mr. Wu Jubo,
aged 53, has been appointed as CFO on 11 March 2015. Mr. Wu graduated from the University of Science and Technology Beijing with a bachelor degree of accounting in January 2005. Mr. Wu holds a PRC professional qualification certificate in accounting and has over 31 years of experience in accounting and finance management. Prior to joining the Company, he was the Chief Accountant at Yangzhou subsidiary of CITIC Pacific Special Steel Group from 1 May 2013 to 1 April 2014. He also worked as the director and financial controller at Kazakhstan KMK Oil Joint Stock and the deputy general manager at Wuxi Heng Yuan Investment Company Limited from 1 May 2010 to 1 May 2013. During the period from 4 April 2004 to 1 May 2010, Mr. Wu was the head of the finance department of CITIC Pacific (Hong Kong) Investment Company Limited, Chief Accountant at Xing Cheng Special Steel Co., Ltd., and director and company secretary of Daye Special Steel Co., Ltd. Mr. Wu would be responsible for matters relating to corporate finance, corporate development and assists in strategic planning, as well as other financial management duties.

Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Company and its subsidiaries (the "Group") of the last five financial years, as extracted from the published audited financial statements and reclassifies as appropriate, is set out below.

RMB'000	2019	2018	2017	2016	2015
		For the year ended 31 December			
Continuing operations					
Operating income	**614,931**	722,126	1,232,296	303,088	210,837
Revenue	**414,941**	599,286	1,151,794	244,572	163,962
Other income	**199,990**	122,840	80,502	58,516	46,875
Operating expenses	**(453,396)**	(853,240)	(665,085)	(334,524)	(182,941)
Cost of sales	**(30,931)**	(444,842)	(391,246)	(46,164)	(12,445)
Selling and administrative expenses	**(124,379)**	(137,585)	(125,764)	(126,207)	(97,745)
Finance costs	**(165,238)**	(149,708)	(99,145)	(104,595)	(69,230)
Other expenses	**(132,848)**	(121,105)	(48,930)	(57,558)	(3,521)
Operating profit/(loss)	**161,535**	(131,114)	567,211	(31,436)	27,896
Gain on disposal of subsidiaries and joint ventures	**—**	—	—	103,444	60,378
Share of gains/(losses) of joint ventures and associates	**15,956**	(14,954)	(4,395)	(1,204)	(51)
Profit/(loss) before tax from continuing operations	**177,491**	(146,068)	562,816	70,804	88,223
Income tax	**(66,139)**	268,320	(143,452)	(3,651)	5,254
Profit for the year from continuing operations	**111,352**	122,252	419,364	67,153	93,477
Discontinued operations					
Loss after tax for the year from discontinued operations	**—**	—	—	(34,065)	(125,359)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	**—**	—	—	301,277	67,683
Profit/(loss) for the period	**111,352**	122,252	419,364	334,365	35,801
Non-controlling interests	**15,940**	38,359	83,750	11,711	(29,340)
Profit attributable to equity owners of the parent	**95,412**	83,893	335,614	322,654	65,141
Assets and liabilities					
Total assets	**8,670,988**	9,005,415	8,098,824	8,111,971	10,885,616
Total liabilities	**3,991,530**	4,388,007	3,493,610	3,834,104	7,001,194
Total equity	**4,679,458**	4,617,408	4,605,214	4,277,867	3,884,422
Equity attributable to equity owners of the parent	**4,239,106**	4,192,996	4,221,394	3,913,611	3,590,957
Non-controlling interests	**440,352**	424,412	383,820	364,256	293,465
Total equity	**4,679,458**	4,617,408	4,605,214	4,277,867	3,884,422

Management Discussion and Analysis

OPERATING RESULTS

Revenue

Our results from operation mainly include land development, urbanization development and property leasing. During the year ended 31 December 2019 (the "Year 2019"), the Group recorded revenue of RMB415 million, decreased by 31%, as compared to that of the year ended 31 December 2018 (the "Year 2018"), primarily because the Group recorded land development income of RMB12,633 thousand, decreased by 95% as compared to that of last year. In Year 2019, we recorded revenue of RMB296 million from urbanization development, consist of interest from debt instruments at amortised cost of RMB284 million, and interest similar income from investment funds of RMB6,833 thousand, and revenue related to fee from asset and fund management of RMB6,260 thousand, decreased by 5% compared to that of Year 2018. In Year 2019, the revenue related to property leasing of RMB106 million was recorded, including rental income from property leasing of RMB78,109 thousand and property management fee of RMB27,405 thousand. Since rent and property management fees were began to collect in May 2018, and the number of tenants increased significantly this year, the income increased by 4.13 times compared with the same period in Year 2018.

Other income

For the Year 2019, other income amounted to RMB200 million, increased by 63%, as compared to that of Year 2018. It was mainly due to an increase of fair value of investment property by RMB112 million, the appreciation value of investment property increased by 47% over the same period in Year 2018. Besides, net gain on financial instrument at fair value through profit or loss increased by RMB38,117 thousand compared to that of Year 2018.

Cost of sales

For the Year 2019, cost of sales of RMB30,931 thousand was recorded, including cost of land development of RMB10,366 thousand and cost of property management of RMB14,129 thousand. The cost of sales was decreased by 94% as compared to that of Year 2018, mainly due to a decrease of cost of land development of RMB428,756 thousand in Year 2019, which is the reduction of the corresponding cost of completed land infrastructure and cost of completed ancillary public facilities for Shanghai Golden Luodian Development Co., Ltd. ("SGLD").

Other expenses

For the Year 2019, other expenses were RMB132,848 thousand, increased by 10% as compared to that of Year 2018, mainly because expected credit loss of RMB130,752 thousand was recorded in Year 2019, increased by RMB117,296 thousand as compared to that of Year 2018, which was caused by the provision of RMB141 million for impairment of risk assets related to the Nanchang Science and Technology Park Project of Chinese Academy of Sciences Project. Besides, foreign exchange net loss was RMB153 thousand in Year 2019, decreased by RMB104,888 thousand as compared to that of Year 2018.

Finance costs

For the Year 2019, net finance costs of RMB165,238 thousand was recorded, increased by RMB15,530 thousand as compared to that of Year 2018, mainly due to the increase of average balance of bank and other borrowings during this year. In Year 2019, the interest expenses of bank and other borrowings and senior guaranteed notes subtotals for RMB156,277 thousand, compared with the same period in Year 2018 of the interest expenses of bank and other borrowings and senior guaranteed notes, increased by RMB18,947 thousand. It was due to proceeds from a bank borrowing of Bank of China of RMB795,380 thousand in Year 2019. The bank borrowing interest rate was higher than that of the loan of RMB561 million from China Minsheng Bank which had been repaid in Year 2019. No interest capitalization was accrued for the Year 2019.

Share of gains/(losses) from associates and joint ventures

For the Year 2019, the Group's share of gains from associates and joint ventures was RMB15,956 thousand. The profit mainly due to share of gain of RMB1,940 thousand from Kaiyuan Education Fund GP Holdings Limited ("GP Holding Co"), and gain of RMB20,537 thousand from Kaiyuan Education Fund LP (the "Kaiyuan Fund" or "Kaiyuan Education"). Most of the other associates and joint ventures are under construction stages with no solid income generated.

Taxation

For the Year 2019, the Group recorded an income tax charge in respect of current year of RMB66,139 thousand, such income tax mainly attributable to: i) current income tax charge of RMB7,607 thousand; ii) deferred tax charge of RMB37,624 thousand; and iii) withholding tax charge of RMB20,908 thousand.

Financial Position

Investment in associates

The balance as at 31 December 2019 increased by RMB56,594 thousand as compared with the balances as at 31 December 2018, mainly due to China Development Bank Education Co., Ltd. ("CDB Education") made new contributions of USD4,872 thousand to Kaiyuan Fund (equivalent to RMB32,753 thousand), share of gain of RMB22,477 thousand from associates and other comprehensive income arising from associates of RMB1,364 thousand due to foreign currency translation.

Investment in joint ventures

The balances as at 31 December 2019 decreased by RMB6,546 thousand as compared with the balances as at the end of 2018, mainly due to share of losses of RMB6,521 thousand from joint ventures.

Debt instruments at amortised cost (non-current assets)

The 2019-year balances of debt instruments at amortised cost (non-current assets) amounted to RMB1,213 million, a decrease of RMB1,152 million as compared with the balance as at the end of 2018. Such decrease was due to (i) the following debt instruments at amortised cost (non-current assets) of RMB2,024 million were reclassified to debt instruments at amortised cost (current assets): the Tourism Project in Changbaishan of RMB10 million, Nanchang Science and Technology Park Project of Chinese Academy of Sciences of RMB400 million, Lianyungang Haohai R&D Centre Project of RMB100 million, Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project of RMB156 million, Jiangsu Taizhou New Energy Industrial Park Project of RMB329 million, Shandong Qingzhou MI River Comprehensive Control Project of RMB207 million, Jiangsu Lianyungang Haizhou Bay Tourism Town Project of RMB314 million, Jiangsu Huai'an Huaiyin District Urban Renewal Project of RMB312 million, Yangzhou Gaoyou National Agricultural Science and Technology Park Project of RMB196 million; (ii) new projects invested totaled RMB989 million: Chengdu Jintang Huaizhou New City Yunding Ranch Cultural Tourism Project of RMB251 million, Taizhou Tongtai Intelligent Manufacturing Industrial Park Project of RMB305 million, the first Phase Construction Project of High-tech Science and Technology Innovation Park in Yangzhong City of RMB201 million, Suqian Yanghe Bio-tech Industrial Park Project of RMB107 million, interest-bearing loan of RMB96 million to joint ventures, Shaoxing Shilihetang Comprehensive Operation Management Project of RMB2 million, and Gaoyou PPP Project additional investment of RMB27 million; (iii) withdrawal from Yangzhou River Banks Project with the principal of RMB150 million; and (iv) the adjustment of the allowance for expected credit losses ("ECLs") amounted to RMB33 million.

Financial assets at fair value through profit or loss (non-current assets)

The balance as at 31 December 2019 amounted to RMB71,217 thousand, decreased by RMB27,904 thousand as compared to the balance as at the end of Year 2018. It was mainly because CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town") redeemed investment principal of RMB27,950 thousand from the Urbanization Fund in 2019, a decrease in the fair value of RMB3,660 thousand was recorded for this year, the equity instruments whose fair value amounted to RMB5,439 thousand at the end of Year 2018 was classified to current assets and a fair value increase of RMB9,150 thousand of Jiangsu Hong-tu Software Venture Capital Investment Ltd.

Investment property

The balance as at 31 December 2019 was RMB1,448 million, increased by RMB132 million as compared to the balance as at the end the Year 2018. This is due to in Year 2019 the increase of the cost of the investment properties of RMB20,717 thousand and the appreciation of fair value of RMB111,768 thousand.

Right-of-use assets

The balance as at 31 December 2019 increased by RMB17,170 thousand as compared to the balance as at the end the Year 2018, which was mainly due to the right-of-use assets in respect of the buildings, vehicles and prepaid land lease payments previously under operating lease, as a result of the Group's adoption of IFRS 16 Leases on 1 January 2019.

Other receivables

The balance as at 31 December 2019 decreased by RMB55,987 thousand as compared with the balance as at the end of Year 2018 (Please refer to Note 19 to the financial statements), mainly due to the receipt of the consideration of Wuxi Project of RMB59,940 thousand. And as the interest was accrued on shareholder loan to Nanjing Guoying Zhongxi Development Co., Ltd. ("Nanjing Guoying") in Year 2019, the shareholder loan was reclassified to debt instruments at amortised cost, thus the other receivables of Nanjing Guoying was reduced by RMB40 million and the interest receivables from debt instruments at amortised cost was increased by RMB24.93 million. And newly added payment of the project deposits of RMB30,280 thousand and payment of decoration of RMB4,101 thousand. Allowance for ECLs was increased by RMB17,257 thousand mainly due to the full impairment on the half year's interest receivable of Nanchang project amounting to RMB17.93 million.

Trade receivables

The balance as at 31 December 2019 decreased by RMB985 million as compared with the balance as at the end of Year 2018, which was mainly due to the collecting of the receivables of RMB1,000 million from land development for sale, and an additional RMB5 million management fee receivables from the government. Allowance for ECLs was decreased by RMB7,543 thousand due to a net decrease in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

Debt instruments at amortised cost (current assets)

The balance as at 31 December 2019 was RMB1,933 million, increased by RMB1,085 million as compared to the balance as at the end the Year 2018. This is due to reclassification of debt instruments from non-current assets to current assets of RMB2,024 million, the redemption of the debt instruments on expiration of RMB806 million, and the adjustment of allowance for ECLs of RMB133 million.

Financial assets at fair value through profit or loss (current assets)

The balance as at 31 December 2019 amounted to RMB1,199 million because the Group purchased short-term wealth management products issued by Shanghai Pudong Development Bank, Bank of Communications, Bank of China, and China Minsheng Bank, as well as derivatives held by the Group (Please refer to Note 14 to the financial statements).

Other current assets

The balance as at 31 December 2019 amounted to RMB18,236 thousand, mainly due to value-added tax to be deducted in mainland China.

Interest-bearing bank borrowings

The balance as at 31 December 2019 increased by RMB0.21 billion as compared with the balance as at the end of 2018. This was mainly due to the grant of new short-term loan from Bank of East Asia of HKD300 million (equivalent to RMB269 million as at the end of Year 2019) and new long-term loan of RMB795 million from Bank of China, an increase of RMB31,665 thousand caused by changes in foreign exchange rates of loan of USD76,968 thousand and HKD1,173 million from CCB (Asia) (equivalent to RMB1,588 million as at the end of Year 2019), and the repayment of the loan of RMB325 million to Industrial and Commercial Bank of China Limited and the repayment of the loan of RMB561 million to Minsheng Bank (Please refer to Note 24 to the financial statements).

Trades payables

The balance as at 31 December 2019 decreased by RMB337 million as compared with the balance as at the end of 2018, which was mainly due to the payment of RMB295 million in respect of expenditures of land development in SGLD and the payment of RMB45,729 thousand in respect of the expenditure of Wuhan Chuguang Industry New Development Co., Ltd. ("Wuhan Chuguang").

Other payables and accruals

The balance as at 31 December 2019 decreased by RMB62,107 thousand as compared with the balance as at the end of 2018. This movement was mainly due to CDBC Co-Create Enterprise Management (Huzhou) Co., Ltd. repaid the borrowing of RMB62,925 thousand from the shareholder Huzhou Tongchuang Jintai Huizhong Enterprise Management Partnership (Limited Partnership) ("Tongchuang LP"), and an increase of RMB1,041 thousand of payable for intermediary and professional service charges.

Financial liabilities at fair value through profit or loss

The balance as at 31 December 2019 decreased by RMB189,951 thousand as compared with the balance as at the end of 2018, mainly because Jiangsu Fund refunded all investment capital of RMB119 million to other interest holders of CIB Wealth Management Co., Ltd. and CDB Jingcheng (Beijing) Investment Fund Company Limited, and Jiangguang Fund refunded investment capital of RMB70 million to Zhongmin Company, and the fair value of derivative instruments increased by RMB2,008 thousand (Please refer to Note 29 to the financial statements).

Cash and bank balances

Overall, cash and cash equivalents for the Year 2019 decreased by RMB393 million as compared with the balance as at the end of Year 2018, with a total balance of RMB270 million as at 31 December 2019, mainly due to net cash inflow from operating activities of RMB698 million, net cash outflow from investing activities of RMB741 million, and net cash outflow from financing activities of RMB350 million during the Year 2019.

Gearing ratio (defined as net debt/the sum of shareholders equity and net debt) as at 31 December 2019 was 34.6%, which increased as compared with 29.6% as at 31 December 2018, mainly because bank borrowings of the Group for the period increased compared to Year 2018, and cash and cash equivalent decreased.

Details of important events affecting the Company and its subsidiaries which have occurred since the end of the previous financial year

In 2019, the market witnessed a complicated landscape amid significantly strengthened domestic and international risks and challenges. Under the leadership of the Party Central Committee centering on President Mr. Xi Jinping, all regions across the country persisted in the general principle of maintaining stability with advancement, as well as innovative development concepts that pursue the supply-side structural reform as the major focus. As a result, the active promotion of high-quality economic development assisted with the overall stable operation of the national economy, and the development quality stabilized with improvement. Furthermore, major expected targets have been effectively achieved, laying a solid foundation for comprehensively developing a well-off society.

In 2019, the GDP reached nearly RMB100 trillion, representing a year-on-year increase of 6.1%, which is in line with the expected target of 6% – 6.5%. Ranking high among the world's major economies, China witnessed the total GDP per capita exceed the USD10,000 mark, representing a new forward in economic development. The proportion of the service sector in the national economy is constantly increasing, as consumption plays a fundamental role in economic development and continues to be the primary momentum for economic growth. In parallel with economic development, personal income grows, and the disposable income per capita of residents across the country exceeds RMB30,000, representing a year-on-year increase of 5.8%. This is consistent with the growth rate of total GDP per capita, and the income gap between urban and rural areas has further narrowed. The efforts to improve domestic livelihood security continues to increase. While promoting large-scale tax cut and fee reductions, governments at all levels ensured a reasonable increase in the livelihood expenditures, and continued to increase investments in education, pensions, medical care, and affordable housing to improve the living experiences of the general population.

For 2019 under review, the corresponding issues related to livelihood development have achieved significant results. As per the Central Economic Work Conference, "three major battles have made key progress", "targeted poverty alleviation has achieved remarkable results", "the quality of ecological environment has in general improved", and "a major progress has been made in building a well-off society in an all-round way". Meanwhile, priorities in 2020 are also identified in the Central Economic Work Conference. To be more specific, the livelihood, especially the basic living standard of the underprivileged, must be effectively protected and improved so as to ensure poverty alleviation tasks are completed as scheduled; and effective fiscal and monetary policies are introduced to improve and develop livelihood, particularly facilitating the elderly healthcare service development, as well as rendering social support for universal access to child care services. In addition to the development of a high-quality tourism industry, the market-oriented development of the sports and fitness industry is encouraged.

The Group resolutely implements national policies to improve livelihood by intensively exploring and strategically establishing business presence as to livelihood improvement. In entrenching our business foothold in education, tourism, healthcare, and other sectors, we have made a positive and encouraging progress.

In terms of education, the preliminary preparation for building Reigate Grammar School Nanjing, which is located in Qilin Industrial Park, Jiangning District, Nanjing, has basically been completed, which aims to develop a curriculum system that conforms to the long-standing education heritage of the School and integrates the essences of Chinese and Western cultures and education systems. Furthermore, a team of management and faculty members with rich experience in international school operations will be established. Launching a variety of brand and marketing campaigns in 2019, the School achieved desirable results, attracting the attention of numerous families in Nanjing and successfully securing the first batch of family customers.

At the same time, in August 2019, Guokai Education and Jiangsu Zhangjiagang High-tech Industrial Development Zone (江蘇省張家港高新技術產業開發區) signed an agreement in relation to investments in the bilingual school Reigate Grammar School, which procured Kaiyuan Education to invest in Zhangjiagang and run the Reigate Grammar School Zhangjiagang, a school that covers a period of 15 years from kindergarten to senior high. This proves that Reigate Grammar School Zhangjiagang has successfully emulated the achievement of Reigate Grammar School Nanjing due to its good marketing effects. Located in the core area of the high-tech zone, the school is a key construction project for the government to promote the PPP construction. Kaiyuan Education will export the Reigate brand through asset-light operation, affecting the economically developed areas of Suzhou, Wuxi and Changzhou. Tapping into the resource advantages and landing experience of Reigate Grammar School Nanjing, Zhangjiagang School is progressing smoothly and has been basically completed its planning and design, construction of which is about to commence.

In terms of industrial sector, the Group's Optical Valley New Development International Center (光谷新發展國際中心), located in Wuhan City, Hubei Province, has basically completed attracting investments in office buildings and commercial projects in 2019, both of which have reported good occupancy rates and rental levels, and will become a stable revenue source for the Group. In 2019, owing to high-quality properties and excellent services, the project was awarded the title of "First Unique Cultural Industrial Parks" by the Publicity Department of the Wuhan Municipal Party Committee, and was included in the first batch of "New Industrial Landmark" projects selected by Wuhan Changjiang Daily, Wuhan Municipal Economic and Information Bureau (武漢市經濟及信息化局) and other business units. Despite a severe epidemic affecting Wuhan in early 2020, the Group adopted various scientific management techniques to maintain the smooth operation of the property project and the safety of related personnel.

In terms of fixed income, the Group continued with fixed investments in new urbanization projects at a stable pace, carried out stringent risk management, and strengthened post-investment management of special projects with an active role in addressing project risks. These initiatives have ensured a stable investment portfolio. By the end of December 2019, the fixed income investments of the Group amounted to approximately RMB3.2 billion, representing an average annualized pre-tax return rate of 10.3%. During the Year 2019, five new special investments projects generated an investment scale of approximately RMB0.9 billion.

On 8 July 2019, CDB Nanjing Investment Development Co., Ltd. ("CDB Nanjing"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Nanjing Guoying Zhongxi Development Company Limited (the "Joint Venture"), pursuant to which CDB Nanjing has agreed to lend to, the Joint Venture, a loan in the principal amount of RMB70,000,000. On the same day, CDB New Town (Beijing) Asset Management Company Limited ("CDB New Town"), an indirect wholly-owned subsidiary of the Company, and CDB Nanjing entered into a guarantee with Jiangsu Zijin Rural Commercial Bank Co., Ltd., pursuant to which CDB New Town and CDB Nanjing has agreed to guarantee the punctual due payment of a loan facility up to RMB200,000,000 granted by the bank to the Joint Venture. Please refer to the Company's announcement dated 8 July 2019 for further details.

China New Town Holding Company Limited (a wholly-owned subsidiary of the Company) and CDB Nanjing entered into the cooperation agreement (the "Agreement") with The First Construction Company of Jiangsu Provincial Construction Group Co., Ltd. ("The First Construction Company of JPC") and Nanjing Guoying Zhongxi Development Co., Ltd. (the "Project Company"). Pursuant to the Agreement, Sichuan Zhongxi Properties Company Limited ("Sichuan Zhongxi") will transfer all of its 50% equity interests in the Project Company to The First Construction Company of JPC (the "Transfer of the Target Equity Interests"); each party agrees to the Transfer of the Target Equity Interests and undertakes to handle all relevant procedures involved in the Transfer of the Target Equity Interests in accordance with the Agreement; the parties shall perform the relevant obligations in full pursuant to the Agreement after the Transfer of the Target Equity Interests is completed. Please refer to the Company's announcement dated 28 February 2020 for further details.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, there were 121 (2018: 140) employees in the Group. During the Year 2019, the total staff cost including Directors' remuneration amounted to approximately RMB55,153 thousand (2018: RMB64,092 thousand). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group. The Company has adopted a share option scheme for the grant of share options to eligible participants. The Group also provide and arrange on-the-job training for the employees.

OUTLOOK

Looking ahead to 2020, the Group will strengthen the research and analysis of fixed income investment models taking into consideration the domestic economic development momentum, while steadily proceeding with special project investments. Besides stabilizing the balance and yield rate of the investment portfolios, we provide the cash flow and income to the Group, and ensure effective post-investment management and risk management of special projects. Furthermore, we continue to deepen the livelihood improvement and strengthen the commitments to invest in education, tourism, healthcare and other sectors. While identifying high-quality project operation opportunities to expand our project pipeline, we continue with the disposal and improvement of existing urbanization projects, further optimizing our business model. By fully tapping into CDB's system network resources and experience advantages, we sincerely unite as one and build ourselves into a leading domestic investment and operation platform for livelihood, while generating long-term values for our shareholders.

Since the outbreak of COVID-19 in January 2020, the prevention and control has been continuously carried out nationwide. Wuhan Chuguang, the subsidiary of the Company, is located in Wuhan City, Hubei Province, which is mainly engaged in self-owned house leasing and property management. Its major assets is investment property located at the New Development International Centre in Wuhan that has retail, office and car park spaces.

The outbreak of COVID-19 will have a certain impact on the operation of enterprises in some provinces (including Hubei) and some industries, as well as the overall economic operation, which may affect the assets income of the Group to some degree which depends on the prevention and control, the duration and the implementation of control policies.

The Group will continue to pay close attention to the situation of the COVID-19, evaluate and actively respond to its impact on the Group's financial position, operating results, and possible impairment risk of important assets, etc. As of 30 March 2020, the assessment is still in progress.

Corporate Governance Report

The board of directors and management of China New Town Development Company Limited (the "Company" and the "Board", respectively) are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability. Good corporate governance is an integral element of a sound corporation to protect and enhance shareholders' value.

The Board has reviewed its corporate governance practices and confirmed that the Company had complied with all principles and guidelines set out in the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) throughout the financial year ended 31 December 2019 (the "Financial Year") except for code provision E.1.2 of the CG Code that the chairman of the Board (the "Chairman") should attend the annual general meeting. However, Mr. Zuo Kun ("Mr. Zuo") was unable to attend the annual general meeting of the Company held on 21 June 2019 (the "2019 AGM") due to other business engagements. In the absence of the Chairman, Mr. Liu Heqiang, an executive director and the chief executive officer of the Company, took the chair of the 2019 AGM in accordance with the articles of association of the Company to ensure effective communication with its shareholders.

BOARD MATTERS

The Board

The Board has the overall responsibility for the proper conduct of the Company's businesses. The Board's primary role is to provide entrepreneurial leadership, set strategic goal and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives as well as to protect and enhance long-term values for the shareholders of the Company (the "Shareholders"). It sets the overall strategy for the Group and reviews management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Three (3) board committees established by the Board include the audit committee (the "AC"), the nomination committee (the "NC") and the remuneration committee (the "RC") (collectively the "Board Committees") and they assist the Board in discharging its duties. The effectiveness of each Board Committee is also constantly monitored.

The Board meets at least four times a year at approximately quarterly intervals for review of the financial performance and results of each period, material investments and other significant matters of the Group. The articles of association of the Company (the "AoA") provides for the convening of the Board or Board Committee meetings by way of telephonic or similar communications.

The attendance records of the directors of the Company (the "Directors") at the meetings of the Board, the Board Committees and annual general meeting (the "AGM") during the Financial Year are set out below:

Name of Directors	Attendance/Number of Meetings (during Director's tenure) Board Meeting	AC	NC	RC	AGM
Executive Directors					
Liu Heqiang	4/4	—	—	—	1/1
Yang Meiyu	4/4	—	—	—	1/1
Ren Xiaowei*	4/4	—	—	—	0/1
Shi Janson Bing	3/4	—	—	—	1/1
Non-executive Directors					
Li Huachang (resigned with effect from 21 March 2019)	0/1	—	—	—	—
Zuo Kun*	1/4	—	—	—	0/1
Li Yao Min	4/4	—	—	—	1/1
Wei Dongzheng (appointed with effect from 21 March 2019)*	1/3	—	—	—	0/1
Wang Jiangang (appointed with effect from 21 March 2019)*	2/3	—	—	—	0/1
Xie Zhen (resigned with effect from 21 March 2019)	0/1	—	—	—	—
Independent Non-executive Directors					
Henry Tan Song Kok (Lead)	4/4	3/3	1/1	1/1	1/1
Kong Siu Chee	4/4	—	1/1	1/1	1/1
Zhang Hao*	4/4	3/3	—	—	0/1
E Hock Yap	2/4	3/3	1/1	1/1	1/1

* unable to attend the meeting due to other business engagements.

Delegation by the Board

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's interim and annual results, connected transactions of a material nature, declaration of interim dividends and recommendation of final dividends.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board while the daily operations are delegated to the executive management and carried out under the supervision of the chief executives. All management and staff have defined roles and responsibilities and are subject to the Code of Conduct as set out in the Employee Manual which imposes on them specific obligations to our business.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") and written guidelines with more onerous requirements than the Model Code for securities transactions by employees of the Company (the "Securities Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman, Vice Chairmen and Chief Executive Officer

Following the resignation of Mr. Li Huachang as a NED and the Chairman of the Board (the "Chairman") with effect from 21 March 2019, Mr. Zuo Kun was redesignated from a vice chairman of the Board (the "Vice Chairman") to the Chairman on the same day. He is responsible for ensuring the effectiveness of Board matters, including the formulation, development and reassessment of the Group's strategies and policies. Mr. Li Yao Min is the Vice Chairman. He is responsible for the duties of the Chairman in the absence of the latter and the execution of the Group's business strategies and plans; and advising on the development of the Group. In addition, Mr. Liu Heqiang is the chief executive officer of the Company (the "CEO") and is responsible for overseeing the development of each new town projects and operations of the Company as a whole.

All major decisions made by the Chairman, Vice Chairman and the CEO are reviewed by the Board. As Chairman is not an INED, Mr. Henry Tan Song Kok was appointed as the Lead INED who will be available to Shareholders when they have concerns and when the contact through normal channels has failed to resolve or for which such contact is inappropriate.

Board Composition and Balance

As at 31 December 2019, the Board comprised twelve (12) members: four (4) EDs, four (4) NEDs and four (4) INEDs. The Board is able to exercise an independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues and no individual or small group could dominate the Board's decision making. There is no alternate Director appointed in the Board.

A list of the Directors and the positions held by each Director is set out in the Profiles of Directors and Senior Management on pages 17 to 20 of this Annual Report. The INEDs are expressly identified in all corporate communications pursuant to the Listing Rules.

There was no financial, business, family or other material relationship among the Directors.

During the Financial Year, the Board met the requirements of having INEDs representing at least one-third of the Board, i.e. four INEDs and exceeded the requirement of having at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise being appointed under the CG Code.

The criterion of independence is based on the definition given in the CG Code and Rule 3.13 of the Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who can interfere, or be reasonably perceived to interfere, with the exercise of independent judgment of the conduct of the Group's affairs by the Director.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of Directors to fulfill its responsibilities and act as a group to provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (the number of Directors may be increased where it is considered that additional expertise is required in specific areas, or when an outstanding candidate is identified); and

- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making them difficult to fully discharge their duties.

The INEDs exercise no management functions in the Company or any of its subsidiaries. Although every Director has equal responsibility for the performance of the Group, the role of the INEDs is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders but also of the employees, customers, suppliers and many communities in which the Group conducts businesses. The INEDs also meet regularly without management present. The Board considers its INEDs to be of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The INEDs have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of Directors.

The Board is of the view that its current composition of twelve (12) Directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged. During the Financial Year, no legal action was made against any of the Directors in relation to their duties performed for the Company.

Induction and Training of Directors

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they had complied with code provision A.6.5 of the CG Code on Directors' training. During the Financial Year, all the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

Name of Directors	**Topics of training covered** [Note]
Mr. Li Huachang (Chairman and NED) [Note 1]	B, C
Mr. Zuo Kun (Chairman and NED)	B, C
Mr. Li Yao Min (Vice Chairman and NED)	A, B, C
Mr. Liu Heqiang (Chief Executive Officer and ED)	A, B, C
Mr. Xie Zhen (NED) [Note 1]	A, B, C
Ms. Yang Meiyu (ED)	A, B, C
Mr. Ren Xiaowei (ED)	A, B, C
Mr. Shi Janson Bing (ED)	A, B, C
Mr. Wei Dongzheng (NED) [Note 2]	A, B, C
Mr. Wang Jiangang (NED) [Note 2]	A, B, C
Mr. Henry Tan Song Kok (Lead INED)	A, B, C
Mr. Kong Siu Chee (INED)	A, B, C
Mr. Zhang Hao (INED)	A, B, C
Mr. E Hock Yap (INED)	A, B, C

Notes:
A attending seminar(s) and/or conference on regulations and updates
B reading materials relating to business and operations of the Company, and legal and regulatory updates
C in-house briefing or training of the Company

1 resigned as a Director with effect from 21 March 2019
2 appointed as a Director with effect from 21 March 2019

NOMINATION MATTERS

Board Membership and NC

As at 31 December 2019, the NC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the NC during the Financial Year were as follows:

Mr. E Hock Yap — Chairman
Mr. Kong Siu Chee — Member
Mr. Henry Tan Song Kok — Member

The NC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

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

2. identify, review and assess individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of INEDs, on an annual basis;

4. make recommendations to the Board on the appointment or re-appointment of Directors (including the INEDs) in accordance with the AoA and succession planning for the Directors in particular the Chairman and the CEO;

5. review the Board diversity policy (the "Board Diversity Policy") on a regular basis and recommend revisions, if any, to the Board for consideration and approval; and

6. assess whether or not a Director is able to carry and has adequately carried out his duties as a Director.

The Company has received written annual confirmation of independence from each INED and reviewed the independence of each INED pursuant to the definition provided by the CG Code and the Listing Rules and is of the view that Messrs. Henry Tan Song Kok, Kong Siu Chee, E Hock Yap and Zhang Hao are independent.

Mr. Kong Siu Chee and Mr. Henry Tan Song Kok have served as the INEDs of the Company for more than nine years from their respective dates of first appointment to the Board.

At the annual assessment carried out by the NC and with the concurrence of the Board, it was concluded that the contributions of Mr. Kong and Mr. Tan towards the Board remain objective and independent in expressing their views and in participating in the deliberations and decision making of the Board and Board Committees. The Board holds the view that a Director's independence cannot be determined arbitrarily by reference to a set period of service. The Company has benefited from Mr. Kong and Mr. Tan's service in terms of their knowledge of the Company's businesses and each of them has proven his commitment, experience and competence to effectively provide core competencies and independent advice to the Company. The NC has confirmed that neither Mr. Kong and Mr. Tan nor their respective associates had any business dealings with the Company.

During the Financial Year, NC held one (1) meeting.

The NC has reviewed the training and professional development programs participated by the Directors. The NC has also reviewed each Director's time of involvement in the Company and considered that it is appropriate taking into consideration of the Directors' board representations held in other listed companies and other major appointments or principal commitments as well as assessed the independence of the INEDs and reviewed and made a recommendation on the appointment of Directors and re-appointment of retiring Directors. The NC has reviewed the Board Diversity Policy which was adopted by the Board at the Board meeting held on 13 August 2013 for assessing the Board composition. The NC would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The NC would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the NC would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary. The Board, at the Board meeting held on 26 February 2015, accepted the recommendation by the NC that the maximum number of listed company board representations which any Director may hold be eight and all Directors have complied with the Board's resolution.

Appointment, Re-election and Removal of Directors

The procedures and processes of appointment, re-election and removal of Directors are laid down in the AoA. Recommendations for the appointments and re-appointments of Directors and appointments of the members of Board Committees are made by the NC and considered by the Board as a whole. The AoA provides that one-third of the Directors (including NEDs) for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation at each AGM. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the Shareholders at the AGM. In addition, any Director appointed by the Shareholders or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next AGM and shall then be eligible for re-election at that meeting.

The dates of initial appointment, last re-election/re-appointment and other board representations of each of the Directors of the current Board members are set out below:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ chairmanship both present and those held over the preceding three years in other listed company
Zuo Kun (redesignated from a Vice Chairman to the Chairman on 21 March 2019)	28 March 2014	21 June 2019	NED and Chairman	None	None
Li Yao Min	11 January 2007	23 June 2017	NED and Vice Chairman	None	None
Liu Heqiang	28 March 2014	22 June 2018	ED and CEO	None	None
Yang Meiyu	28 March 2014	21 June 2019	ED	None	None
Ren Xiaowei	28 March 2014	22 June 2018	ED	None	None

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ chairmanship both present and those held over the preceding three years in other listed company
Wei Dongzheng	21 March 2019	21 June 2019	NED	None	None
Wang Jiangang	21 March 2019	21 June 2019	NED	None	None
Shi Janson Bing	12 August 2016	21 June 2019	ED	None	Executive director of SRE until 12 July 2018
Henry Tan Song Kok	25 September 2007	21 June 2019	Lead INED	Chairman of AC, a member of each of NC and RC	An independent non-executive director of the following companies: • YHI Corporation (S) Pte Limited; • BH Global Corporation Limited; • Yinda Infocomm Limited; • Raffles Education Corporation Limited until 6 March 2018; and • Asia Vets Holdings Ltd. on 1 January 2020
Kong Siu Chee	30 November 2006	23 June 2017	INED	Chairman of RC and a member of NC	An independent non-executive director of the following companies: • Harbin Bank Co,. Ltd. until 7 October 2019; and • Chinney Kin Wing Holdings Limited
Zhang Hao	13 February 2012	23 June 2017	INED	A member of AC	None
E Hock Yap	29 May 2012	22 June 2018	INED	Chairman of NC, a member of each of AC and RC	Executive director of Convoy Global Holdings Limited

Each of the NEDs and INEDs is appointed for a specific term, subject to retirement by rotation once every three years. An appointment letter has been issued to each of the INEDs respectively and its terms are set out in the Report of Directors.

Pursuant to Articles 86(1) and 86(2) of the AoA, Mr. Li Yao Min, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. Liu Heqiang shall retire by rotation as Directors and, being eligible, have offered themselves for re-election at the forthcoming AGM.

The NC recommends the re-election of the retiring Directors after assessing their contribution, performance and, where applicable, independence.

Board Performance

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care and in the best interests of the Company and its Shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of the Board's performance is also tested through its ability to give support to management especially in the times of crisis and to steer the Company in the right direction.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that the Directors appointed to the Board possess the integrity, background, experience, knowledge and skills relevant to the Company's business and that each Director with his/her special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board by having the Directors complete a questionnaire. The processes identify weaker areas where improvements can be made. The Board and individual Directors can thus direct more effort in those areas to further enhance the effectiveness of the Board.

Access to Information

Annual meeting schedules and agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least fourteen (14) days before the meetings. For ad-hoc Board and Board Committee meetings, reasonable notice period is provided.

Meeting materials together with all appropriate, complete, relevant and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company as well as ongoing reports and to enable them to make informed decisions.

All Directors have unrestricted access to the Company's records and information and received detailed financial and operational reports from senior management during the Financial Year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult other employees and seek additional information on request.

All Directors have separate and independent access to the company secretary of the Company (the "Company Secretary"). The duly appointed secretaries administer, attend, prepare and keep minutes of the Board and Board Committee meetings. The Company Secretary also assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively, and in compliance with the AoA and relevant rules and regulations including requirements of the HKEx. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final versions thereof are open for the Directors' inspection.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole and are considered at a Board meeting.

The AoA contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving the transactions in which such Directors or any of their associates have a material interest.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

As at 31 December 2019, the RC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the RC during the Financial Year were as follows:

Mr. Kong Siu Chee — Chairman
Mr. Henry Tan Song Kok — Member
Mr. E Hock Yap — Member

The RC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

1. implement and administer any performance incentive schemes of the Company;

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

3. review and determine the specific remuneration packages for all EDs and senior management.

In carrying out their duties, the RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary, relating to the remuneration policy and in determining the level and mix of remuneration for the Directors and senior management. The expenses of such advice will be borne by the Company.

Level and Mix of Remuneration

The RC makes recommendations to the Board on remuneration packages of the EDs and senior management taking into account the performance of the Group, as well as the pay and employment conditions in the same industry and comparable companies, while aligning the EDs' interests with those of Shareholders and linking rewards to corporate and individual performance.

The INEDs receive directors' fees in accordance with their contributions and taking into account factors such as efforts, time involvement and responsibilities of the INEDs. Directors' fees are subject to approval of the Shareholders at the AGM.

The remuneration of the EDs and senior management comprises a basic salary component and a variable component. The variable component comprises a variable bonus linking to the Company's and individual performance and other variable components including the grant of share options. Details of the remuneration of Directors are set out in the Report of Directors.

The annual review of the remuneration packages of the Directors is carried out by the RC and recommendation if any is made to the Board with an aim to ensure the remuneration of the EDs and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. No Director should involve in deciding his/her own remuneration.

During the Financial Year, the RC held one (1) meeting to review and recommend the remuneration of the EDs and the fees payable to the INEDs.

Disclosure on Remuneration

Details of the remuneration of the Directors and top five (5) key executives' of the Group paid or payable for the Financial Year are set out in Note 30 to the Consolidated Financial Statements.

The number of senior management (other than the Directors) whose remuneration fell within the following bands during the Financial Year are as follows:

	2019
RMB1,500,001 — RMB2,000,000	2
	2

ACCOUNTABILITY AND AUDIT

Accountability

The Board aims to ensure that the interim and annual financial statements and results announcements of the Company are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospects. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Financial Year.

The financial statements for the Financial Year have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs including the operations and finances of the Group and of the Company and effective risk management and sound internal control systems are in place. The Board has received assurance confirming the same from the CEO and financial controller of the Company (the "Financial Controller"). It seeks to present a balanced and informed assessment of the Company's performance, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Risk Management and Internal Control

The Board is responsible for the effectiveness of the overall risk management and internal control of the Group. The Board is fully aware that effective risk management and internal control play a crucial role in the sound operation of the enterprise. It believes that strengthening internal control is an important way to promote the reform of enterprise's management, achieve strong foundation, enhance efficiency and prevent risks. It is also an important measure to ensure the realization of the strategic objectives of the enterprise. Meanwhile, the Board is responsible for evaluating the nature and extent of risks the Group is willing to take in order to achieve strategic objectives, and is committed to the implementation of risk management procedures and the improvement of risk assessment framework.

Under the supervision and leadership of the Board, the management regularly reviews the Group's business and operation activities, identifies potential risks, evaluates the impact of risks under risk characteristics corresponding to different risks, and adopts timely and reasonable measures to control and mitigate such risks to ensure the effectiveness of risk management and internal control systems. The Management and PricewaterhouseCoopers, the internal auditor, have reviewed all major control policies and procedures and will present all major potential issues to the Board and the AC.

The Board has continuously supervised the design, implementation and supervision of risk management and internal control systems of the Group, and assumed ultimate responsibility for the overall risk management and internal control systems of the Group. Meanwhile, the Board reviews the adequacy and completeness of the risk management and internal control systems of the Group and its subsidiaries every year, including all important control aspects such as finance control, operation control and compliance control. The Board also annually reviews the Company's resources, staff qualifications and competence in accounting, internal audit and financial reporting functions, as well as the adequacy of training courses and related budgets that are received by relevant staff. In addition, the Board annually reviews the change in nature and severity of major risks, the scope of work in relation to continuous monitoring of risks and internal control system by the management, and major monitoring errors or weaknesses occurred during the Financial Year.

The AC has been set up under the Board to review the Group's risk management and internal control systems so as to ensure that such systems are sound and adequate, and to protect the Shareholders' investment and the integrity, effectiveness and efficiency of the Company's assets. Internal audit of the enterprise is an important part of internal control and plays an important role in improving risk management and enhancing the value of enterprise. The Group has established an internal audit function under the management to guide, coordinate and supervise the implementation of internal control compliance by the Company and its subsidiaries. Internal audit function is responsible for ex-ante prevention, in-event coordination and planning, and ex-post supervision of risk management and internal control compliance. The Board also engaged an external institution to carry out the Group's internal control inspection in which main focus is placed on the internal control requirements by the HKEx. The Group has improved risk management and internal control systems to form an internal control inspection report and supervised and assisted the management to rectify the issues identified in time. In addition, external institution also update the comprehensive risk management manual annually to ensure the standardization and compliance of the construction of the Company's comprehensive risk management system.

The internal control system provides a reasonable (not absolute) assurance for the Group to achieve its business objectives and ensures that the Group will not be adversely affected by any reasonably predictable event in its pursuit of business objectives. However, the Board also notes the inherent limitations of internal control, and that no internal control system can provide absolute assurance in this regard, or provide absolute assurance towards major errors, misjudgement in decision-making, human mistakes, losses, frauds or other non-compliant matters. The Board believes that there is still room for further improvement in the current risk management and internal control systems. The management has pushed forwards its development and controlled risks as its main objective under internal and external changing environment and other comprehensive factors, and constantly strengthened the rationality, effectiveness and integrity of risk management and internal control systems in order to protect Shareholders' interests and safeguard the Company's assets and achieve strategic objectives.

As of 31 December 2019, according to the internal control system and enterprise's risk management framework established and maintained by the Group, and referring to the work of internal auditors and management reviews, the Board and the AC believed that the Group's internal control system and the risk management system are fully effective in coping with financial, operational, compliance and information technology risks. The Board has received written confirmations from the CEO and the CFO that the financial records are duly deposited and that the Company's financial statements are true and fair presentation of the Company's operation and financial conditions. The CEO and the CFO's confirmation also includes the effectiveness of the Company's risk management and internal control systems.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad and non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs, the Company Secretary and investor relations officers are authorised to communicate with parties outside the Group.

Audit Committee

As at 31 December 2019, the AC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the AC during the Financial Year were as follows:

Mr. Henry Tan Song Kok — Chairman
Mr. Zhang Hao — Member
Mr. E Hock Yap — Member

Mr. Henry Tan Song Kok possesses accounting and related financial management expertise and experience. The Board considers that Mr. Zhang Hao and Mr. E Hock Yap has sufficient financial knowledge and experience to discharge his responsibilities as a member of the AC.

The AC adopted the current new terms of reference on 31 March 2017 and its principal functions are to:

(a) review the financial reporting process, management of financial risks and the audit process;

(b) review the audit plans and results of the external auditors' examination and evaluation of the Group's systems of internal accounting control and any matters which the external auditors wish to discuss (in the absence of management, where necessary);

(c) review the scope and results of the internal audit procedures;

(d) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board and the external auditors' report on those financial statements;

(e) review the interim and annual announcements on the results and financial position of the Company and of the Group;

(f) review the co-operation and assistance given by the management to the Group's external auditors;

(g) evaluate the cost effectiveness, independence and objectivity of the external auditors of the Company and the nature and extent of the non-audit services provided by them;

(h) make recommendations to the Board on the appointment, re-appointment and remuneration of the external auditors of the Company;

(i) evaluate the adequacy and adherence of the risk management and internal control systems including administrative, operating and internal accounting control of the Group; and

(j) review connected transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its Shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Director or executive management to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least twice a year, without the presence of management, to discuss the reasonableness of the financial reporting process, to monitor and review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors.

During the Financial Year, the AC held three (3) meetings to, among others, review the scope and quality of audit by the Company's independent auditor, Ernst & Young ("EY"), the independence and objectivity of EY as well as the cost effectiveness of its audit. The AC also reviewed the service fee to EY. The details of annual audit fee and other assurance service fees to EY for the financial years ended 31 December 2018 and 2019 are set out below:

	2019	2018
	RMB'000	RMB'000
Annual audit fee	**3,500**	3,500
Other assurance service fee	**—**	360
Total	**3,500**	3,860

Through the AC, the Company has an appropriate and transparent relationship with EY. In the course of audit of the Group's financial statements, EY has highlighted to the AC matters that require the AC's attention. EY is invited to attend meetings of the AC for the purposes of presenting their audit plan and report as well as their comments on the audited financial statements.

The Company's annual results for the Financial Year have been reviewed by the AC.

EY's audit opinion on the consolidated financial statements of the Group for the Financial Year is set out in the "Independent Auditor's Report" on pages 85 to 89 of this Annual Report.

The AC is satisfied that EY is able to meet the audit obligations of the Company and has recommended to the Board the re-appointment of EY as the Company's independent auditor for the year ending 31 December 2020 subject to the approval of the Shareholders at the forthcoming AGM.

The Group has appointed different independent auditors for its subsidiaries in the People's Republic of China (the "PRC") in order to meet its local statutory regulations. The Board and the AC are satisfied that the appointment does not compromise the standard and effectiveness of the audit of the Company. The AC members takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements through attendance at training and update on recent developments to accounting standards provided by professionals.

Whistle Blowing Policy

The Company has adopted a whistle blowing policy which provides a channel for employees to report serious concerns relating to financial reporting and unethical or illegal conduct.

Throughout the Financial Year, no whistle blowing report was received.

Internal Audit

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding Shareholders' investment and the Group's assets, the AC has also appointed an internal audit function team to enhance the internal controls of the Group. The internal audit function team reports to the chairman of the AC on any material weakness and risks identified in the course of the internal audit are also communicated to the management. The management will accordingly update the AC the status of the remedial action plans.

The AC reviews and approves the annual internal audit plans and reviews the scope and the results of the internal audit according to the procedures issued by the internal audit function team.

COMPANY SECRETARY

Pursuant to the code provision F.1.1 of the CG Code, Sir Kwok Siu Man KR ("Sir Seaman Kwok") of Boardroom Corporate Services (HK) Limited ("Boardroom"), the external service provider, was appointed as the Company Secretary with effect from 12 August 2016. During his engagement period, he reports to the Board and maintains contacts with the CEO, Mr. Liu Heqiang.

Sir Seaman Kwok has taken no less than 15 hours of relevant professional training during the Financial Year pursuant to Rule 3.29 of the Listing Rules.

Subsequent to the Financial Year, Sir Seaman Kwok resigned as the Company Secretary on 30 March 2020 and Ms. Cheng Lucy ("Ms. Cheng") was appointed as the Company Secretary in place of Sir Seaman Kwok on the same day. Ms. Cheng was nominated by Boardroom to be the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

The AGM remains the principal forum for dialogue with Shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed at the AGM and the operations of the Group.

The Company has conducted roadshows regularly in Hong Kong and the PRC for business update and actively arrange for communications with Shareholders/investors in the light of specific progress of various projects in Hong Kong and other regions and areas. The Company strived to enable a comprehensive exchange of opinions and mutual understanding between Shareholders/investors.

The AoA allows a member of the Company (the "Member") entitled to attend and vote at the meeting of the Company to appoint one or more proxies to attend and vote on behalf of him/her and also provides that a proxy need not be a Member. Voting in absentia by facsimile or email is not currently permitted to ensure proper authentication of the identity of Shareholders and their voting intentions.

The chairmen of the AC, RC and NC are usually available at the AGM to answer any questions from the Shareholders relating to the work of these Board Committees. The Company's independent auditor is invited to attend the AGM and will assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report.

During the Financial Year, notice of at least 20 clear business days was given to the Shareholders for the 2019 AGM. Sufficient notice was given in accordance with the AoA, the laws of British Virgin Islands in which the Company is incorporated, and the CG Code.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial issue at Shareholders' meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be published on the respective websites of the Company and HKEx after each Shareholder's meeting.

Minutes of general meetings include substantial and relevant queries or comments from the Shareholders relating to the agenda of meeting and responses from the Board and management. These minutes would be available to the Shareholders upon their request.

The Company organises briefings and meetings with analysts and fund managers regularly to provide them with a better understanding of its businesses. In addition, the Company appointed Strategic Financial Relations Limited as its investor relations consultant to promote investor awareness for the Company.

The Group maintains a corporate website at www.china-newtown.com which contains the Company's publicly disclosed financial information, annual reports, interim reports, news releases, announcements and corporate developments.

Shareholders and potential investors are welcome to communicate with the Company or put forward enquiries to the Board by any of the following ways:

Email	:	ir@china-newtown.com
Contact Number	:	+852 3643 0200
Fax Number	:	+852 3144 9663
Address	:	8203B-04A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Policy on Payment of Dividends

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the AoA;
- the applicable restrictions and requirements under the laws of the British Virgins Islands;
- the availability of dividends received from the subsidiaries in the PRC;
- earnings and financial performance;
- operating requirements; and
- capital commitments.

The Board will review the dividend policy from time to time and reserve its right in its sole and absolute to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS TO CONVENE AND PUT FORWARD PROPOSALS AT EXTRAORDINARY GENERAL MEETING (THE "EGM")

Pursuant to the AoA, EGMs may be convened by the Board on requisition in writing of the Shareholders holding not less than one-twentieth of the total voting rights of the matter for which the meeting is being requested. The written requisition shall be made to the Board or the Company Secretary at the business address or registered office address which are set out in the Corporate Information of this Annual Report, to request an EGM to be called by the Board for the transaction of any business 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 requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMPLIANCE WITH MODEL CODE AND SECURITIES TRADING

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Specific enquiries had been made by the Company to all Directors who have confirmed that they had complied with the required standard as set out in the Model Code throughout the Financial Year.

The Company has also established the Securities Code for its employees who are likely to be in possession of unpublished price-sensitive information of the Company. It prohibits the Directors and employees from dealing in the Company's shares on short-term considerations and during the period commencing 30 days before the publication of the Company's financial results for each of the first six months of the financial year and 60 days before the publication of the Company's full year financial results (or, if shorter, the period from the end of the relevant financial period or year up to the publication date of the results).

No incident of non-compliance of the Securities Code by the employees was noted by the Company.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Financial Year.

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its memorandum of association and AoA on the respective websites of the HKEx and the Company.

MATERIAL CONTRACTS

Save as the service agreements between the Directors and the Company, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders subsisting during the Financial Year or at the end of the Financial Year.

CONCLUSION

The Company recognizes the importance of good corporate governance practices for maintaining and promoting investor confidence. The Board will continue to review and improve its corporate governance practices on an ongoing basis.

Environmental, Social and Governance Report

I. PREAMBLE

The transformation in the dominant habitat of the world population makes the process of urbanisation to be among the most important global trends of the twenty-first century. Apparently, this rapid urbanisation in recent years has offered governments, urban planners and city developers opportunities to improve the lives of people and enhance economic development in towns and cities. Building upon its cumulative working experience in the industry chain of new town development from preliminary planning, land consolidation, all the way to the efficient allocation of valuable resources to regions in which its projects are rooted, China New Town Development Company Limited and its subsidiaries (collectively as the "Group"), as a leading enterprise in the industry of urbanisation investment and downstream operations, is fully aware of its responsibility to comprehend the implications of infrastructure within the context of cities' environment, resources, long-term costs and asset sustainability, and committed to recognising the nature, scale, and complexity of the opportunities and challenges behind the fast trend of urbanisation through the lens of Environmental, Social and Governance ("ESG").

It goes without saying that over the next few decades, cities and towns in China will be exposed to hundreds of environmental and social changes that will bring both risks and opportunities for urban planners and civic governments in the path towards sustainable development. With millions of migrants moving to the urban areas, the way cities are planned, designed, restructured and re-engineered should be carefully assessed. In the meantime, how to optimise resources efficiently and avoid the poor management of urban development that result in increased air pollution, underground-water contamination, lack of amenity to local communities is an imminent challenge ahead of all parties responsible for city development. Adhering to the commitments to fulfilling its environmental and social responsibilities, and scaling up efforts at various aspects to transition towards low-carbon development, the Group endeavours to integrate ESG concepts and matters alongside financial factors in its decision making process, aiming to support its long-term business strategy to building sustainable, inclusive and resilient towns and cities in China. The compliance with relevant laws and regulations has never been seen by the Group as the burdens or the sole target in fulfilling its commitments, but an important part of the long-term development goals set out by the Group that ensures the effectiveness of the implementation of ESG policies within the organisation and throughout the whole industry.

II. ABOUT THE REPORT

In strict compliance with the requirement under Appendix 27 — Environmental, Social and Governance Reporting Guide ("ESG Guide") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Group is pleased to present its fourth Environmental, Social and Governance Report for the year ended 31 December 2019 ("FY2019"), which demonstrates the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2019. For corporate governance section, please refer to the Group's 2019 Annual Report (Page 28 to 43).

The information in this ESG Report was gathered through numerous channels, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the verified statistics of the Group's annual performance in business operations and sustainable development. To deliver a more formalised ESG report that appeals to our local and global readership, the Group referenced the ESG Consultation Conclusions, ESG Disclosure Review, and Global Reporting Initiative Standards ("GRI Standards"), a globally-accepted reporting instrument, to improve the integrity, international compatibility and industrial comparability of the report. A complete content index and a GRI linkage table are available at the end of the ESG report for readers' convenience to check its integrity. If there is any conflict or inconsistency, the English version shall prevail.

Boundary Setting

Setting a clear reporting boundary from the outset of the entire reporting process can help report preparers and users of information to define the scope and extent of disclosure by giving readers a clear picture of the effectiveness of the implementation of relevant ESG policies, while allowing the Group to lower the risks of inadvertently neglecting the material activities or business operations in which the Group was engaged during the year under review. Given the business nature and development plans of the Group, this ESG report covers the performance and management policies of major operations of the Group under the operational control approach, including the Group's office in Hong Kong, offices in Beijing, Nanjing, Shanghai, Wuhan and Shenyang in the People's Republic of China (the "PRC"), and the projects in which the Group's subsidiaries were involved in FY2019.

Reporting Principles

As the reporting principles underpin the preparation of the ESG Report, the main content of this ESG Report has been determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, which specified therein were utilised as a basis for the preparation of this ESG Report.

Materiality:

As a common strategic business tool for screening the insignificant issues and highlighting the environmental and social impacts, the Group has implemented a broad, inclusive and science-based materiality assessment by gathering the feedback of various stakeholder groups about their concerns and expectations in terms of company's sustainable development. With the outcome from such an evidence-based assessment of the potential impacts of different ESG topics on the Group's overall strategies, the Board of Directors of the Group (the "Board") are presented with a picture reflecting the material ESG issues which may impact the Group's ability to develop in a sustainable way, and can, therefore, access sufficient information to make strategic decisions of allocating more resources and putting more focus on certain topics such as Occupational Health and Safety, Anti-Corruption Training Provided to Directors and Staff, and Management of the Legal & Regulatory Environment (Regulation-Compliance Management). In the meantime, the prioritisation of the climate-related risks and their financial impacts in accordance with the Task Force on Climate-Related Financial Disclosure ("TCFD") Recommendations was also a good example of how the Group has applied the principle of Materiality in its ESG reporting.

Quantitative:

The application of the reporting principle of Quantitative was primarily reflected under the sections of Emissions, Use of Resources and Employment in this ESG report. To ensure that readers can have a deep understanding of the Group's ESG performance under environmental and social subjects, a summary of the Group's performance in greenhouse gas emissions, consumption of various energy resources and distribution of employees in terms of age, geographic locations and position types was shown in the measurable format. Notably, a Sankey Diagram depicting the patterns of the Group's greenhouse gas ("GHG") emissions was presented as well, enabling audiences to obtain a thorough knowledge of the GHG emission data under various categories.

Balance:

An unbiased picture of the Group's ESG performance is essential to ensuring the accuracy and objective evaluation of information delivered to the audiences. Adhering to this principle, the selective disclosure in the report was utterly based on the reporting principle of Materiality, in which both the excellent performance and rooms for improvement were covered.

Consistency:

Stakeholders normally rely on a transparent disclosure of information against different indicators based on a consistent reporting technique and calculation methodology in their decision-making. As such, the Group based the presentation of its ESG management, especially the calculation of greenhouse gas emissions on standard calculation methods and provided an adequate descriptive explanation about significant changes to the reporting techniques. Meanwhile, to ensure that the vast array of information under a variety of topics can be shown to its stakeholders clearly, the Group adopted a reporting process consistent with the order for disclosure in the ESG Guide, which was conducive to adding more coherence to the entire reporting process and building a roadmap visualising its growth in sustainability to all.

III. SUSTAINABILITY MANAGEMENT

The Group believes that a systematic sustainability governance framework and a clear internal sustainability strategy are of paramount importance to creating values to all its stakeholders, while reducing the Group's impact on the environment and natural resources. In order to carry out the Group's sustainability strategy from top to bottom, the Board takes the lead on and has oversight of the execution of relevant ESG issues. The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and sustainability reporting matters. Specifically, the Board makes plans on corporate strategies and policies, and tracks the progress of sustainability buildings with ESG indicators and metrics. The Management supervises and monitors the implementation of sustainability practices, and provides integrated solutions to various problems arising from the execution. The general employees are responsible for the execution of plans and sum up practical experience during daily operations. To make sure that the Board can be timely informed of the latest corporate ESG performance, including the major plans of action, risk management policies, annual budgets as well as setting the organization's ESG performance objectives, the Group has been in process of building an ESG committee to supervise and coordinate the implementation of the Group's ESG strategy, goals and policies.

Risk management has been regarded as an integral part of business operations by the Group. With an improved internal control system running for years to accelerate the building of business resilience towards risks that might adversely affect the Group's ability to achieve its forward-looking goals, the Group keeps increasing its risk consciousness by carrying out evaluations of the implications of a vast universe of external variables on the efficiency of its business models and investment portfolios. The Group constantly reviews and adjusts its sustainability policies to satisfy the ever-changing needs of its stakeholders and to adapt to the changing environment. Details of its management approach in both environmental and social aspects can be found throughout different sections of this ESG Report.

Dear stakeholders,

The process of urbanisation clearly has brought to the fore new actors in national and global sustainable development. It is universally agreed that various parties at different levels and from different industries need to be fully acknowledged and in strong partnership in steering regional development. China New Town Development Company Limited, as a leading enterprise in the new town development industry, has actively responded to the call of the country, and kept putting its major focus on preventing and defusing major risks, targeted poverty alleviation and pollution control, and the supply-side structural reform through the efficient implementation of ESG policies and the building of sustainability management regime within the company. With a diverse range of businesses in fixed income, industrial base projects, education and other sectors through 'investment + downstream product operation' model, we believe that it is our responsibility to become the catalyst of sustainable urban development and balance the multifaceted sustainability areas including environmental, social, governance and economic aspects where the combination of stakeholder engagement, innovative solutions and ESG concepts can create a fundamental step change. To maintain an internal control system running businesses efficiently while pushing us to fulfill our environmental and social responsibilities by being in strict compliance with relevant laws and regulations with an earnest and rigorous endeavour to make our societies better, the Board of China New Town Development Company Limited takes the lead and has overall oversights of company's ESG issues, from the identification of material ESG/Sustainability matters which may have a high impact on our business development and operations, to the building of targets and metrics in tracking the progress of corporate sustainable development.

The Board believes that a barrier-free communication and transparent management approach is fundamental to a company's long-term success. To achieve this, a two-way engagement featuring greater accessibility of information about the implications of relevant decisions and activities of the Group in both nearby and distant locations is of top priority. The Board is mainly updated with the latest ESG-related changes including policy amendment and the progress made against certain targets through the following channels:

- Disclosure of corporate ESG performance in the Group's ESG reports and annual reports;
- Presentation in the meetings between the Board and the Management of the Group;
- Sustainability-themed seminars and training; and
- Voice from both internal and external stakeholders of the Group regarding their concerns about corporate sustainable development via online surveys.

Considering our business nature, the employment issues, employee training and development, business ethics and anti-corruption control are three critical topics of which the Board is most concerned. As such, all subsidiaries of the Group are required to formulate relevant policies for execution, and evaluate the performance against indicators on a quarterly basis. Meanwhile, given the increasing attention to anthropogenic interference with the climate system that causes disastrous climate change, we have referenced the Task Force on Climate-related Financial Disclosure ("TCFD") recommendations, and regarded the 'increased severity of extreme weather events' as a potential threat to the operating costs and revenues of the Group, especially to our invested agricultural products. This analysis facilitates us to make more efforts to seek renewable substitutes and the purchasing of insurance to reduce the financial impacts of impending adverse events while enhancing our resilience to climate change.

We firmly believe that livelihood improvement in China is a long-period process as well as a galvanizing momentum permeating sustainable development that requires strenuous efforts of all. Looking forward, China New Town Development Company Limited has faith in our capability to integrate ESG concepts into our long-term development plans and operations, and take advantage of it as a force for enabling our country to overcome some of the future challenges in realising the great Chinese Dream.

Best regards,
Liu Heqiang
Executive Director and Chief Executive Officer
China New Town Development Company Limited

IV. STAKEHOLDER ENGAGEMENT

Fostering a sound relationship with its stakeholders has been considered by the Group as the essence of the effective ESG management and the prerequisite of value creation for all. Through myriads of communication channels with its stakeholders in recent years, the Group has garnered an understanding of its stakeholders' major concerns and expectations, which has prompted the Group to better position itself in the competitive market and to meet its commitments to bearing its environmental and social responsibilities. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels that are listed in the table below, and endeavours to address the problems by responding to its stakeholders with solutions and plans.

Stakeholders	**Expectations and Concerns**	**Communication Channels**
Government and regulatory authorities	— Compliance with laws and regulations — Anti-corruption policies — Occupational health and safety	— Supervision on the compliance with local laws and regulations — Routine reports and tax payments
Shareholders	— Return on investments — Corporate governance — Business ethics	— Regular reports — Announcements — General meetings — Official website of the Group — Investor briefings
Employees	— Employees' remuneration and benefits — Customer satisfaction — Health and safety in the workplace — Eco-friendly daily operations — Internal training and development opportunities	— Performance appraisals — Regular meetings and training — Focus groups — Emails, notices, circulars, hotline and team building activities with the management
Customers	— Quality assurance — Protection of customers' privacy and rights — Insistence on sustainable development strategy	— Customers' satisfaction surveys — Face-to-face meetings and onsite visits — Customer service hotline and emails
Suppliers	— Fair and open procurement — Win-win cooperation — Environmental protection — Protection of intellectual property rights	— Open tender — Contracts and agreements — Telephone discussions — Industry seminars
Professional organisations	— Policy formulation regulating the practice of employees and business operations — Resilience building and adaptability enhancement	— Telephone discussion — Questionnaires & Online engagement — Face-to-face meetings

Stakeholders	Expectations and Concerns	Communication Channels
General public	— Involvement in communities — Business ethics — Environmental protection awareness	— Media conferences and responses to enquiries — Public welfare activities — Face-to-face interview — Corporate website

To further strengthen the internal corporate sustainability management and elevate the objectives set out by the Group to the level of global sustainable development, the Group has evaluated its stakeholders' opinions on corporate sustainability stewardship, especially the ESG-related topics that are material to stakeholders and the United Nations Sustainable Development Goals ("SDGs") to which its stakeholders have paid particular attention. This analysis of linking the Group's sustainability targets to global sustainability trends allows the Group to

- Understand the globally-agreed sustainable development goals that act as an articulation of the world's latest and most pressing environmental, social and economic issues of which all companies should be aware;
- Identify and seek potential business opportunities by addressing sustainability-related risks and crisis through business innovation and optimisation of the work process; and
- Solidifying a common language for reporting the company's business impact on climate change and social welfare, and involving all employees in creating the sustainability culture in the company.

According to the results, it was found that Goal 6 (Clean water and sanitation), Goal 3 (Good health and well-being) and Goal 4 (Quality education) topped the list among all 17 SDGs in terms of the degree of stakeholders' attention and interest. In response to the call and concerns from stakeholders, the Group has been laying its emphasis on the management of relevant areas in its business operations, and setting out rational targets and metrics in either directional or quantitative ways.

6 CLEAN WATER AND SANITATION

Given that the Group's business operations can mostly be completed in the offices, the Group has not been a water-intensive enterprise. Nevertheless, the Group still established relevant policies regarding water conservation in the offices and has been committed to ensuring that every employee in the company should be aware of how precious water is to human beings. Recognising water as a valuable resource, and understanding the company's water footprint across its value chain, the Group will implement integrated water resources management at all levels within the Group.

3 GOOD HEALTH AND WELL-BEING

The Group respects the right of all employees to a standard of living that is adequate for the health and well-being of them and their families, including medical care and necessary social services. As such, apart from the provision of comfortable and safe workplace for its employees, the Group highly supports the government efforts in achieving universal health coverage for all, and provides accessible and affordable health-care options in line with national and local regulations to its employees. In the meantime, as mental health is as important as physical health, the Group has arranged numerous entertaining activities and parties for its employees during the year under review.

4 QUALITY EDUCATION

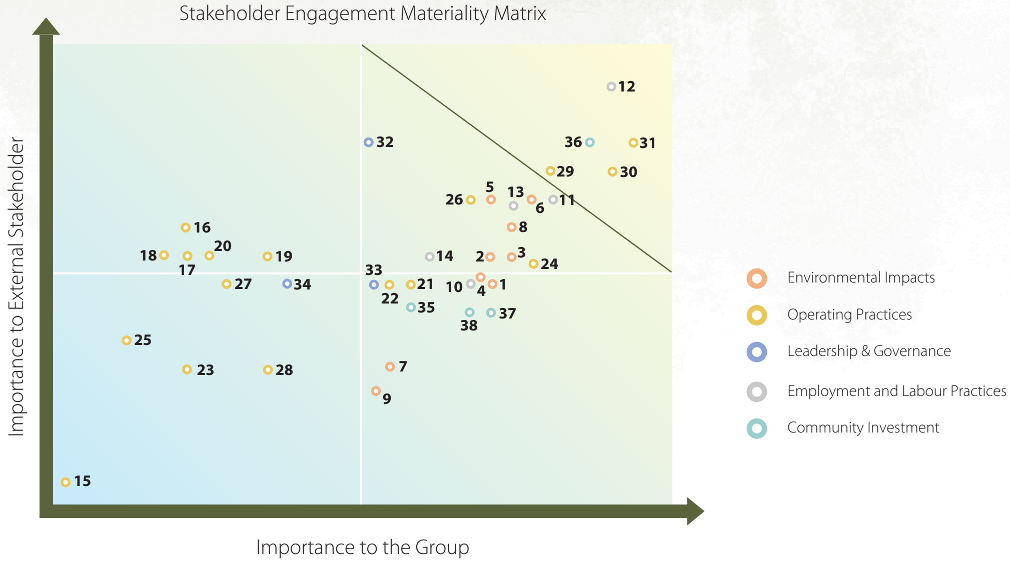
Internal training has always been one of the major subjects in the company. The Group believes that the provision of on-the-job training can significantly enhance employees' skills and ensure that they have the eligibility for internal transfers or promotion. In FY2019, the Group has provided a total of 6,050 hours' training to all its employees at different levels with the efficient implementation of Measures for Training Management (培訓管理辦法). In the meantime, the Group has put tremendous efforts in supporting the vocational education and training programs in local communities and remote areas where children lack the access to the quality training materials and supporting facilities. For example, the Group has arranged donation activities to Beijing Huairou Zhipei School twice and Changping school for children of migrant workers once, offering stationery and materials for education to the children.

SUSTAINABLE DEVELOPMENT GOALS

Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on corporate business models, the Group therefore undertook an annual review to identify its stakeholders' main concerns and material interests about ESG issues. In FY2019, the Group engaged its stakeholders to a materiality assessment survey. A group of internal and external stakeholders were identified, prioritised and selected based on their influence and dependence on the Group. Specifically, the Group referenced ISO 26000 (Guidance on Social Responsibility) and chose its stakeholders against criteria including legal obligations, power of influence, significance in the value chain and willingness for engagement. The chosen stakeholders were invited to take part in an online survey to express their views on a list of ESG issues. The online survey was comprised of multiple well-designed questions around ESG topics which were regarded material and relevant to the Group's business development. Such an objective, transparent and decision-useful materiality assessment allowed the Group to give priority to the topics that were significant to the Group's sustainable development and to map the results out in a materiality matrix as shown below. The assessment process demonstrated the Group's emphasis on stakeholders' engagement. The outcome of the survey functioned as a powerful tool that facilitate the Group to develop its action plans for more effective ESG management.

Stakeholder Engagement Materiality Matrix



1 Air and greenhouse gas emissions
2 Sewage treatment
3 Land use, pollution and restoration
4 Solid waste treatment
5 Energy use
6 Water use
7 Use of other raw/packaging materials
8 Mitigation measures to protect environment and natural resources
9 Climate-related risks
10 Diversity of employees
11 Employee remuneration and benefits
12 Occupational health and safety
13 Employee development and training
14 Preventing child and forced labour
15 Selection of local suppliers
16 Smooth communication and sound relationship with suppliers
17 Environmental risks (e.g. pollution) of the suppliers
18 Social risks (e.g. monopoly) of the suppliers
19 Procurement practices
20 Environmentally preferable products and services
21 Health and safety relating to products/services
22 Customers satisfaction (Welfare)
23 Marketing and promotion
24 Observing and protecting intellectual property rights
25 Product quality assurance and recall percentage
26 Protection of consumer information and privacy
27 Labelling relating to products/services
28 Product design & Lifecycle management
29 Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
30 Anti-corruption policies and whistle-blowing procedure
31 Anti-corruption training provided to directors and staff
32 Community engagement
33 Participation in charitable activities and support public welfare
34 Cultivation of local employment
35 Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
36 Management of the legal & regulatory environment (regulation-compliance management)
37 Critical incident risk responsiveness
38 Systemic risk management

Through the materiality analysis, the Group identified 'Occupational health and safety', 'Anti-corruption training provided to directors and staff', 'Management of the legal & regulatory environment (regulation-compliance management)', 'Anti-corruption policies and whistle-blowing procedure' and 'Number of legal cases filed against the company about bribery, extortion, fraud and money laundering' as issues of high importance. Given the high degree of concern on the material issues mentioned above, the Group has carefully priced the risks and opportunities behind those matters and elaborated in detail under different sections of this ESG report.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially under the topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views with the Group at http://www.china-newtown.com/Contact-Us/Contact-Us.

V. ENVIRONMENTAL SUSTAINABILITY

To seek the sustainability of the environment and community where it operates, the Group has made an effort in controlling its emissions as well as its consumption of resources, ensuring that its projects and daily operations strictly complied with relevant environmental laws and regulations in other cities of Mainland China and Hong Kong Special Administrative Region in FY2019, including but not limited to the following:

- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法); and
- Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法).

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

A.1. Emissions

In FY2019, the Group was in compliance with applicable laws and regulations concerning air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. As environmental sustainability has been an integral part to the Group's business in the portfolio of 'urbanisation investment' and 'downstream operation', the Group strives to operate in an eco-friendly manner and has extensively advocated the smart control of consumption of natural resources and the promotion of energy-efficient equipment during its daily operations.

During the year under review, air pollutants from the Group including sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particulate matter ("PM") were mainly generated from vehicles for transportation for business affairs. Specifically, the Group's air emissions of SO_X, NO_X and PM amounted to 0.46 kg, 20.28 kg and 1.49 kg respectively in FY2019. It is widely acknowledged that an increase in atmospheric concentrations of greenhouse gases ("GHGs") produces a positive climate forcing, or warming effect that leads to the climate change nowadays. In FY2019, the GHG emissions from the Group were primarily caused by the burning of fossil fuels for transportation and the electricity consumption in office operations. During the year under review, the Group's total GHG emissions amounted to 528.21 tonnes of CO_2e. In addition, the Group generated a total of 20.29 tonnes of non-hazardous solid commercial wastes, while 4,979.74 m^3 of non-hazardous wastewater was discharged from different offices of the Group. In FY2019, the Group did not generate any hazardous wastes (solid waste or sewage) during its operations. The Group's total emissions in FY2019 are summarised in Table 1 below. To better illustrate the GHG emissions of the Group, especially from the perspective of geographical locations, use of resources, and emission scopes, a GHG emissions Sankey diagram has been formulated. It visualises the patterns of corporate GHG emissions with the width of the flows representing the magnitudes of the amount of emissions.

*Table 1 The Group's total emissions by category in FY2019*********

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (Unit/Million RMB) in FY2019	Intensity* (Unit/Million RMB) in the financial year ended 31 December 2018 ("FY2018")
Air Emissions**	SO_x	Kg	0.46	1.12×10^{-3}	7.74×10^{-3}
	NO_x	Kg	20.28	0.05	0.04
	PM	Kg	1.49	3.64×10^{-3}	4.04×10^{-3}
GHG Emissions	Scope 1*** (Direct Emissions)	Tonnes of CO_2e	74.59	0.18	1.07
	Scope 2**** (Energy Indirect Emissions)	Tonnes of CO_2e	439.78	1.08	1.00
	Scope 3***** (Other Indirect Emissions)	Tonnes of CO_2e	13.84	0.03	0.06
	Total (Scope 1 & 2 & 3)	Tonnes of CO_2e	528.21	1.29	2.12
Non-hazardous Waste	Solid Wastes******	Tonnes	20.29	0.05	6.81×10^{-3}
	Wastewater*******	m^3	4,979.74	12.18	—

* Intensity was calculated by dividing the amount of air, GHG and other emissions by revenue of the Group in FY2019 and FY2018 respectively, which was 409,187 RMB'000 in FY2019 and 599,286 RMB'000 in FY2018. For better comparison throughout recent years, the revenue was adopted as the denominator for the calculation of intensity and the results in FY2018 were altered accordingly;

** Air emissions included the air pollutants in the exhaust gas from vehicles for transportation;

*** The Group's Scope 1 (Direct Emissions) included only the consumption of gasoline in motor vehicles and liquefied natural gas (LNG) for cooking stoves;

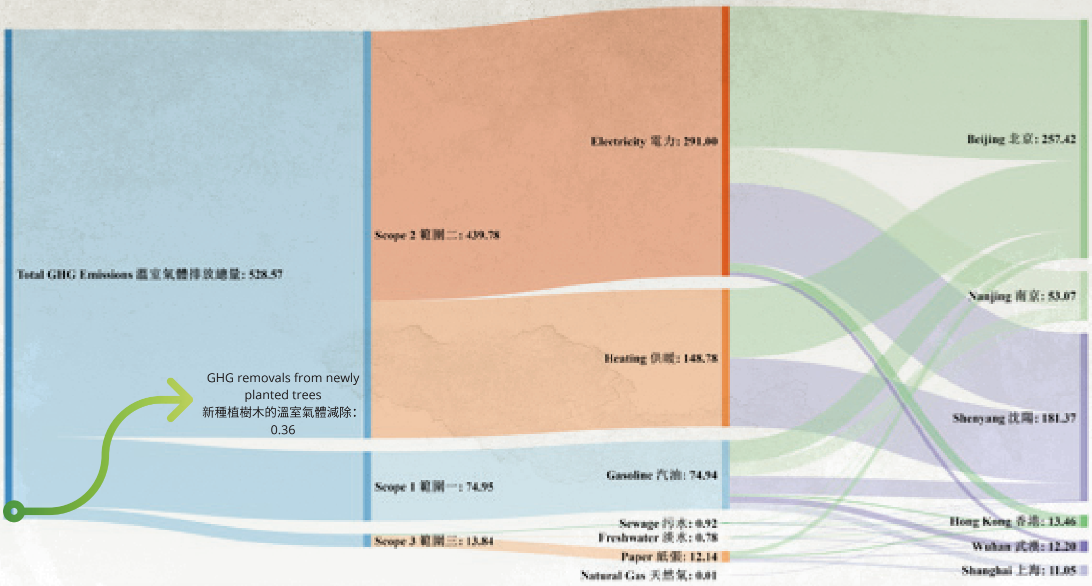
**** The Group's Scope 2 (Energy Indirect Emissions) included only the electricity consumption and heating;

***** The Group's Scope 3 (Other Indirect Emissions) included only emissions from paper waste disposed of at landfills and electricity used for processing fresh water and sewage by government departments;

****** The solid wastes only covered commercial wastes from the property buildings where the Group's employees worked;

******* Since the wastewater generated from the Group in FY2019 that was incorporated in the calculation only covered commercial sewage from employees, which was handled by the management unit of property buildings, the total amount of wastewater discharged from the Group in FY2019 was based on the assumption that 100% of the consumed fresh water entered the building drainage system; and

******** The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.



Air & GHG Emissions

In FY2019, the air and GHG emissions of the Group mainly came from the use of gasoline for vehicles for business affairs, LNG for cooking and electricity for daily operations in the offices. To optimise its operating practices toward sustainable consumption, the Group has implemented its internal policies and in particular required the following practices to be carried out:

- Monitor the outsourced projects by requiring sub-contractors to take eco-friendly measures in operations, such as cleaning the wheels of the vehicles before leaving the construction site and rinsing the ground or sprinkling water daily to settle the dirt and avoid sludge accumulation;

- Advocate low-carbon transportation and encourage employees to use public transportation services instead of driving to work;

- Replace outmoded vehicles with new energy electric vehicles for business affairs;

- Strengthen the management of vehicle use in the Group; and

- Designate specific staff for the management of electricity consumption and water usage in the subsidiaries of the Group.

To further minimise its GHG emissions, the Group continued to bring forward effective policies and measures in daily operations in FY2019, motivating all its employees to pay attention to small details around them, such as switching off the lights when leaving the office, in order to lower GHG emissions at source. During the year under review, the total GHG emissions of the Group dropped dramatically by around 57%. Specifically, the GHG emissions in all three scopes declined in varying degrees, where the Scope 1 GHG emissions plunged substantially due to its unswerving efforts in the regulation of the use of vehicles for business affairs. The efficient control of GHG emissions has demonstrated the solid progress of the Group towards cleaner and more climate-resilient development.

The policies and actions taken by the Group are further described in the subsections headed "Electricity" and "Other energy resources" below.

Wastewater

The wastewater from the Group during FY2019 was mainly commercial wastewater from employees at offices. With a clear message from the Group and all subsidiaries to save water, the Group has put its emphasis on water consumption control and encouraged its employees to reduce, reuse and recycle water in an appropriate way as much as possible. The wastewater was directly discharged into the sewage network of property buildings and handled by the property management. Since the amount of wastewater highly depends on the amount of water that has been used, the Group has adopted specific measures and aims to proactively explore effective ways to save the water consumption, further described in the next subsection headed "Water", to improve water efficiency.

Solid Wastes

Our goal in Sustainable Waste Management is to connect those threads in tangible, effective ways to help our employees and stakeholders realise that even a small change can make a huge different in our mission of environmental stewardship. With more modern technologies soaring across the world, the life convenience has brought more waste while coming with vast opportunities for us to reduce our daily wastes through numerous innovative ways. The Group, for instance, has fully based on its development towards Sustainable Waste Management on the efficient implementation of 'Waste Hierarchy', which relies on instructing its employees and stakeholders to understand the process of eco-friendly waste management, thereby making behavioural change eventually.

1. **ELIMINATE** the use of materials, e.g. electronic document and digital materials were highly recommended; educate all employees to reduce the use of disposable items such as plastic tableware.

2. **REDUCE** the amount of materials used, e.g. double-sided printing mode was set as default in printing device; purchase microwaves in the offices to encourage employees to take own lunch boxes instead of ordering take-away food if possible.

3. **REUSE** materials, e.g. non-confidential printing paper was used as draft paper; reuse office stationery.

4. **RECYCLE** materials, e.g. outdated electronics or materials were sent to professional organisations for treatment and recycling.

5. **DISPOSAL** of the solid waste which cannot be reused or recycled; encourage rubbish classification.

While the majority of solid waste generated from the Group was commercial waste in the offices that were regularly collected and handled by the administration department of the Group first, the Group also paid attention to the downstream waste management in FY2019 and will keep requiring its subcontractors to embed the concept of circular economy gradually and adopt environmentally-friendly measures in the management of construction waste.

A.2. Use of Resources

In FY2019, the primary resources consumed by the Group were electricity, gasoline, LNG, water, paper and heating supply. Given its business nature, the Group did not consume any packaging material during the year under review. Table 2 illustrates the amount of different resources used by the Group.

Table 2 Total Resource Consumption in FY2019

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (Unit/Million RMB) in FY2019	Intensity* (Unit/Million RMB) in FY2018
Energy	Electricity**	MWh	360.6	0.88	1.57
	Gasoline	MWh	271.3	0.66	0.96
	LNG	MWh	1.3×10^{-3}	3.18×10^{-6}	0.33
	Heat***	MWh	681.8	1.67	6.67×10^{-5}
	Total energy consumption	MWh	1,313.7	3.21	2.86
Water	Water	m^3	4,979.7	12.18	6.62
Paper	Paper****	Kg	2,528.9	6.18	—

* Intensity for FY2019 was calculated by dividing the amount of resources the Group consumed in FY2019 and FY2018 by revenue of the Group in FY2019 and FY2018 respectively, which was 409,187 RMB'000 in FY2019 and 599,286 RMB'000 in FY2018. For better comparison throughout the years, the revenue was adopted as the denominator for the calculation of intensity and the results in FY2018 were altered accordingly;

** The electricity consumption in FY2019 excluded Shanghai office of the Group. The Group endeavours to further improve its measurement of electricity usage among all subsidiaries in the future;

*** Heat consumption included Beijing headquarter and Shenyang office; and

**** Paper consumption = paper inventory at the beginning of reporting period + paper added to inventory during reporting period – paper collected for recycling purposes – paper inventory at end of the reporting period.

Electricity

In FY2019, the Group purchased electricity from local public utilities and the total electricity usage fell markedly by 62%, reflecting its commitment to enhancing the efficiency of electricity consumption in its offices. To further control the consumption of electricity so as to diminish its GHG emissions, the Group has already embedded the slogan of 'Saving Electricity' into its business strategy and daily operations, and aims to further lower the electricity intensity on a yearly basis. To achieve the target, the Group will continue to implement the following practices:

- Switch off all idle lights and air conditioners (e.g. most electrical equipment is turned off during lunch time or when staff leaves the office);
- Maintain and repair the electrical equipment in the offices once any breakdown is discovered, in order to make sure that all electrical device functions efficiently (e.g. some subsidiaries of the Group have designated specific staff to provide M&R solutions when needed);

- Adjust the temperature of air conditioners manually in the offices according to employees' feeling (e.g. some subsidiaries of the Group regulated that the temperature of air conditioners in the offices should not lower than 26℃ in summer and higher than 20℃ in winter;

- Purchase energy-efficient equipment in the offices;

- Replace old bulbs with LED lighting fixture (e.g. some subsidiaries of the Group have already replaced all bulbs with LED lights fixture during office renovation); and

- Educate and encourage all employees to take advantage of natural ventilation and lights when possible.

Other energy resources

The Group's consumption of other energy resources mainly came from the combustion of fossil fuels for transportation. In FY2019, the Group consumed a total of approximately 31,494 litres gasoline, which had a sharp fall as compared to the figure in FY2018. Insisting on the exploration of innovative solutions and the application of environmentally friendly technologies into its business operations, the Group believes that sound management of vehicles for business affairs can not only drive down the operational costs, but also to some extent lower its GHG emissions, thereby minimising the Group's overall environmental impact.

In pursuit of a 'low carbon' business model, the Group strengthened its internal regulation of the use of vehicles for business affairs and provided detailed guidance to employees about how to save energy resources in transportation. For example, the subsidiaries of the Group encouraged drivers to plan appropriate driving routes in advance and keep the vehicle travelling at a constant speed to avoid any unnecessary brake. Furthermore, the use of vehicles was under the strict control of different subsidiaries and employees were motivated to share vehicles for business affairs when appropriate.

Water

Water is one of the most precious resources on the planet and the Group has been aware of its role of being a leading enterprise in improving water efficiency during operations. During the year under review, the Group did not face any problem in sourcing water that was fit for its purpose. The Group has been following the '3R Principles — Reduce, Reuse and Recycle' in its water management. Some subsidiaries, for instance, have recycled the greywater to flush toilets. To improve the utilisation efficiency of water resources and cultivate the habit of water conservation among employees, the Group has further adopted the following practices:

- Designate employees to manage water equipment and fix dripping taps immediately to avoid further leakage of the water supply system;

- Strengthen the inspection and maintenance on water taps and water pipelines; and

- Advocate the importance of saving water among employees through training and striking posters in various areas of the Group.

In FY2019, the amount of water consumption by the Group was slightly higher than the figure in FY2018. The Group will further its monitoring on water usage in all subsidiaries and keep advocating the effective and practical measures of water conservation within the Group, aiming to achieve a decline of water consumption in the near future.

Paper

Paper, as one of the most important resources for administrative work in the offices, has been under strict management by the Group for years. In FY2019, the Group strengthened its management of paper consumption and calculated the amount of paper used in all subsidiaries. In particular, the Group recycled approximately 60 kg of paper during the year under review. To minimise the use of paper, the Group advocated the concept of paperless office and office automation, and took the following actions in its daily operations in FY2019:

- Purchase recycled paper;
- Set duplex printing as the default mode for most network printers;
- Spread the idea of "think before print" by using posters and stickers in the offices to remind the staff of avoiding unnecessary printing;
- Reconsider boxes and trays as containers and put them beside photocopiers to collect single-sided paper for reuse and recycling;
- Use the back of single-sided documents for second printing or draft paper;
- Re-design the paper into artistic handicrafts; and
- Encourage the use of handkerchief instead of paper.

A.3. The Environment and Natural Resources

Optimising the business models continuously and moving to the zero-carbon economy have been integrated into the development plan and investment decisions of the Group for years. Given the business nature, the daily operations of the Group do not cause significant impacts on the environment and natural resources. With an aim to forge a resource-saving and environmentally-friendly enterprise, the Group believes that it is equally important to formulate and implement relevant policies in its management of resources, curbing the generation of waste and lowering the emissions at source.

Undoubtedly, GHG emissions are closely linked to climate-related crises nowadays and the culprit of the past decade being the hottest in 150 years of record-keeping. To cut corporate GHG emissions as well as lower individual carbon footprint of its employees, the Group has made an effort in the promotion of carbon reduction through various educational activities and efficient management of daily practice. By selecting energy-efficient machinery and device, the Group commits to further reduce its electricity consumption and accelerate its pace towards the wide use of electric vehicles. Meanwhile, the reuse of internal resources and materials, such as folders, has been a common practice that all subsidiaries of the Group have taken for environmental protection. Specifically, the Group formulated a policy called 'Measures on Administrative Properties Management'(行政物品管理辦法), regulating the management of properties internally and eliminating any behaviour that results in the waste of resources.

Confronting the climate-related risks that might pose a serious threat to corporate development in the long run, the Group has integrated the concept of 'Sustainable Development' into its investment decision-making process, conducting a thorough analysis of the project with respect to its environmental impact before investment. Looking ahead, the Group will remain steadfast in the building of internal sustainability management system and incessantly focus on the long-term financial success of the Group while supporting the protection of urban ecosystem and environment.

VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group not only relies on its technological advancement and improvement on professional skills in its business development, but also values the employment management within the company and believes that sound capital management and the implementation of appropriate employment policies appealing to the talents are the key to its long-term stability and competitiveness. As such, the Group prioritises the health, vocational career and welfare of its employees, and endeavours to provide them with a suitable platform and working environment. As at the end of FY2019, the Group had a total of 121 full-time employees, with 116 employees in the PRC and 5 employees working in Hong Kong.

Table 3 Total Workforce of the Group by Gender and Age in FY2019

Age\ Gender	30 and below	Between 31 and 40	Between 41 and 50	51 and above	Total
Male	17	35	22	5	79
Female	14	20	7	1	42
Total	31	55	29	6	121

Table 4 Total Workforce of the Group by Gender and Position Type in FY2019

Position\ Gender	General staff	Middle management	Senior management and directors	Total
Male	47	24	8	79
Female	34	7	1	42
Total	81	31	9	121

Law compliance

The Group's employment policies have been periodically updated and adjusted to cater to social changes since the inception of the Group, and more importantly, to abide by the relevant laws and regulations in Mainland China and Hong Kong Special Administrative Region. In FY2019, the Group complied with all the relevant laws and regulations, including the following:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法);
- Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法); and
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法).

Recruitment and promotion

The Group considers talent acquisition as a essential aspect to maintain the vitality of the Group in the industry and has strictly implemented its internal policies in the process of recruitment and employee management, including 'Measures on Recruitment and Dismissal Management'(員工招聘與離職管理辦法) under 'China New Town Development Company Limited Policy Compilation'(中國新城鎮發展有限公司制度彙編), which specifies the matters needing attention in the recruitment process. For example, each department with needs should submit 'Staff Demand Application Form'(人員需求申請表) to the Human Resource Department for review and directors for approval before starting the recruitment process.

The Group refers to market benchmarks in relation to staff promotion and provides equal opportunities for promotion to eligible employees who have shown excellent performance and made giant contributions to the Group. Any promotion within the Group should be based on clear and legitimate procedures, including the requirements in the Group's 'Staff Manual' (員工手冊) and 'Measures on Staff Promotion Management'(員工晉升管理辦法).

Compensation and dismissal

As talent retention is fundamental to a company's business development in the long run, the Group periodically reviews its compensation packages and performs regular appraisals of the capability and performance of its employees, committing to offering fair and competitive salary packages and benefits according to applicants' educational backgrounds, personal attributes, job experiences and career aspirations to attract high-calibre candidates. The Group sticks to its 'Measures on Compensation Management'(薪酬管理辦法) in determining and adjusting salary packages for its employees, which defines the salary structure, grade difference, salary composition, fixed-float ratio and a series of key concepts in the salary system. This ensures that all employees can be recognised by the Group properly and timely with respect to their efforts and contributions. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have poor working performance, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite repetitively making the same mistakes, the Group would dismiss the person according to 'Measures on Staff Discipline and Code of Conduct Management'(員工紀律和行為規範管理辦法) and 'Measures on Recruitment and Dismissal Management'(員工招聘與離職管理辦法). In FY2019, the number of employees who resigned from the Group in Mainland China and Hong Kong Special Administrative Region was 21 (16.2%) and 3 (2.3%), respectively.

Table 5 Employee Turnover of the Group by Gender and Age in FY2019

Age\ Gender	30 and below	Between 31 and 40	Between 41 and 50	51 and above	Total
Male	0 (0%)	6 (4.6%)	1 (0.8%)	2 (1.5%)	9 (6.9%)
Female	4 (3.1%)	8 (6.2%)	3 (2.3%)	0 (0%)	15 (11.5%)
Total	4 (3.1%)	14 (10.8%)	4 (3.1%)	2 (1.5%)	24 (18.5%)

Working hours and rest periods

The Group has formulated internal policies based on local employment laws including the 'Provisions of the State Council on Employees' Working Hours'(國務院關於職工工作時間的規定) to determine appropriate working hours and rest periods for its employees. Specifically, the Group keeps revising its 'Measure on Staff Attendance and Vacation Management'(員工考勤和休假管理辦法) in accordance with relevant laws and regulations, and monitoring its employee's working hours and compensating those who work overtime.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group has been committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. In the Group, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. The Group follows the 'Staff Manual'（員工手冊）and ensures that any workplace discrimination, harassment or vilification is prohibited in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong). Moreover, employees are highly encouraged to report any incidents involving discrimination to the Human Resource Department of the Group. The Group will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on such incidents.

Other benefits and welfare

The Group believes that it has the responsibility to put forward effective policies to make the lives of its employees and their families better. As such, the Group cares about the well-being of its employees and has arranged a number of meaningful activities for its employees during the year under review. In FY2019, the Group provided physical examinations and purchased the insurance of employment injury to its employees in accordance with laws and regulations. As 2019 carried particular significance for China, marking 70 years since the founding of the People's Republic of China, the Group arranged multiple activities around the topic of education in patriotism. For example, the 'Celebrating the 70 years of the founding of our country' event held by the Group covered the ice-breaking games, recreational games and teamwork, aiming to enhance the sense of belonging and cohesion among employees. In addition, other activities including 'Earnest Talk', 'Youth Seminar' and 'Tour to the cemetery of revolutionary martyrs' were organised for employees in different subsidiaries during the year under review.

In FY2019, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

The Group believes that health and safety at work involves both the prevention of harm and the promotion of employees' well-being. To keep a safe and clean working condition for employees, the Group has formulated internal safety and health policies including 'Measures on Security and Emergency Management'（安全保衛和應急管理辦法), 'Measures on Safety in Construction Management'（安全文明施工管理辦法) and 'Measures on Security Management'（安全保衛工作管理辦法), and complied with relevant laws and regulations in Mainland China and Hong Kong Special Administrative Region, including but not limited to:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法); and
- Regulation on Work-Related Injury Insurance (工傷保險條例).

To minimise the occupational risks and guarantee a safe working environment, the Group rigorously follows the instructions of its internal policies. Apart from the provision of health examinations to employees, the Group has arranged relevant training seminars about the prevention of cervical spondylosis, a common disease caused by long-time sedentary work, to encourage all employees to pay more attention to strengthen their physique. Furthermore, the safety check on fire control facilities and emergency exit is normally regulated and conducted by the local fire department on a regular basis, followed by the unified supervision of Group's internal departments on the rectification. In addition, the Group strictly prohibits smoking and drinking liquor in the workplace and disinfects the air-conditioning systems regularly, endeavouring to create a comfortable and safe working environment.

During the past three years, there were no work-related fatalities in the Group. In FY2019, the Group was in compliance with relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. *Development and Training*

Training presents a prime opportunity to expand the knowledge base of all employees and benefits the company itself with increased innovation in new strategies, improved service quality and reduced employee turnover rate. In FY2019, the Group followed its 'Staff Manual'(員工手冊) and 'Measures on Training Management'(培訓管理辦法), organising a multitude of training programmes that covered subjects such as Department Position Introduction (部門崗位說明), Rules Training (制度培訓) and Corporate Strategy Training (公司戰略培訓). Course participants need to register their attendance via attendance forms. Normally, a well-designed induction is provided to all new hires, introducing the corporate culture, organisational structure and relevant rules, while non-scheduled profession-oriented courses are offered to experienced staff who are expected to obtain advanced working skills and expand their thinking for work. Online training is also a highlight of many training techniques the Group has adopted. During the year under review, the Group arranged a host of online courses for its employees from various subsidiaries via QingXueTang (輕學堂) and LeBanBan (樂班班).

To further enhance the professional skills of its employees and meet the Group's development goal, employees are highly motivated to attend external training programmes and take professional qualification examinations. Meanwhile, the Group often invites external organisations and experts to provide relevant training to its employees.

In FY2019, the total training time of the Group reached 6,050 hours, in which general staff spent 4,050 hours on the training programmes, the middle management received 1,550 hours' training, and 450 hours' training course was provided to the senior management and directors, respectively.

B.4. *Labour Standards*

In FY2019, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (中華人民共和國勞動法) and other related labour laws and regulations in Mainland China and Hong Kong Special Administrative Region to prohibit any child and forced labour employment. To combat against illegal employment of child labour, underage workers and forced labour, the Group's Human Resource Department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. The Group and the labour union conduct an assessment of the background and age of employees periodically. The Group's Human Resource Department is responsible for the compliance of corporate policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. According to the 'Measures on Recruitment and Dismissal Management'(員工招聘與離職管理辦法) and 'Measures on Labour Contract Management'(勞動合同管理辦法), once any case which fails to conform to the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated and the individuals responsible for the management of human resources will be disciplined accordingly.

In FY2019, the Group was in compliance with applicable laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. *Supply Chain Management*

An efficient and eco-friendly supply chain management is the lifeblood of any company in its business growth. As an enterprise mainly engaged in 'urbanisation investment' and 'downstream operation', the Group has made efforts to lower its potential environmental and social risks that may adversely influence its value chain.

Social risks management

Given the business nature, the focus of the Group's supply chain management is on administrative procurement. To regulate the purchasing practice and enhance the capital efficiency for procurement, the Group has fully followed its 'Measures on Administrative Procurement Management'(行政採購管理辦法) in its procurement, which defines the division responsible for procurement, the step-by-step implementation from supplier identification to ledger management, and the process for the supervision of procurement practice. To ensure the effectiveness and efficiency of procurement, the Group regularly performs onsite inspections or comprehensive online comparisons to evaluate potential suppliers based on a series of factors including their reputation, service/product quality, business track record, price and law compliance.

Environmental risks management

The commitment to 'Green Procurement' has long been a vital aspect to the Group in its business operations. With an ambitious goal to increase its resilience to climate change, the Group has dug deeper into its supply chain from the perspective of environmental protection. For instance, one subsidiary of the Group in Shenyang has fully adhered to and implemented the principle of 'Green Procurement', taking into account environmental considerations when purchasing goods and regarding local suppliers as the first choice for being its business partners, in order to have a more efficient communication with its suppliers and more importantly make sure that its procurement will cause minimal adverse environmental impacts.

B.6. *Product Responsibility*

To ensure that the investment decisions are not engulfed by law non-compliance and downstream operations are not covertly undermined by the poorly product/service quality management of which the Group is not aware, the Group has strictly abided by the following laws and regulations, including but not limited to:

- Tort Liability Law of the People' s Republic of China (中華人民共和國侵權責任法);
- Patent Law of the People's Republic of China (中華人民共和國專利法);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法); and
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong).

In the quest to be consistent and competitive on the high level of product/service quality and reliability, the Group has compiled a complete package of policies that regulate business operations for internal use. Under 'China New Town Development Company Limited Policy Compilation'(中國新城鎮發展有限公司制度彙編), for instance, the Group has formulated and implemented 'China New Town Development Company Limited Risk Management Regulation'(中國新城鎮發展有限公司風險管理規定), 'China New Town Development Company Limited Project Due Diligence Practice Procedures'(中國新城鎮發展有限公司項目盡職調查操作章程), 'China New Town Development Company Limited Investment Business Practice Procedures'(中國新城鎮發展有限公司投資業務操作規程), 'Measures on Contract Document Management'(合同檔案管理管理辦法) and 'Measures on National Confidential Information Management'(國家秘密管理辦法), providing the Operation and Management Department, General Department and other core divisions of the Group an guidance on how to handle businesses professionally and improve the product quality with effective risk management that prevents any violation of industrial standards or relevant laws.

Given the business nature, customer privacy and the protection of confidential information, as compared to labelling, advertising, and health and safety issues, are relatively more significant to the Group. Following the procedures in internal policies including 'Measures on Business Confidential Information Management'(業務秘密管理辦法) and 'Measures on IT Management' (IT管理辦法), the General Department of the Group is mainly responsible for the supervision and management of matters concerning customer's privacy. All employees are required to obey the rules and strictly prohibited from disclosing any confidential information to external parties without customers' authorisation. The Group also welcomes and values both positive and negative feedback from its customers. Once any complaint is received, the Group will immediately initiate the following-up mechanism and ensure that the substantiated complaints can be resolved efficiently. During the year under review, the Group did not receive any complaint regarding either product quality or customer data breach.

In FY2019, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

B.7. Anti-corruption

Strengthening the corporate construction of a clean and honest administration endows all enterprises the duty and obligation to fight against anti-corruption. According to the results of materiality assessment, the Group has reinforced its actions on stamping out corruption. To maintain a fair, ethical and efficient working environment, the Group strictly abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operates in FY2019, including the Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has formulated and enforced its anti-corruption policies such as 'Measures on Staff Discipline and Code of Conduct Management'(員工紀律和行為規範管理辦法), in which tough punishment of discipline violation will be imposed on employees who have broken the rule, in order to root out any illegal practices including corruption, extortion and money-laundering within the Group. The Group prohibits all forms of bribery and corruption and requires all its employees to follow the relevant codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery or any activities which might exploit their positions against the Group's interests. In FY2019, the subsidiaries of the Group held various activities and lectures about anti-corruption to facilitate all employees to unswervingly push forward the undertaking of combating corruption and creating a clean working environment. For example, the subsidiaries of the Group arranged its employees to watch educational movies and attend seminars regarding anti-corruption for a couple of times in FY2019, such as 'The Corruption and Regret of A County Party Secretary'(一個縣委書記的貪和悔) and 'Red Wanted'(紅色通緝), strengthening the construction of the culture of integrity within the organisation. During the year under review, no legal cases regarding corrupt practices were brought against the Group or any of its employees.

Whistle-blowers can report verbally or in writing to the Human Resource Department of the Group for any suspected misconduct with full details of the incident and supporting evidence. The Human Resource Department of the Group will carry out investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group has established an effective grievance mechanism to protect whistle-blowers from unfair dismissal or victimisation. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2019, the Group was in compliance with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

Community investment ranges from financial donations for the low-income and underprivileged families, volunteer service, training opportunities, organisation of educational activities, to the provision of affordable housing and employment creation. As China is en route to delivering its ambitious target of eradicating poverty in rural areas and eliminating regional poverty by 2020, the Group, in response to the grand goal, has been committed to making the communities where it operates a better place and trying its utmost to contribute to ending domestic poverty.

In FY2019, in addition to visiting the elderly communities during traditional festivals, the Group organised a poverty relief campaign called 'Happy Project — Act to Help the Impoverished Mother' (幸福工程 — 救助貧困母親行動), encouraging all employees to care about mothers in poor regions and make donations to lift them out of poverty. Meanwhile, a great many employees of the Group were involved in the fundraising activities such as 'Perceive and Protect Our Original Aspiration, Undertake Our Mission of Poverty Alleviation' (悟初心、守初心、勇擔扶貧使命). Meanwhile, the subsidiaries of the Group promoted the activity of 'Alleviating Poverty Through Spending' (消費扶貧). In FY2019, apart from the successful accomplishment of the mission of spending 67,000 RMB in the project of 'Alleviating Poverty Through Spending', the Labour Union of the one subsidiary of the Group completed the 6,000 RMB individual procurement.

Being an integral part of local communities, the Group has always been on the way to fulfil its social responsibilities and play a leading role in supporting the development of societies. Looking ahead, the Group will stick to the principle of 'Remain true to our original aspiration and keep our mission firmly in mind' (不忘初心，牢記使命), bearing in mind its founding mission and repaying the society with its efforts.

VII. REPORT DISCLOSURE INDEX

Aspects		ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
A.	*Environmental*				
A1:	Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 305: Emissions: Management approach disclosures guidance GRI 307: Environmental Compliance: Disclosure 307–1	55
		KPI A1.1	The types of emissions and respective emission data.	GRI 305: Emissions: Disclosures 305–1, 305–2, 305–3, 305–6, and 305–7	56
		KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305: Emissions: Disclosures 305–1, 305–2, 305–3, 305–4	56
		KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306–2 (a)	55
		KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Effluents and Waste: Disclosure 306–2 (b)	56
		KPI A1.5	Description of measures to mitigate emissions and results achieved.	GRI 103: Management Approach: Disclosure 103–2 (used together with GRI 305: Emissions) GRI 305: Emissions: Clause 1.2 and Disclosure 305–5	57
		KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103–2 (used together with GRI 306: Effluents and Waste) GRI 306: Effluents and Waste: Disclosures 306–2 and 306–4	58

Aspects		ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
A2:	Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water)	59
		KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302: Energy: Disclosures 302–1 and 302–3	59
		KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not covered by the GRI Standards	59
		KPI A2.3	Description of energy use efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103–2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302–4 and 302–5	59
		KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	GRI 103: Management Approach: Disclosure 103–2 (used together with GRI 303: Water) GRI 303: Water: Disclosure 303–3	60
		KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301: Materials: Disclosure 301–1	59
A3:	The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste).	61
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 103: Management Approach: Disclosures 103–1 and 103–2 (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 303: Water: Disclosure 303–2 GRI 304: Biodiversity: Disclosure 304–2 GRI 306: Effluents and Waste: Disclosures 306–3 (c) and 306–5	61

Aspects		ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
B.	*Social*				
Employment and Labour Practices					
B1:	Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 202: Market Presence, GRI 401: Employment, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination) GRI 419: Socioeconomic Compliance: Disclosure 419–1	62
B2:	Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 403: Occupational Health and Safety) GRI 419: Socioeconomic Compliance: Disclosure 419–1	64
B3:	Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 404: Training and Education) GRI 404: Training and Education: Disclosure 404–2 (a)	65
B4:	Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 408: Child Labour and GRI 409: Forced or Compulsory Labour) GRI 419: Socioeconomic Compliance: Disclosure 419–1	65

Aspects		ESG Indicators	Description	GRI Standards 2018 and Disclosures*	Page
Operating Practices					
B5:	Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment)	66
B6:	Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 416: Customer Health and Safety, GRI 417: Marketing and Labelling, and GRI 418: Customer Privacy) GRI 416: Customer Health and Safety: Disclosure 416–2 GRI 417: Marketing and Labelling: Disclosures 417–2 and 417–3 GRI 418: Customer Privacy: Disclosure 418–1 GRI 419: Socioeconomic Compliance: Disclosure 419–1	66
B7:	Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 205: Anti-corruption) GRI 205 Anti-corruption: Disclosure 205–3 GRI 419: Socioeconomic Compliance: Disclosure 419–1	67
Community					
B8:	Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 103: Management Approach: Disclosure 103–2 (c-i) (used together with GRI 413: Local Communities)	68

* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide'.

Report of Directors

The directors of China New Town Development Company Limited (the "Company" and the "Directors", respectively) are pleased to present the annual report of the Company (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2019 (the "Financial Year").

PRINCIPAL ACTIVITIES

The Group is a new town developer in the People's Republic of China (the "PRC") and was principally engaged in planning and developing large-scale new towns in the largest cities in the PRC among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder of the Company, the Company's business model has been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on core national economic regions such as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio. The principal activities of its principal subsidiaries are set out in Note 3 to the audited consolidated financial statements on pages 126 to 133 of this Annual Report.

BUSINESS REVIEW

As regards the detailed review of the Company's business, principal risks and uncertainties facing, important events affecting the Company that have occurred since the end of the Financial Year, the likely future development in the Company's business and analysis using financial key performance indicators, please refer to the sections headed "Chairman's Statement", "CEO Statement" and "Management Discussion and Analysis" on pages 9 to 16 and pages 23 to 28 of this Annual Report.

Environmental Policies and Performance

The Group is highly aware of the importance of environment protection and has implemented environmental protection measures and also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. The Company has complied with the relevant environmental laws, regulations and policies in the PRC during the Financial Year.

Details of the environmental policies and performance are set out in "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT" on pages 45 to 72 of this Annual Report.

Compliance with the Relevant Laws and Regulations that Have a Significant Impact on the Company

During the Financial Year, the Company was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on it.

Relationships with Employees, Customers, Suppliers and Others

The Group has good relationships with its employees, customers and suppliers. The Group maintains continuous dialogue with key internal and external stakeholders, including employees, shareholders, investors, banks, business partners, suppliers, clients and local community, via various channels such as meetings, seminars and site visits. Their feedback and suggestions are reviewed regularly by the Group to identify and prioritise any emerging environmental, social and governance risks, and devise future action plans to turn risks into opportunities. Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure that employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Information about their remuneration package is set out in the paragraph headed "EMOLUMENT POLICY" in this report.

Major Customers and Suppliers

We operate on a distinctive business model and the usual concept of customers under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) is not applicable to us. We receive a certain portion of the land PREMIUM from the relevant PRC land authorities when they sell land use rights over the land we develop to third party property developers through public auction, tender or listing.

During the Financial Year, purchases from our single largest supplier accounted for approximately 31% of our total purchases, while purchases from our five largest suppliers accounted for approximately 66% of our total purchases. The Directors were not aware of any interests of any Directors, their respective close associates (as defined under the Listing Rules) or any substantial shareholders (including any Director who held more than 5% of the Company's issued share capital) in the five largest suppliers or customers.

PERMITTED INDEMNITY PROVISION

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged during the Financial Year and remained in force as of the date of this report.

Pursuant to the articles of association of the Company (the "AoA"), if a Director acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was unlawful, the Directors shall be indemnified against all expenses including legal fees, and against all judgment, fines and amounts paid in settlement and reasonably incurred in connection with legal administrative or investigative proceedings.

RESULTS AND APPROPRIATIONS

The Group's results for the Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 90 of this Annual Report.

The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HKD0.0044 per ordinary share for the Financial Year (2018: HKD0.006).

RESERVES

Details of the movements in the reserves of the Group and the Company during the Financial Year are set out in Note 23 to the audited consolidated financial statements on pages 163 and 164 of this Annual Report.

DISTRIBUTABLE RESERVES

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The AoA provide that before recommending any dividends, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

Having reviewed the Company's Statement of Financial Position and Consolidated Statement of Financial Position as at 31 December 2019, cash flow position and the likely business conditions of the Group, the Directors are of the opinion that the Company will continue to satisfy the solvency test in that the value of the assets of the Company exceeds its liabilities and that the Company is able to pay its debts as they fall due immediately after the distribution of the proposed final dividend for the Financial Year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in Note 22 to the audited consolidated financial statements on page 162 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the AoA which would oblige the Company to offer new shares of the Company (the "Shares") on a pro-rata basis to the shareholders of the Company (the "Shareholders").

TAXATION IN THE BRITISH VIRGIN ISLANDS ("BVI")

The Company is a BVI business company. A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

DONATIONS

During the Financial Year, the Group has not made any donations (2018: NIL).

BANK BORROWINGS

Details of the movements in bank borrowings of the Group during the Financial Year are set out Note 24 to the audited consolidated financial statements on pages 164 and 165 of this Annual Report.

FIXED ASSETS

Details of the movements of the Group during the Financial Year for property, plant and equipment are set out in Note 16 to the audited consolidated financial statements on page 155 of this Annual Report.

GROUP'S FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 22 of this Annual Report.

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

During the Financial Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Financial Year and as at the date of this Annual Report.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during the Financial Year.

DIRECTORS

The Directors in office during the Financial Year and up to the date of this report are:

Executive Directors
Liu Heqiang *(Chief Executive Officer)*
Yang Meiyu
Ren Xiaowei
Shi Janson Bing

Non-executive Directors
Li Huachang *(Chairman)* (resigned with effect from 21 March 2019)
Zuo Kun *(Chairman)* (redesignated from a Vice Chairman to the Chairman with effect from 21 March 2019)
Li Yao Min *(Vice Chairman)*
Xie Zhen (resigned with effect from 21 March 2019)
Wei Dongzheng (appointed with effect from 21 March 2019)
Wang Jiangang (appointed with effect from 21 March 2019)

Independent Non-executive Directors
Henry Tan Song Kok
Kong Siu Chee
Zhang Hao
E Hock Yap

Pursuant to Articles 86(1) and 86(2) of the AoA, Mr. Li Yao Min, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. Liu Heqiang will retire by rotation at the forthcoming annual general meeting of the Company (the "2020 AGM").

The nomination committee of the Board recommends the re-election of Mr. Li Yao Min, Mr. Kong Siu Chee, Mr. Zhang Hao and Mr. Liu Heqiang after assessing their contribution and performance. All the aforesaid retiring Directors, being eligible, have offered themselves for re-election thereat.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 17 to 21 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts and directors' contract of service, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Financial Year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

From the beginning of the Financial Year and up to the date of this report, none of the Directors is considered to have an interest in the businesses, which competed or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

INTERESTS IN SIGNIFICANT CONTRACTS OF DIRECTORS, CHIEF EXECUTIVES AND CONTROLLING SHAREHOLDERS

Save as disclosed below and under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this report, none of the Directors, chief executives or controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries or an entity connected with a Director has entered into any transaction, arrangement or significant contract (whether for the provision of services to the Group or not) in relation to the business of the Group to which the Company or its holdings company or any of its subsidiaries or fellow subsidiaries, in which they had a material interest, directly or indirectly and which subsisted at the end of, or at any time during the Financial Year.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and selective subsidized training. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

Pension Schemes

In Hong Kong, we operate a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable. Our contributions as employer vest fully with the employees when we contribute to the scheme. We contribute 5% of the relevant monthly salary to such scheme and our employees contribute the lower of HKD1,500 or 5% of their monthly salary to such scheme as employee mandatory contributions.

In the PRC, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies. In accordance with relevant PRC laws, members of our Group operating in the PRC are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity (where applicable) for their relevant employees. We are also required by the relevant PRC regulations to register with a competent housing provident fund management centre and make contributions to the respective housing provident funds for our employees.

Details of the employer's pension cost for the Financial Year are set out in Note 30 of the audited consolidated financial statements on pages 168 and 169 of this Annual Report.

CORPORATE GOVERNANCE

The Corporate Governance Report for the Financial Year is set out on pages 29 to 44 of this Annual Report.

RELATED PARTY TRANSACTIONS

The related party transactions set out in Note 31 to the consolidated financial statements did not constitute one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There were no connected transaction and continuing connected transaction between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the Financial Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement whose objects are, or one of whose object is, to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 24 April 2018, China New Town Holding Company Limited (a wholly-owned subsidiary of the Company) as the borrower and the Company as the guarantor entered into a facility agreement (the "Facility Agreement") with, inter alia, various financial institutions as the lenders in relation to HKD1,524,000,000 and USD100,000,000 term and revolving loan facilities for the term up to 36 months from the date of the Facility Agreement. The Facility Agreement includes a term imposing a specific performance obligation on the controlling shareholders of the Company. Please refer to the Company's announcement dated 24 April 2018 for further details on the specific performance obligation on the controlling shareholders of the Company.

SECURITIES INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

Long Position in the Shares

		Number of Shares held				
Name of Directors	**Capacity**	**Personal interest**	**Family interest**	**Corporate interest**	**Total**	**Approximate percentage of the issued Shares**
Li Yao Min	Beneficial owner	8,352,672	—	—	8,352,672	0.086%
Henry Tan Song Kok	Beneficial owner	600,000	—	—	600,000	0.006%

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2019, to the best of the Directors' knowledge, the following persons (other than a Director and the chief executive of the Company) or organizations who/which had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company under the SFO:

Long Position in the Shares

Name of substantial shareholders	Capacity	Number of Shares held Direct interest	Corporate interest	Other interests	Total	Approximate percentage of the issued Shares
China Development Bank International Holdings Limited ("CDBIH")[(1)]	Beneficial owner	5,347,921,071	—	—	5,347,921,071	54.98%
CDB Capital[(1)]	Interests of a controlled corporation	—	5,347,921,071	—	5,347,921,071	54.98%
China Development Bank Corporation ("CDB")[(1)]	Interests of controlled corporations	—	5,347,921,071	—	5,347,921,071	54.98%
SRE Investment Holding Limited ("SREI")	Beneficial owner	1,468,356,862	—	—	1,468,356,862	15.10%
Shi Jian ("Mr. Shi")[(2)]	Beneficial owner and interests of a controlled corporation	6,104,938	1,468,356,862	—	1,474,461,800	15.16%
Jia Yun Investment Limited ("Jia Yun")[(3)]	Person having a security interest in shares	—	—	1,027,849,803	1,027,849,803	10.57%
Jiabo Investment Limited ("Jiabo")[(3)]	Interests of a controlled corporation	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Investment Corp., Ltd. ("China Minsheng")[(3)]	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye")[(3)]	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiasheng (Holding) Investment Limited ("Jiasheng")[(3)]	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiashun (Holding) Investment Limited ("Jiashun")[(3)]	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiaxin Investment (Shanghai) Co., Ltd. ("Jiaxin")[(3)]	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%

Notes:

(1) CDBIH is a wholly-owned subsidiary of CDB Capital and CDB Capital, in turn, is wholly owned by CDB. Both CDB and CDB Capital are, therefore, deemed under Part XV of the SFO to be interested in the 5,347,921,071 Shares held by CDBIH.

(2) Pursuant to Part XV of the SFO, Mr. Shi is deemed interested in a total of 1,474,461,800 Shares for the following reasons: (i) Mr. Shi holds 6,104,938 Shares directly; and (ii) Mr. Shi is deemed interested in 1,468,356,862 Shares held by SREI by virtue of the fact that he and his wife, Ms. Si Xiao Dong together beneficially own 81% of the issued share capital of SREI as a controlling shareholder.

(3) Jia Yun acquired the security interests of 1,027,849,803 Shares from SREI on 28 December 2017. Jia Yun is a wholly-owned subsidiary of Jiabo, which in turn, is a wholly-owned subsidiary of Jiashun. Jiashun is a wholly-owned subsidiary of Jiasheng and Jiasheng is in turn a wholly-owned subsidiary of Jiaxin. Jiaxin is a wholly-owned subsidiary of China Minsheng Jiaye, which in turn, is a wholly-owned subsidiary of China Minsheng. All of Jia Yun, Jiabo, Jiashun, Jiasheng, Jiaxin, China Minsheng Jiaye and China Minsheng are, therefore, deemed under Part XV of the SFO to be interested in the 1,027,849,803 Shares of security interest held by Jia Yun.

Save as disclosed above, the Directors are not aware of any other person (other than a Director or the chief executive of the Company) or organizations who/which, as at 31 December 2019, had an interest and/or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company under the SFO.

CNTD SHARE OPTION SCHEME (THE "SCHEME")

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the participants working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with incentives to work better for the interests of the Group and/or rewards for their contribution and support to the Group's success and development.

(b) Participants and Eligibility

The remuneration committee of the Board (the "RC") may, at its discretion, invite any executive or non-executive Directors including independent non-executive Directors (the "INEDs") or any employees (whether full-time or part-time) of any member of the Group or the parent group to take up share options to subscribe for Shares and in determining the basis of eligibility of the participants, the RC would take into account such factors as the RC may at its discretion consider appropriate and recommend to the Board for approval.

The controlling shareholders of the Company and their spouse, child, adopted child, step-child, brother, sister and parent shall not be eligible to participate in the Scheme.

(c) Maximum Number of Shares Available for Subscription

As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 389,480,492 Shares, representing approximately 4% of Shares in issue as at the date of this Annual Report.

Notwithstanding the provision above, all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 15.0% of the Shares in issue from time to time.

(d) Maximum Entitlement of Shares of Each Participant

Subject to the statement below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of Shares in issue. The total number of Shares issued and to be issued upon exercise of the options granted for any participant who is a director, chief executive or substantial shareholder, or any of their respective associates, in the 12-month period shall not representing in aggregate more than 0.1% of the total number of Shares in issue on the relevant date and having an aggregate value, based on the closing price of the Shares as stated in the HKEx's daily quotations sheet on the relevant date, in excess of HKD5 million.

Subject to the statement below, the grant of any option to an executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of the parent group of the Company (the "Parent Group Participant"), which together with options already granted to such Parent Group Participant in his capacity as such under the Scheme, represents 5.0% or more of the total number of options available to Parent Group Participants under the Scheme, the approval of the independent shareholders of the Company must be obtained for each such Parent Group Participant and on the aggregate number of options to be made available for grant to all Parent Group Participants.

(e) Period for Taking up an Option

The Scheme is subject to the administration of the RC. The RC would take into account the factors in compliance with the listing requirements and the provisions of the Scheme as the RC may at its discretion consider appropriate. As at the date of this Annual Report, the RC has not granted any option nor considered the terms and conditions of the grant of options since the adoption of the Scheme.

(f) Minimum Period for Holding an Option Before Exercise

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the original participant (the "Grantee") at any time during the period to be determined by the RC at its absolute discretion and notified by the RC to each Grantee as being the period during which an option may be exercised and in any event, such period shall not commence until after the first anniversary of the date on which an offer is made to a participant (the "Offer Date") and shall not be longer than 10 years from the Offer Date.

(g) Amount Payable on Acceptance of the Option

The option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the granting thereof is received by the Company within the acceptance period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

(h) Exercise Price

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the RC and shall be at least the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet of the HKEx on the Offer Date; and

(ii) a price being the average of the closing prices of the Shares as stated in the daily quotations sheet of the HKEx for the 5 business days immediately preceding the Offer Date.

(i) Duration of the Scheme

The Scheme shall be valid and effective for a period of 10 years commenced since the adoption date of 3 September 2010.

During the Financial Year, no option of the Company or any corporation in the Group was granted under the Scheme. Therefore, no share options were exercised or cancelled or lapsed during the Financial Year and there were no outstanding options under the Scheme as at 31 December 2019.

DIRECTORS RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the Financial Year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the audited consolidated financial statements of the Group for the Financial Year and except that each of Mr. Zuo Kun, Mr. Li Yao Min, Mr. Liu Heqiang, Mr. Wei Dongzheng, Mr. Wang Jiangang, Ms. Yang Meiyu, Mr. Ren Xiaowei and Mr. Shi Janson Bing, has an employment relationship with the Company, and some of them have received remuneration in that capacity. The particulars of the service agreements and the appointment letters of the current Directors are set out below:

Name of Directors	Date of service agreement(s)/ appointment letter(s)	Term	Annual remuneration	Termination notice period/ payment in lieu of notice
Executive Directors				
Liu Heqiang ("Mr. Liu")	28 March 2019	3 years	RMB1,245,750.03	6 months
Yang Meiyu ("Ms. Yang")	28 March 2019	3 years	RMB1,235,933.99	6 months
Ren Xiaowei ("Mr. Ren")	28 March 2019	3 years	RMB1,278,461.74	6 months
Shi Janson Bing	12 August 2019	1 year	HKD800,000	1 month
Non-executive Directors				
Zuo Kun	28 March 2019	3 years	—	1 month
Li Yao Min	22 October 2019	1 year	HKD800,000	1 month
Wei Dongzheng	21 March 2019	3 years	—	1 month
Wang Jiangang	21 March 2019	3 years	—	1 month
Independent Non-executive Directors				
Henry Tan Song Kok	22 October 2019	1 year	SGD80,000 plus a meeting allowance of SGD2,800	1 month
Kong Siu Chee	22 October 2019	1 year	SGD70,000 per annum plus a meeting allowance of SGD2,800	1 month
Zhang Hao	22 October 2019	1 year	HKD260,000	1 month
E Hock Yap	22 October 2019	1 year	HKD330,000	1 month

CHANGE IN INFORMATION OF DIRECTORS

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:-

- The annual salary of Mr. Liu Heqiang has been adjusted from RMB1,186,018 to RMB1,193,974 with effect from 1 September 2019.
- Mr. Kong Siu Chee has resigned as an independent non-executive director of Harbin Bank Co., Ltd (stock code: 6138) with effect from 8 October 2019.
- Mr. Henry Tan Song Kok appointed as an independent director of Asia Vets Holdings Ltd. with effect from 1 January 2020.

AUDIT COMMITTEE

The audit committee of the Board (the "AC") comprises the following members:

Mr. Henry Tan Song Kok	*(Lead INED and Chairman of the AC)*
Mr. Zhang Hao	*(INED)*
Mr. E Hock Yap	*(INED)*

The AC has recommended to the Board the nomination of Ernst & Young ("EY") for re-appointment as the independent auditor of the Company (the "Independent Auditor") at the forthcoming 2020 AGM.

The functions performed by the AC (including the review of the audited consolidated financial statements of the Group for the Financial Year) are detailed in the Corporate Governance Report.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Group for the Financial Year have been audited by EY who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2020 AGM. A resolution to re-appoint EY as the Independent Auditor and to authorise the Directors to fix their remuneration will be proposed at the 2020 AGM.

For and on behalf of the Board

Zuo Kun
Non-executive Director and Chairman

Liu Heqiang
Executive Director and Chief Executive Officer

30 March 2020

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China New Town Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 184, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit loss IFRS 9 requires that the measurement of impairment of financial assets be changed from the "incurred loss" model to the "expected credit loss model" ("ECL Model"). To assess the impairment of debt instruments at amortised cost under IFRS 9, significant judgements and estimates were made by the management, in aspects such as assessing whether there had been a significant increase in credit risk since initial recognition, estimating the parameters for measuring ECL and determining the forward-looking adjustments. The identification and measurement of impaired debt instruments requires a range of factors to consider and estimation of future cash flows, which highly depends on management's judgement. As at 31 December 2019, the gross debt instruments of the Group amounted to RMB3,299 million and the allowance for ECL amounted to RMB153 million. Since debt instruments impairment assessment involves significant judgements and estimations and in view of the significance of amount, allowance for ECL of debt instruments is considered a key audit matter. Relevant disclosures are included in Notes 2.3, 2.4, 13 and 34 to the consolidated financial statements.	We obtained an understanding of the process of management's assessment of ECLs. Performed credit review for the debt instruments to assess whether the credit ratings were appropriately classified. Assessed the reasonableness of the models and key parameters, including significant increase in credit risk, probability of default, loss given default, risk exposure, and forward-looking adjustments. Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral. We also assessed the financial statement disclosures relating to the ECLs of debt instruments at amortised cost.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property	
The Group's investment property, which is located in Mainland China, is a building with office premises, retail and car park spaces. The investment property is measured at fair value, which requires significant judgements and assumptions that are mainly based on market conditions existing at the valuation date. The fair value of the investment property was evaluated by an external property valuer at the end of each reporting period. As at 31 December 2019, the carrying amount of the investment property was amounted to RMB1,448 million and the fair value gain charged to current year's profit was amounted to RMB111,768 thousand. Since the determination of the fair values involves significant judgement and estimation and in view of the significance of amount, the valuation of investment property is considered a key audit matter. Relevant disclosures are included in Notes 2.3, 2.4, 15 and 36 to the consolidated financial statements.	We obtained an understanding of the process of management's assessment of the valuation of investment property. We assessed the reasonableness of models and key parameters, including analysis of the cash flow projection during the forecast period, the vocation rate, the discount rate and the market rent. We involved our internal valuation expert to review the valuation report and detail working papers prepared by the external property valuer and assess the reasonableness of the valuation results. We also assessed the related financial statement disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2019	2018
Operating income		**614,931**	722,126
Revenue	5	**414,941**	599,286
Other income	6	**199,990**	122,840
Operating expenses		**(453,396)**	(853,240)
Cost of sales	7	**(30,931)**	(444,842)
Selling and administrative expense	7	**(124,379)**	(137,585)
Finance costs	8	**(165,238)**	(149,708)
Other expenses	6	**(132,848)**	(121,105)
Operating profit/(loss)		**161,535**	(131,114)
Share of gains/(losses) of joint ventures and associates	4	**15,956**	(14,954)
Profit/(loss) before tax		**177,491**	(146,068)
Income tax	9	**(66,139)**	268,320
Profit for the year		**111,352**	122,252
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**1,364**	(264)
Other comprehensive income/(loss) for the year, net of tax		**1,364**	(264)
Total comprehensive income for the year, net of tax		**112,716**	121,988
Profit attributable to:			
Equity holders of the parent		**95,412**	83,893
Non-controlling interests		**15,940**	38,359
		111,352	122,252
Total comprehensive income attributable to:			
Equity holders of the parent		**96,776**	83,629
Non-controlling interests		**15,940**	38,359
		112,716	121,988
Earnings per share (RMB per share) attributable to ordinary equity holders of the parent:			
Basic and diluted, profit for the year	12	**0.0098**	0.0086

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2019	2018
Assets			
Non-current assets			
Investments in joint ventures	4(a)	**220,590**	227,136
Investments in associates	4(b)	**64,020**	7,426
Debt instruments at amortised cost	13	**1,212,533**	2,364,966
Financial assets at fair value through profit or loss	14	**71,217**	99,121
Investment property	15	**1,447,729**	1,315,244
Property, plant and equipment	16	**13,245**	15,312
Prepaid land lease payments	17(a)	**—**	2,238
Deferred tax assets	9	**8,957**	14,436
Right-of-use assets	17(b)	**17,170**	—
Other assets		**16,487**	36,003
Total non-current assets		**3,071,948**	4,081,882
Current assets			
Land development for sale	18	**884,820**	880,008
Prepayments		**2,774**	3,779
Other receivables	19	**734,286**	790,273
Trade receivables	20	**557,377**	1,542,251
Debt instruments at amortised cost	13	**1,932,758**	847,613
Other assets		**18,236**	19,497
Financial assets at fair value through profit or loss	14	**1,198,872**	177,450
Cash and bank balances	21	**269,917**	662,662
Total current assets		**5,599,040**	4,923,533
Total assets		**8,670,988**	9,005,415
Equity and liabilities			
Equity			
Attributable to:			
Equity holders of the parent:			
Share capital	22	**4,070,201**	4,070,201
Other reserves	23	**607,839**	607,334
Other comprehensive income/(loss)		**1,100**	(264)
Accumulated losses		**(440,034)**	(484,275)
		4,239,106	4,192,996
Non-controlling interests		**440,352**	424,412
Total equity		**4,679,458**	4,617,408

Consolidated Statement of Financial Position

As at 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2019	2018
Non-current liabilities			
Interest-bearing bank borrowings	24	**2,353,078**	2,357,192
Other liabilities		**6,668**	6,822
Lease liabilities	17(c)	**7,011**	—
Deferred tax liabilities	9	**74,835**	42,690
Total non-current liabilities		**2,441,592**	2,406,704
Current liabilities			
Interest-bearing bank borrowings	24	**298,734**	85,000
Trade payables	25	**363,816**	701,173
Other payables and accruals	26	**356,690**	418,797
Advance from customers	27	**15,438**	11,754
Dividend payables	10	**78**	54,637
Current income tax liabilities	9	**68,721**	70,728
Lease liabilities	17(c)	**6,304**	—
Contract liabilities	28	**436,552**	445,658
Financial liabilities at fair value through profit or loss	29	**3,605**	193,556
Total current liabilities		**1,549,938**	1,981,303
Total liabilities		**3,991,530**	4,388,007
Total equity and liabilities		**8,670,988**	9,005,415
Net current assets		**4,039,208**	2,942,230
Total assets less current liabilities		**7,121,050**	7,024,112

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Zuo Kun
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

		Attributable to equity holders of the parent						
	Notes	Share capital	Other reserves	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2018	22/23	4,070,201	592,792	—	(474,959)	4,188,034	381,244	4,569,278
Total comprehensive income		—	—	(264)	83,893	83,629	38,359	121,988
Capital injection by non-controlling interests		—	101	—	—	101	4,809	4,910
Share of equity changes of a joint venture other than other comprehensive income		—	14,441	—	—	14,441	—	14,441
Dividends		—	—	—	(93,209)	(93,209)	—	(93,209)
As at 31 December 2018	22/23	**4,070,201**	**607,334**	**(264)**	**(484,275)**	**4,192,996**	**424,412**	**4,617,408**
Total comprehensive income		**—**	**—**	**1,364**	**95,412**	**96,776**	**15,940**	**112,716**
Share of equity changes of a joint venture other than other comprehensive income		**—**	**505**	**—**	**—**	**505**	**—**	**505**
Dividends		**—**	**—**	**—**	**(51,171)**	**(51,171)**	**—**	**(51,171)**
As at 31 December 2019	22/23	**4,070,201**	**607,839**	**1,100**	**(440,034)**	**4,239,106**	**440,352**	**4,679,458**

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2019	2018
Cash flows from operating activities			
Profit/(loss) before tax		**177,491**	(146,068)
Adjustments for:			
Credit loss expense	6	**130,752**	13,456
Depreciation of property, plant and equipment	7	**2,049**	1,821
Depreciation of right-of-use assets	7	**10,396**	—
Amortisation of prepaid land lease payments	7	**—**	157
Amortisation of intangible assets		**341**	309
(Gain)/loss on disposal of property, plant and equipment	6	**(1,215)**	1
Net fair value gain on investment property	6	**(111,768)**	(76,009)
Net gain on financial instruments at fair value through profit or loss	6	**(54,232)**	(11,215)
Share of (gains)/losses from joint ventures and associates	4	**(15,956)**	14,954
Interest and similar income	5(b)	**(290,534)**	(299,720)
Interest from bank deposits	6	**(19,417)**	(20,610)
Interest expense on lease liabilities		**244**	—
Interest expense	8	**165,238**	149,708
Foreign exchange loss	6	**153**	105,041
Operating loss before working capital adjustments		**(6,458)**	(268,175)
Decrease/(increase) in land development for sale		**(4,812)**	416,158
Decrease/(increase) in prepayments		**(262)**	665
Decrease in other receivables and other assets		**32,267**	18,406
Decrease/(increase) in trade receivables		**992,417**	(282,013)
Increase in advances from customers		**3,684**	8,656
Decrease in deferred income arising from land development		**—**	(706,365)
(Decrease)/Increase in contract liabilities		**(9,106)**	445,658
Decrease in trade and other payables		**(276,041)**	(441,049)
		731,689	(808,059)
Income tax paid		**(34,063)**	(45,062)
Net cash inflow/(outflow) from operating activities		**697,626**	(853,121)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	**2019**	2018
Cash flows from investing activities			
Purchases/construction of property, plant and equipment		**(447)**	(4,728)
Proceeds from disposal of property, plant and equipment		**1,680**	—
Net cash inflow of acquisition of a subsidiary		**—**	83,971
Investments in joint ventures and associates		**(8,648)**	(136,114)
Capital expenditure on investment property		**(66,446)**	—
Net investments in debt instruments at amortised cost		**(669)**	(1,112,726)
Interest received from debt instruments at amortised cost		**247,814**	324,391
(Investment)/Redemption in financial assets at fair value through profit or loss		**(983,050)**	304,600
Dividends received from financial assets at fair value through profit or loss		**6,833**	23,238
Interest received from bank deposits		**19,417**	20,610
Gain from financial assets at fair value through profit or loss		**42,057**	12,131
Dividends received from joint ventures and associates		**530**	—
Net cash outflow from investing activities		**(740,929)**	(484,627)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**1,062,345**	2,747,590
Proceeds from non-controlling interests		**—**	4,910
Repayment of bank and other borrowings		**(956,084)**	(812,690)
Repayment of senior guaranteed notes		**—**	(1,300,000)
Repayment of financial liabilities at fair value through profit or loss		**(188,500)**	—
Payment of lease liabilities		**(11,010)**	—
Dividends paid		**(105,420)**	(43,526)
Interest paid		**(151,146)**	(130,306)
Net cash (outflow)/inflow from financing activities		**(349,815)**	465,978
Net decrease in cash and cash equivalents		**(393,118)**	(871,770)
Effect of exchange rate changes on cash and cash equivalents		**373**	2,167
Cash and cash equivalents at beginning of year		**662,662**	1,532,265
Cash and cash equivalents at end of year	21	**269,917**	662,662

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

1. CORPORATE AND GROUP INFORMATION

China New Town Development Company Limited (the "Company") was incorporated on 4 January 2006 in the British Virgin Islands (the "BVI"). After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") by way of introduction. As a result, the Company was once dual-listed on the Main Boards of both the SGX-ST and the HKEx. The Company voluntarily delisted from the SGX-ST on 17 February 2017.

The Company together with its subsidiaries (the "Group") is a new town developer in Mainland China and has been engaged in the investment and operation of new type of urbanization and primary land development in the PRC since 2002. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder, with the trend of new urbanization in China, the Company's business models have been further optimized. With the business strategy of "investment + downstream operation", on top of fixed income investment in urbanization projects, we introduce brands of urbanization to the region in the field of people's livelihood improvement at the same time, such as education, tourism, healthcare and etc.

The Company used to be a subsidiary of SRE Group Limited ("SRE"), a company listed on the HKEx since September 2009. During 2012, SRE disposed of its entire holding of shares in the Company to SRE's own shareholders via a special dividend in the form of a distribution in species. Upon completion of that distribution, in October 2012, SRE no longer held any shares in the Company and ceased to be the parent of the Company. As a result of that distribution, SRE Investment Holding Limited ("SREI"), the parent of SRE became the largest shareholder of the Company.

On 10 October 2013, the Company, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement (the "Subscription Agreement"), pursuant to which CDBIH had agreed to subscribe for 5,347,921,071 new shares of the Company subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH, a wholly-owned subsidiary of CDB Capital, became the largest shareholder of the Company.

As an appendix of the Subscription Agreement, there was a disposal master agreement (the "Disposal Master Agreement") between the Company and SREI to dispose of the specified assets and liabilities not relating to the Group's principal business of planning and development of new town projects in Mainland China (the "Disposal Assets"). Execution of the Disposal Assets was completed in 2016.

In the opinion of the directors of the Company (the "Directors"), with the completion of the share subscription of CDBIH, the Company's ultimate holding company is China Development Bank Corporation ("CDB"), which holds 54.98% of the issued share capital of the Company through CDBIH after delisted from the SGX-ST.

Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

(b) Exposure, or rights, to variable returns from its involvement with the investee

(c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) Rights arising from other contractual arrangements

(c) The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if it 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 in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the end of the reporting period, in accordance with IFRSs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new standard is disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

(All amounts expressed in RMB'000 unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 January 2019
Assets	
Right-of-use assets	16,088
Prepayments	(1,267)
Prepaid land lease payments	(2,238)
Total assets	12,583
Liabilities	
Lease liabilities	12,583
Total liabilities	12,583
Total adjustment on equity	—

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings, motor vehicles, furniture, fixtures and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not have any finance leases before the date of initial application.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16 (continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients, wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RMB16,088 thousand were recognised and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of RMB12,583 thousand were recognised.
- Prepayments of RMB1,267 thousand and related to previous operating leases were derecognised.
- Prepaid land lease payments of RMB2,238 thousand and related to previous operating leases were derecognised.

(All amounts expressed in RMB'000 unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16 (continued)

Leases previously accounted for as operating leases (continued)

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

	1 January 2019
Operating lease commitments as at 31 December 2018	**22,549**
Weighted average incremental borrowing rate as at 1 January 2019	**3.21%**
Discounted operating lease commitments as at 1 January 2019	**21,835**
Less:	
Commitments relating to short-term leases	**(9,252)**
Commitments relating to low-value assets leases	**—**
Lease liabilities as at 1 January 2019	**12,583**

The lease liabilities were discounted at the borrowing rate as at 1 January 2019. The weighted average discount rate was 3.21%.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group adopted the interpretation from its effective date of 1 January 2019. However, since the Group's current practice is in line with the clarifications issued, there was no significant effect on its financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments are effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group adopted the interpretation from its effective date. These amendments had no significant impact on the Group's financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Group applied these amendments from its effective date. These amendments had no significant impacts on the Group's financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (continued)

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Group applied the amendments from its effective date. These amendments applied only to any future plan amendments, curtailments, or settlements of the Group. The amendments had no significant impacts on the Group's financial statements.

Annual Improvements 2015–2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

The entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

The entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

The entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

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

(i) Land development services

The Group applied significant judgements in identifying performance obligations and allocation revenue between different components in land development services. The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. As ancillary public facilities are separately identifiable from land infrastructure, the allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component.

Although the Group is entitled to receive from the local governments a proportion of the proceeds from land sales, the proceeds are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved, which is until the relevant land is sold. Revenue attributable to land infrastructure is recognised over time based on the portions of the specific construction works (demolition, relocation and land clearing works) that are completed and upon the sale of the relevant land. Revenue attributable to ancillary public facilities is recognised over time based on the portions of ancillary public facilities that are completed and upon the sale of the relevant land.

(ii) Classification between investment properties and owner-occupied properties

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(iii) Control on structured entities

The Group considers whether the Group has the power over a structured entity and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Estimates and assumptions

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

(i) Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value.

Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and ancillary public facilities, and their net realisable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over their net realisable values should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale in the periods in which such estimate is changed will be adjusted accordingly.

(ii) Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(iii) Allowance for expected credit losses

The Group uses a provision matrix to calculate ECLs for debt instruments at amortised cost, trade receivables, other receivables and contract assets based on its historical credit loss experience, adjusted for forward-looking factors to the debtors and the economic environment. The provision rates are based on groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

(iv) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, the calculation of which involves the use of estimates.

(v) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(vi) Fair value measurement of investment property

Investment property is evaluated by independent professionally qualified valuers at the end of each reporting period using the income approach, which is on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest, as well as direct comparison approach, which is on the basis of making reference to comparable sales evidence as available in the relevant market. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(vii) Estimation of the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date less any impairment losses. Goodwill, if any, relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the investor. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss within 'Share of losses of joint ventures' in the statement of profit or loss and other comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments, such as financial assets at fair value through profit or loss, investment property and financial liabilities at fair value through profit or loss, at fair value at the end of each reporting period. Also, the fair values of financial instruments are disclosed in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 applicable from 1 January 2018. Refer to the accounting policies for "Revenue from contracts with customers".

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

(a) Financial assets at amortised cost (debt instruments)

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

(b) Financial assets at fair value through OCI (debt instruments)

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

(c) Financial assets designated at fair value through OCI (equity instruments)

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

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

(d) Financial assets at fair value through profit or loss

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bank and other borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank and other borrowings, financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade payables, senior guaranteed notes, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

(b) Financial liabilities at fair value through profit or loss

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

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

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

Derecognition of financial liabilities

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	20 to 50 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

When parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land development for sale is recognised as an allowance.

Inventories

Inventories, which mainly refer to supplies and low-value consumables, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to investment property are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices.

Any excess of cost over the net realisable value of individual items of inventories is recognised as an allowance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

Provisions

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

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

Leasehold land	40 years
Buildings	2 to 6 years
Motor vehicles	2 to 3 years

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

(b) *Lease liabilities*

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

i) Prepaid land lease payments incurred for properties other than investment property (after the adoption of amendments to IAS 40), they are amortised over the lease terms on the straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.

ii) Prepaid land lease payments included in investment property (after the adoption of amendments to IAS 40) are not amortised as they are stated at fair value.

Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the statement of profit or loss and other comprehensive income in the period in which they arise, including the corresponding tax effect.

Investment property is derecognised when it has been disposed of (i.e., at the date the recipient obtains control) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Revenue from land development for sale*

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses.

When the parcels of land are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their fair values.

Revenue attributable to land infrastructure is recognised over time based on the portions of the specific construction works (demolition, relocation and land clearing works) that are completed and upon the sale of the relevant land. Revenue attributable to ancillary public facilities is recognised over time based on the portions of the ancillary public facilities that are completed and upon the sale of the relevant land.

(b) *Asset and fund management fees*

Asset and fund management fees are recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Property management revenue*

Property management revenue is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

(a) *Operating lease income*

Operating lease income from investment property is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the property together with any further terms for which the lessee has the option to continue to lease the property, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

(b) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

(c) *Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been established, which is generally when the shareholders approve the dividend.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised are the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a set of properties acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Dividends

When dividends have been approved by the directors and shareholders and declared, they are recognised as a liability.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

In Hong Kong, the Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of the employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable. The Group's contributions as an employer vest fully with the employees when the Group contributes to the scheme. The Group contributes 5% of the relevant monthly salaries to such scheme and the Group's employees contribute the lower of HKD1,250 and 5% of their monthly salaries to such scheme as employee mandatory contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense is recognised for any modification, which increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

Foreign currency translation

The Group's consolidated financial statements are presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the statement of profit or loss and other comprehensive income over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facility services.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretation that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretation, if applicable, when they become effective.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 *Insurance Contracts* (continued)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3 *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

IFRS 3 is effective for annual periods beginning on or after 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies*, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark*

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES

Company

	Notes	2019	2018
Unlisted shares, at cost	(a)	**3,524,561**	3,524,561
Advances to subsidiaries, net	(b)	**1,526,783**	1,526,783
		5,051,344	5,051,344

(a) As at 31 December 2019 and 2018, the Group's direct or indirect interests in subsidiaries are set out below:

Directly held by the Company

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%) 2019	2018	Principal activities/ place of operation
Meeko Investment Limited ("Meeko")	British Virgin Islands 19 August 2005	1,230,300	**100.00**	100.00	Investment holding/ Hong Kong
Weblink International Limited ("Weblink")	British Virgin Islands 17 November 2005	794,261	**100.00**	100.00	Investment holding/ Hong Kong
Protex Investment Limited	British Virgin Islands 18 October 2006	—	**100.00**	100.00	Investment holding/ Hong Kong
China New Town Holding Co., Ltd. ("CNT Holding")	Hong Kong 17 July 2014	1,500,000	**100.00**	100.00	Investment holding/ Hong Kong and Mainland China
China New Town Finance I Limited ("Finance I")	British Virgin Islands 11 March 2015	—	**100.00**	100.00	Investment holding/ Hong Kong
		3,524,561			

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2019 and 2018, the Group's direct or indirect interests in subsidiaries are set out below: (continued)

Indirectly held by the Company

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%) 2019	Proportion of ownership interest (%) 2018	Effective equity interest (%) 2019	Effective equity interest (%) 2018	Principal activities/ place of operation
Meeko and Weblink	Shanghai Golden Luodian Development Co., Ltd. (SGLD)	PRC 26 September 2002 RMB208,100,000	**72.63**	72.63	**72.63**	72.63	Land development/ Mainland China
Weblink	Shanghai Jia Tong Enterprises Co., Ltd. ("Shanghai Jiatong")	PRC 12 April 2006 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Consultation services/ Mainland China
Protex Investment Limited	China New Town Development (Changchun) Company Limited ("CNTD Changchun")	British Virgin Islands 7 September 2006 USD1	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Wuxi) Company Limited ("CNTD Wuxi")	British Virgin Islands 18 October 2006 USD1	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Shenyang) Company Limited ("CNTD Shenyang")	British Virgin Islands 18 October 2006 USD1	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	Safewell Investment Limited	British Virgin Islands 14 February 2007 USD1	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	Shenyang Lixiang New Town Modern Agriculture Co., Ltd. ("Shenyang Lixiang")	PRC 6 March 2007 RMB672,748,013	**100.00**	100.00	**100.00**	100.00	Land development/ Mainland China
	Shanghai CNTD Management Consulting Co., Ltd.	PRC 21 June 2007 RMB1,512,720	**100.00**	100.00	**100.00**	100.00	Enterprise investment consultation/ Mainland China

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2019 and 2018, the Group's direct or indirect interests in subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%) 2019	Proportion of ownership interest (%) 2018	Effective equity interest (%) 2019	Effective equity interest (%) 2018	Principal activities/ place of operation
CNT Holding	CDBC New Town (Beijing) Management Consulting Co., Ltd.	PRC 20 November 2014 RMB25,000,000	**100.00**	100.00	**100.00**	100.00	Real estate consultation/ Mainland China
	CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town")	PRC 6 January 2015 RMB1,000,000,000	**100.00**	100.00	**100.00**	100.00	Asset management/ Mainland China
	CDBC New Town Changchun Construction and Development Co., Ltd. ("CDBC Changchun")	PRC 2 December 2015 RMB36,275,800	**100.00**	100.00	**100.00**	100.00	Real estate development/ Mainland China
	CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing")	PRC 1 August 2014 RMB122,000,000	**100.00**	100.00	**100.00**	100.00	Investment and asset development/ Mainland China
	CDBC Agricultural Investment Management Co., Ltd. ("CDBC Agricultural")	PRC 15 December 2015 RMB43,442,600	**51.00**	51.00	**51.00**	51.00	Investment management/ Mainland China
	CDBC New Town (Beijing) Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB10,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China
	CDBC Chengdu Agricultural Development Co., Ltd.	PRC 1 February 2016 RMB17,377,000	**100.00**	100.00	**51.85**	51.85	Investment management/ Mainland China
	Yangzhou CDBC Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2019 and 2018, the Group's direct or indirect interests in subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities/ place of operation
			2019	2018	**2019**	2018	
CNT Holding	ShengQi (Jiaxing) Investment Management Co., Ltd. ("ShengQi IM")	PRC 23 February 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China
	Beijing Zhuchengyingtai Engineering Management Co., Ltd.*	PRC 9 October 2016 Nil	**—**	100.00	**—**	100.00	Engineering management/ Mainland China
	China Development Bank Education Co., Ltd. ("CDB Education")	Hong Kong 11 November 2017 USD1,024,000	**100.00**	100.00	**100.0**	100.00	Asset management/ Hong Kong
	Wuhan Chuguang Industry New Development Co. Ltd. ("Wuha Chuguang")**	PRC 31 May 2018 RMB10,000,000	**66.40**	66.40	**100.00**	100.00	Real estate development/ Mainland China
	CDBC Co-Create Enterprise Management (Huzhou) Co., Ltd. ("CCEM Huzhou")	PRC 2 June 2018 RMB10,000,000	**58.00**	58.00	**58.00**	58.00	Investment management/ Mainland China

* Beijing Zhuchengyingtai Engineering Management Co., Ltd. was terminated in 2019.

** Wuhan Chuguang Industry New Development Co. Ltd. changed its company registration name in 2019 and the former one was Lenovo Mobile Communication Software (Wuhan) Co., Ltd. ("Lenovo Wuhan").

Indirectly held through structured entities

The Jiangsu Fund

In 2016, CDBC New Town and ShengQi IM, the wholly-owned subsidiaries of the Group, entered into a limited partnership agreement with CIB Wealth Management Co., Ltd. ("CIB"), and CDB Jingcheng (Beijing) Investment Fund Company Limited ("CDB Fund"), in relation to the establishment of an investment partnership, the Jiangsu Fund. In 2019, all the limited partners of the Jiangsu Fund redeemed all their capital fund. Since then, ShengQi IM held a 100% interest of the Jiangsu Fund. The interest held indirectly by the Company was RMB970 thousand and RMB32.47 million as at 31 December 2019 and 31 December 2018, respectively.

The Jiangsu Fund was consolidated to the financial statements of the Group. Interests attributable to other interest holders are presented as finance costs and financial liabilities at fair value through profit or loss in the consolidated financial statements.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2019 and 2018, the Group's direct or indirect interests in subsidiaries are set out below: (continued)

Indirectly held through structured entities (continued)

The Jiangguang Fund

In 2017, CDBC New Town and Qinhuangdao Zhongmin Investment Company Limited ("Zhongmin Company") entered into a limited partnership agreement to establish a partnership, the Jiangguang Fund, where CDBC New Town (Beijing) Investment Fund Management Co., Ltd. acted as fund management. In 2019, Zhongmin Company redeemed all their capital fund. Since then, CDBC New Town held a 100% interest of the Jiangguang Fund. The interest held indirectly by the Company was RMB80 million as at December 2018.

The Jiangguang Fund was consolidated to the financial statements of the Group. Interests attributable to other interest holders are presented as finance costs and financial liabilities at fair value through profit or loss in the consolidated financial statements.

(b) The advances to subsidiaries are advances to intermediate holding companies, and they are unsecured, non-interest-bearing, with no fixed repayment terms and are expected to be settled in cash. The intermediate holding companies used these advances to finance their investment holdings of equity interests in the Group's indirect subsidiaries, details of which are as follows:

	2019	2018
Amounts due from:		
CNTD Shenyang	**690,897**	690,897
CNTD Wuxi	**658,053**	658,053
CNTD Changchun	**176,320**	176,320
Safewell Investment Limited	**1,513**	1,513
	1,526,783	1,526,783

(c) **Material partly-owned subsidiaries**

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**2019**	2018
SGLD	PRC	**27.37%**	27.37%
Wuhan Chuguang	PRC	**33.60%**	33.60%
CCEM Huzhou	PRC	**42.00%**	42.00%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Material partly-owned subsidiaries (continued)

Summarised statement of profit or loss and other comprehensive income for 2019:

	SGLD	Wuhan Chuguang	CCEM Huzhou
Revenue	**12,633**	**105,514**	**—**
Cost of sales	**(10,366)**	**(19,128)**	**—**
Profit/(loss) and total comprehensive income/(loss) for the year	**(5,024)**	**99,102**	**(29,513)**
Attributable to non-controlling interests	**(1,375)**	**33,298**	**(12,395)**
Dividends paid to non-controlling interests	**—**	**—**	**—**

Summarised statement of profit or loss and other comprehensive income for 2018:

	SGLD	Wuhan Chuguang	CCEM Huzhou
Revenue	266,548	20,568	—
Cost of sales	(439,122)	(5,498)	—
Profit/(loss) and total comprehensive income/(loss) for the year	111,835	36,563	(119)
Attributable to non-controlling interests	30,609	12,285	(50)
Dividends paid to non-controlling interests	—	—	—

Summarised statement of financial position as of 31 December 2019:

	SGLD	Wuhan Chuguang	CCEM Huzhou
Current assets	**1,944,692**	**86,968**	**1,030**
Non-current assets	**2,903**	**1,457,277**	**—**
Current liabilities	**(505,527)**	**(282,848)**	**(260,662)**
Non-current liabilities	**—**	**(825,732)**	**—**
Total equity	**1,442,068**	**435,665**	**(259,632)**
Attributable to non-controlling interests	**394,694**	**146,383**	**(109,045)**

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Material partly-owned subsidiaries (continued)

Summarised statement of financial position as of 31 December 2018:

	SGLD	Wuhan Chuguang	CCEM Huzhou
Current assets	2,577,336	77,859	55
Non-current assets	7,315	1,324,886	—
Current liabilities	(897,559)	(1,037,821)	(230,174)
Non-current liabilities	(240,000)	(28,361)	—
Total equity	1,447,092	336,563	(230,119)
Attributable to non-controlling interests	396,120	113,085	(96,650)

Summarised cash flow information for 2019:

	SGLD	**Wuhan Chuguang**	**CCEM Huzhou**
Operating	**331,687**	**95,679**	**(25)**
Investing	**—**	**(135,972)**	**219,244**
Financing	**(335,336)**	**(13,075)**	**(218,244)**
Net (decrease)/increase in cash and cash equivalents	**(3,649)**	**(53,368)**	**975**

Summarised cash flow information for 2018:

	SGLD	Wuhan Chuguang	CCEM Huzhou
Operating	43,376	45,019	(34,945)
Investing	(910)	(131,245)	(80,000)
Financing	(42,812)	150,518	115,000
Net (decrease)/increase in cash and cash equivalents	(346)	64,292	55

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Acquisition of Wuhan Chuguang (former know as Lenovo Wuhan)

On 1 June 2018, CDBC New Town and Huzhou Tongchuang Jintai Huizhong Enterprise Management Partnership (Limited Partnership) ("Tongchuang LP") entered into an investment cooperation agreement, pursuant to which, among other things, (i) CDBC New Town and Tongchuang LP jointly established CCEM Huzhou in the PRC with registered capital of RMB10,000,000, owned as to 58% by CDBC New Town and 42% by Tongchuang LP; and (ii) CCEM Huzhou agreed to acquire 80% of the equity interest in Wuhan Chuguang and CDBC New Town agreed to acquire an additional 20% of the equity interest.

The major purpose of the equity transaction for the Group is to acquire a commercial property owned by Wuhan Chuguang. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since 1 June 2018.

The fair values of the assets and liabilities of Wuhan Chuguang as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
Cash and cash equivalents		100,784
Other receivables		117
Other assets		15,982
Property, plant and equipment	16	483
Investment property	15	1,222,576
Account payable		(253,464)
Income tax payable		117
Deferred tax liabilities	9	(1,019)
Advance from customers		(2,058)
Other payables		(776,606)
Other liabilities		(6,912)
Fair value of the net assets acquired		300,000

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

Cash consideration*	(216,813)
Consideration prepaid in 2017	200,000
Cash and bank balances acquired	100,784
Net inflow of cash and cash equivalents included in cash flows from investing activities	83,971

* Through the acquisition, CDBC New Town paid RMB216,813 thousand and Tongchuang LP paid RMB83,187 thousand as the total consideration of RMB300 million for Wuhan Chuguang.

Since the acquisition, Wuhan Chuguang has contributed RMB20,568 thousand to the Group's revenue and RMB36,563 thousand to the consolidated profit for the year ended 31 December 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(a) Investments in joint ventures

	2019	2018
Unlisted shares	**220,590**	227,136

Details of the joint ventures are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%)		Effective equity interest attributable to the Group (%)		Particulars of registered capital	Principal activities
		2019	2018	**2019**	2018		
Beijing Guowan Real Estate Co., Ltd. (i)	PRC 31 October 2016	**50%**	50%	**50%**	50%	RMB500 million	Real estate
Beijing Guoyuan Agriculture Co., Ltd. (ii)	PRC 12 September 2017	**50%**	50%	**50%**	50%	RMB20 million	Agriculture
Nanjing Guofa Real Estate Co., Ltd. (iii)	PRC 27 November 2017	**49%**	49%	**49%**	49%	RMB50 million	Real estate
Nanjing Guoying Zhongxi Development Co., Ltd. (iv)	PRC 27 December 2017	**50%**	50%	**50%**	50%	RMB220 million	Real estate
Zhejiang Kailian Investment Management Co., Ltd. (v)	PRC 28 June 2018	**50%**	50%	**50%**	50%	RMB10 million	Leasing and business services
Zhongke Guoyin (Wuxi) Enterprise Management Co., Ltd. (vi)	PRC 18 March 2018	**50%**	50%	**50%**	50%	RMB10 million	Leasing and business services

(i) In 2016, CDBC New Town and Beijing Vanke Enterprises Co. Ltd. ("Vanke BJ") entered into an agreement for the overall development of Mengtougou District Junzhuang Town Project, pursuant to which Beijing Guowan Real Estate Co., Ltd. ("Guowan") was established. As at 31 December 2019, the issued capital of Guowan was RMB100 million (2018: RMB100 million), which was equally contributed by both parties.

(ii) In 2017, CDBC Agricultural entered into an agreement for the overall development of Miyun District Mujiayu Town Qianliyuan Village Project, pursuant to which Beijing Guoyuan Agriculture Co., Ltd. ("Guoyuan") was established. As at 31 December 2019, the issued capital of Guoyuan was RMB15,908 thousand (2018: RMB15,908 thousand), which was equally contributed by both parties.

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

(iii) In 2017, CDBC Nanjing and Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") entered into an agreement for the overall development of Wushang Land A project which is located in Yuhua District Nanjing, pursuant to which Nanjing Guofa Real Estate Co,. Ltd. ("Guofa") was established. As at 31 December 2019, the issued capital of Guofa was RMB50 million (2018: RMB50 million), where Mingfa Group has contributed RMB25.5 million (2018: RMB25.5 million), and CDBC Nanjing contributed RMB24.5 million (2018: RMB24.5 million).

(iv) In 2018, CDBC Nanjing, CNT Holding and Sichuan Zhongxi Property Co., Ltd set up a joint venture, Nanjing Guoying Zhongxi Development Co., Ltd. ("Guoying"). This joint venture was established for the investment of a bilingual school in Jiangning district. CDBC Nanjing and CNT Holding invested RMB36.74 million (2018: RMB36.74 million) and RMB73.26 million (2018: RMB73.26 million), respectively, representing 16.7% and 33.3% of shares.

(v) In 2018, CDBC New Town and Kailian Capital Management Co., Ltd. entered into an agreement for the overall development of Jinyideyi Kindergarten Project, pursuant to which Zhejiang Kailian Investment Management Co., Ltd. ("Kailian") was established. As at 31 December 2019, the issued capital of Kailian was RMB10 million (2018: RMB10 million), which was equally contributed by both parties.

(vi) In 2018, CDBC Nanjing and Shanghai Zhongke Scientific Culture Group Co., Ltd entered into an agreement for the overall development of Nanchang Science and Technology Park Project of Chinese Academy of Sciences Project, pursuant to which Zhongke Guoyin (Wuxi) Enterprise Management Co., Ltd. ("Zhongke") was established. As at 31 December 2019, the issued capital of Zhongke was RMB10 million (2018: RMB10 million), which was equally contributed by both parties.

Summarised financial information of the joint ventures, based on their IFRS financial statements, and the reconciliation to the carrying amount of the investments in the consolidated financial statements are set out below:

Year ended 31 December 2019

	Guofa	Guowan	Guoying	Others	Total
Current assets	844,834	352,268	57,743	13,156	1,268,001
Non-current assets	187	3,354	237,728	7,072	248,341
Current liabilities	(720,622)	(266,363)	(83,318)	(2,074)	(1,072,377)
Non-current liabilities	—	—	(300)	—	(300)
Equity	124,399	89,259	211,853	18,154	443,664
Proportion of the Group's ownership	49%	50%	50%	—	—
Carrying amount of the investment	60,956	44,630	105,927	9,077	220,590

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

Year ended 31 December 2018

	Guofa	Guowan	Guoying	Others	Total
Current assets	846,670	322,736	17,598	16,403	1,203,407
Non-current assets	273	2,918	237,767	8,070	249,028
Current liabilities	(721,234)	(235,708)	(39,020)	(4,676)	(1,000,638)
Non-current liabilities	—	—	—	—	—
Equity	125,709	89,946	216,345	19,797	451,798
Proportion of the Group's ownership	49%	50%	50%	—	—
Carrying amount of the investment	61,598	44,973	108,173	12,392	227,136

Summarised statements of profit or loss and other comprehensive income of the joint ventures are set out below:

Year ended 31 December 2019

	Guofa	**Guowan**	**Guoying**	**Others**	**Total**
Revenue	**—**	**2,634**	**651**	**2,646**	**5,931**
Cost of sales	**—**	**—**	**—**	**(527)**	**(527)**
Administrative expenses	**(2,406)**	**(3,832)**	**(5,172)**	**(7,092)**	**(18,502)**
Finance costs	**65**	**74**	**29**	**25**	**193**
Loss before tax	**(2,341)**	**(1,124)**	**(4,492)**	**(4,948)**	**(12,905)**
Income tax expense	**—**	**437**	**—**	**(622)**	**(185)**
Net loss for the year	**(2,341)**	**(687)**	**(4,492)**	**(5,570)**	**(13,090)**
Total comprehensive loss for the year	**(2,341)**	**(687)**	**(4,492)**	**(5,570)**	**(13,090)**
Group's share of loss for the year	**(1,147)**	**(343)**	**(2,246)**	**(2,785)**	**(6,521)**

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

Year ended 31 December 2018

	Guofa	Guowan	Guoying	Others	Total
Revenue	—	1,195	—	2,779	3,974
Cost of sales	—	—	—	(4,924)	(4,924)
Administrative expenses	(3,323)	(4,346)	(3,715)	(6,521)	(17,905)
Finance costs	63	355	60	7	485
Loss before tax	(3,260)	(2,796)	(3,655)	(8,659)	(18,370)
Income tax expense	—	649	—	164	813
Net loss for the year	(3,260)	(2,147)	(3,655)	(8,495)	(17,557)
Total comprehensive loss for the year	(3,260)	(2,147)	(3,655)	(8,495)	(17,557)
Group's share of loss for the year	(1,597)	(1,074)	(1,827)	(4,248)	(8,746)

(b) Investments in associates

	2019	2018
Unlisted shares	**64,020**	7,426

Details of the associates are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%)		Effective equity interest attributable to the Group (%)		Particulars of registered capital	Principal activities
		2019	2018	**2019**	2018		
Kaiyuan Education Fund GP Holding Limited. (i) ("GP Holding Co")	Cayman Islands 25 October 2018	**40.00%**	40.00%	**40.00%**	40.00%	USD2,560 thousand	Education
Kaiyuan Education Fund LP (ii) ("Kaiyuan Fund")	Cayman Islands 23 November 2017	**58.38%**	58.38%	**58.38%**	58.38%	USD80 million	Education

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(b) Investments in associates (continued)

(i) In 2018, GP Holding Co was established which is in turn owned by CDB Education, China-West Education Investment Holdings Company Limited ("CWE"), Excel Access International Limited ("EAIL") and Smart Sphere Limited as to 40%, 15%, 25% and 20%, respectively.

(ii) Kaiyuan Fund was established in 2017 by CDB Education, CWE and other shareholders with interest shares of 58.38%, 23.35% and 18.27% respectively.

Summarised financial information of the Group's associates and the reconciliation to the carrying amount of the investments in the consolidated financial statements are set out below:

Year ended 31 December 2019

	GP Holding Co	Kaiyuan Fund	Total
Current assets	**54,162**	**48,294**	**102,456**
Non-current assets	**97**	**63,978**	**64,075**
Current liabilities	**(20,192)**	**(18,879)**	**(39,071)**
Non-current liabilities	**(10,325)**	**—**	**(10,325)**
Equity	**23,742**	**93,393**	**117,135**
Proportion of the Group's ownership	**40%**	**58.38%**	**—**
Carrying amount of the investment	**9,497**	**54,523**	**64,020**

Year ended 31 December 2018

	GP Holding Co	Kaiyuan Fund	Total
Current assets	24,438	10,253	34,691
Non-current assets	59	—	59
Current liabilities	(7,097)	(9,454)	(16,551)
Non-current liabilities	—	—	—
Equity	17,400	799	18,199
Proportion of the Group's ownership	40%	58.38%	—
Carrying amount of the investment	6,960	466	7,426

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(b) Investments in associates (continued)

Summarised statements of profit or loss and other comprehensive income of the associates are set out below:

Year ended 31 December 2019

	GP Holding Co	Kaiyuan Fund	Total
Revenue	**16,574**	**45,365**	**61,939**
Cost of sales	**—**	**—**	**—**
Administrative expenses	**(11,729)**	**(10,187)**	**(21,916)**
Finance costs	**5**	**—**	**5**
Profit before tax	**4,850**	**35,178**	**40,028**
Income tax expense	**—**	**—**	**—**
Net profit for the year	**4,850**	**35,178**	**40,028**
Total comprehensive profit for the year	**4,850**	**35,178**	**40,028**
Group's share of profit for the year	**1,940**	**20,537**	**22,477**

Year ended 31 December 2018

	GP Holding Co	Kaiyuan Fund	Total
Revenue	15,112	—	15,112
Cost of sales	—	—	—
Administrative expenses	(13,968)	(11,411)	(25,379)
Finance costs	(10)	(1)	(11)
Profit/(loss) before tax	1,134	(11,412)	(10,278)
Income tax expense	—	—	—
Net profit/(loss) for the year	1,134	(11,412)	(10,278)
Total comprehensive profit/(loss) for the year	1,134	(11,412)	(10,278)
Group's share of profit/(loss) for the year	454	(6,662)	(6,208)

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE

	Notes	2019	2018
Land development	(a)	**12,633**	266,548
Property management	(a)	**27,405**	4,978
Asset and fund management	(a)	**6,260**	12,430
Revenue from contracts with customers	(a)	**46,298**	283,956
Rental income		**78,109**	15,610
Interest and similar income	(b)	**290,534**	299,720
Revenue from other sources		**368,643**	315,330
Total revenue		**414,941**	599,286

(a) Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Year ended 31 December 2019			
	Land development	**Urbanization development**	**Property leasing**	**Total**
Segments				
Type of goods or services				
Land development	**12,633**	**—**	**—**	**12,633**
Property management	**—**	**—**	**27,405**	**27,405**
Asset and fund management	**—**	**6,260**	**—**	**6,260**
Total revenue from contracts with customers	**12,633**	**6,260**	**27,405**	**46,298**
Timing of revenue recognition				
Services tendered over time	**12,633**	**6,260**	**27,405**	**46,298**

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE (continued)

(a) Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

	Year ended 31 December 2018			
	Land development	Urbanization development	Property leasing	Total
Segments				
Type of goods or service				
Land development	266,548	—	—	266,548
Property management	—	—	4,978	4,978
Asset and fund management	—	12,430	—	12,430
Total revenue from contracts with customers	266,548	12,430	4,978	283,956
Timing of revenue recognition				
Services tendered over time	266,548	12,430	4,978	283,956

The Group's total revenue from contracts with customers is all derived from Mainland China.

Land development for sale of SGLD

SGLD is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) in Luodian New Town. In previous years, when the land plots were sold, SGLD was entitled to receive from the local authorities a proportion of the proceeds from land sales.

On 29 December 2018, SGLD and the local government entered into a new cooperative agreement to change the cooperation model after extensive negotiations, in response to the relatively material changes of the policies since expiration of the original agreement. Based on the new cooperative agreement, SGLD will continue to cooperate with the local government for the primary development of land in the Eastern Zone of the Luodian New Town, which is now targeted for completion by August 2023. However, instead of being entitled to a portion of the sales proceeds of the land as compensation under the previous arrangement, the local government will compensate SGLD as follows under the new arrangement:

- The local government will reimburse SGLD for the construction and preparation works in respect of the demolition and relocation works in the Eastern Zone, which had already been completed by SGLD in previous years, for a total consideration of RMB1,523 million. The local government shall be responsible for further outstanding demolition and relocation works in the area that might be necessary, if any, and SGLD will not bear any further costs in this regard;

5. REVENUE (continued)

(a) Revenue from contracts with customers (continued)

Land development for sale of SGLD (continued)

- The local government has also reached an agreement with SGLD to complete outstanding construction work in the Western Zone in respect of ancillary public facilities and settled in cash of RMB371 million for the remaining ancillary public facilities in that area.

As a result of the new cooperative agreement, SGLD will receive a net amount of RMB1,151 million (RMB1,523 million less RMB371 million) as compensation for costs incurred for the Eastern Zone and to complete the constructions of agreed ancillary public facilities at the Western Zone. The contract price was allocated between the land infrastructure and ancillary public facilities components, based on their relative fair values, which were determined at RMB463 million and RMB688 million, respectively. In addition, an amount of RMB86 million was separately received in 2018 as compensation for work carried out on ancillary public facilities.

As work relating to land infrastructure had already been completed in previous years, the remaining revenue of RMB176 million was recognised in 2018, which was the allocated contract price of RMB463 million after deduction of the revenue that was previously recognised in 2017 of RMB287 million.

In addition, revenue of RMB91 million in respect of the ancillary public facilities was recognised in 2018, which was the allocated contract price of RMB688 million and the separately received amount of RMB86 million after deduction of the revenue that was previously recognised in 2017 of RMB362 million and that was allocated to the uncompleted portion of the ancillary public facilities of RMB321 million (contract liabilities).

RMB1,000 million out of the total consideration of RMB1,523 million was received in 2019. Revenue of RMB12.63 million was recognised in respect of construction of the ancillary public facilities with the fulfilment of the performance obligation, of which RMB10.37 million was released from contract liabilities.

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE (continued)

(b) The revenue from interest and similar income mainly consist of interest from debt instruments at amortised cost of RMB283,701 thousand (2018: RMB276,482 thousand), and interest similar income from investment funds of RMB6,833 thousand (2018: RMB23,238 thousand).

The detailed information of revenue from interest and similar income is as follows:

	2019	2018
Interest income		
CDB Yuhua Project	—	30,132
Yangzhou Airport New Town Project	10,877	36,786
Qinhuangdao Project	11,360	13,842
Yangzhou Hanjiang District Infrastructure Construction Project	—	26,383
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	6,431	19,111
Yangzhou River Banks Project	6,699	11,812
Nanchang Science and Technology Park Project of Chinese Academy of Sciences	37,927	33,765
Lianyungang Haohai R&D Centre Project	9,565	7,282
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	11,194	8,310
Jiangsu Taizhou New Energy Industrial Park Project	38,206	30,904
Shandong Qingzhou MI River Comprehensive Control Project	20,614	10,275
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	32,666	9,787
Jiangsu Huai'an Huaiyin District Urban Renewal Project	33,700	9,546
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	15,991	1,446
Chengdu Jintang Huaizhou New City Yunding Ranch Cultural Tourism Project	8,020	—
Taizhou Tongtai Intelligent Manufacturing Industrial Park Project	10,978	—
Others	29,473	27,101
	283,701	276,482
Interest similar income		
CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund	6,833	23,238
	290,534	299,720

(All amounts expressed in RMB'000 unless otherwise specified)

6. OTHER INCOME AND OTHER EXPENSES

Other income

	2019	2018
Interest income from bank deposits	**19,417**	20,610
Net fair value gain/(loss) on financial instruments at fair value through profit or loss	**12,476**	(916)
Investment income from financial instruments at fair value through profit or loss	**41,756**	17,031
Fair value gain on investment property	**111,768**	76,009
Gain on disposal of property, plant and equipment	**1,215**	4
Others	**13,358**	10,102
	199,990	122,840

Other expenses

	2019	2018
Bank charges	**127**	1,654
Credit loss expenses	**130,752**	13,456
Foreign exchange loss, net	**153**	105,041
Others	**1,816**	954
	132,848	121,105

(All amounts expressed in RMB'000 unless otherwise specified)

7. EXPENSES BY NATURE

	2019	2018
Cost of land development	**10,366**	439,122
Depreciation of property, plant and equipment	**2,049**	1,821
Amortisation of prepaid land lease payments	**—**	157
Depreciation of right-of-use assets	**10,396**	—
Audit fees and non-audit fees	**5,714**	5,705
Audit fees		
— Auditor of the Company	**3,500**	3,860
— Other auditors	**2,096**	1,840
Non-audit fees		
— Auditor of the Company	**—**	—
— Other auditors	**118**	5
Employee benefits	**55,153**	64,092
Utility expenses	**8,247**	1,879
Advertising	**7,949**	7,474
Rental expenses	**6,292**	17,883
Property management service expenses	**14,129**	4,855
Intermediary and professional service charges	**3,020**	10,176
Other expenses	**31,995**	29,263
Total cost of sales, selling and administrative expenses	**155,310**	582,427

8. FINANCE COSTS

	2019	2018
Interest on bank and other borrowings	**156,277**	110,340
Interest on senior guaranteed notes	**—**	26,990
Interests attributable to other interest holders of structured entities	**8,961**	12,378
	165,238	149,708
Less: Interest capitalised	**—**	—
	165,238	149,708

No borrowing cost has been capitalised for the year ended 31 December 2019 (2018: Nil).

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% on their taxable income according to the Income Tax Law of the PRC.

Mainland China — withholding tax

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

Pursuant to the laws governing the PRC Corporate Income Tax, a member of the Group, who is not a tax resident in the jurisdiction of the PRC, is subject to withholding tax at 10% on the income from Mainland China, such as interest income and gains from disposal of equity investments. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group determined that such withholding tax is an income tax in the scope of IAS 12 and has recognised such withholding tax as a tax expense in the statement of profit or loss and other comprehensive income.

The major components of income tax are as follows:

		2019	2018
Income tax charge/(credit):			
Current income tax		**7,607**	13,754
Deferred tax		**37,624**	13,109
Withholding tax		**20,908**	19,183
Income tax charge in respect of current year		**66,139**	46,046
Income tax credit in respect of previous years	(a)	**—**	(314,366)
Income tax		**66,139**	(268,320)

(a) Significant judgement is required in determining the amount of income tax provision for the land development. On 29 December 2018, SGLD and the local government entered into a new cooperative agreement to change the cooperation model in Luodian New Town (details as referred in Note 5). Updated information was obtained during that negotiation with the local government, as a result, the management of the Group reassessed and updated the income tax provision, mainly taking into account the scope of the deductible expenditures.

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

A reconciliation between tax charge/(credit) in respect of the current year and the product of accounting profit/(loss) multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2019

	HK and BVI companies		Mainland China		Total	
Profit before tax	**42,907**		**134,584**		**177,491**	
Tax at the statutory tax rate	**10,727**	**25.0%**	**33,646**	**25.0%**	**44,373**	**25.0%**
Effect of subsidiaries applying the non-statutory tax rate	**(3,607)**	**(8.4%)**	**(10)**	**(0.0%)**	**(3,617)**	**(2.0%)**
Income not subject to tax	**(6,463)**	**(15.0%)**	**—**	**—**	**(6,463)**	**(3.7%)**
Profit and losses attributable to joint ventures and associates	**(3,462)**	**(8.1%)**	**1,257**	**0.9%**	**(2,205)**	**(1.2%)**
Non-deductible expenses for tax purposes	**2,805**	**6.5%**	**6,594**	**4.9%**	**9,399**	**5.3%**
Adjustments in respect of current tax of previous periods	**—**	**—**	**(3,160)**	**(2.3%)**	**(3,160)**	**(1.8%)**
Utilisation of previously unrecognised tax losses	**—**	**—**	**(7,562)**	**(5.6%)**	**(7,562)**	**(4.3%)**
Unrecognised tax losses	**—**	**—**	**14,466**	**10.7%**	**14,466**	**8.2%**
Effect of withholding tax*	**20,908**	**48.7%**	**—**	**—**	**20,908**	**11.8%**
Income tax as reported in the statement of profit or loss and other comprehensive income	**20,908**	**48.7%**	**45,231**	**33.6%**	**66,139**	**37.3%**

* In 2019, the HK and BVI companies received interest and dividend income from Mainland China amounted to RMB205,316 thousand (2018: RMB172,643 thousand), after the deduction of the withholding tax of RMB20,908 thousand (2018: RMB19,183 thousand).

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

Year ended 31 December 2018

	HK and BVI companies		Mainland China		Total	
Loss before tax	(30,410)		(115,658)		(146,068)	
Tax at the statutory tax rate	(7,603)	25.0%	(28,915)	25.0%	(36,518)	25.0%
Effect of subsidiaries applying the non-statutory tax rate	7,603	(25.0%)	(17)	0.0%	7,586	(5.2%)
Non-deductible expenses for tax purposes	—	—	7,387	(6.4%)	7,387	(5.1%)
Adjustments in respect of current tax of previous periods	—	—	(6,917)	6.0%	(6,917)	4.7%
Utilisation of previously unrecognised tax losses	—	—	(33)	0.0%	(33)	0.0%
Unrecognised tax losses	—	—	55,358	(47.9%)	55,358	(37.9%)
Effect of withholding tax*	19,183	(63.1%)	—	—	19,183	(13.1%)
Income tax as reported in the statement of profit or loss and other comprehensive income	19,183	(63.1%)	26,863	(23.3%)	46,046	(31.6%)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2019	2018	**2019**	2018
Deferred tax assets/(liabilities)				
Fair value change and depreciation of investment property	**(53,684)**	(21,539)	**(32,145)**	(20,520)
Fair value change of financial instruments at fair value through profit or loss	**127**	2,266	**(2,139)**	3,611
Temporary differences of land development for sale	**—**	—	**—**	(86,510)
Accrued expenses	**5,852**	6,162	**(310)**	4,410
Provision for ECLs	**2,978**	6,008	**(3,030)**	(14,829)
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**(21,151)**	(21,151)	**—**	—
Net deferred tax liabilities	**(65,878)**	(28,254)		
Deferred income tax credit			**(37,624)**	(113,838)

Deferred tax movements:

	2019	2018
As of 1 January	**(28,254)**	79,985
Effect of adoption of IFRS 9	**—**	6,618
Acquisition of subsidiaries	**—**	(1,019)
Deferred tax income recognised in profit or loss		
— in respect of current year	**(37,624)**	(13,109)
— in respect of previous years	**—**	(100,729)
As at 31 December	**(65,878)**	(28,254)
Deferred tax assets	**8,957**	14,436
Deferred tax liabilities	**(74,835)**	(42,690)

As at 31 December 2019, the unrecorded deductible temporary differences and accumulated tax losses amounted to RMB242,617 thousand, which was mainly arisen from those subsidiaries that have been loss-making for some time, the Group estimated that there was no taxable income to utilise these tax losses and there are no other tax planning opportunities or other evidence of recoverability in the near future.

(All amounts expressed in RMB'000 unless otherwise specified)

10. DIVIDENDS

The Board of Directors proposed a final dividend of HKD0.0044 per ordinary share for the year ended 31 December 2019 (2018: HKD0.006). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

With the approval of the shareholders at the annual general meeting held on 21 June 2019, the Company paid the dividends of HKD58,177 thousand in 2019.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the years ended 31 December 2019 and 2018 included a loss of RMB1,533 thousand and a gain of RMB254 million, respectively, which have been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculations of the basic earnings per shares amounts are based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2019 and 2018.

The following reflects the earnings and share data used in the basic and diluted earnings per share calculations:

	2019	2018
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**95,412**	83,893
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	**9,726,246,417**	9,726,246,417
Basic and diluted earnings per share (RMB)	**0.0098**	0.0086

There were no transactions involving ordinary shares or potential ordinary shares during 2019.

(All amounts expressed in RMB'000 unless otherwise specified)

13. DEBT INSTRUMENTS AT AMORTISED COST

	2019	2018
Yangzhou Airport New Town Project	**—**	300,000
Qinghuangdao Project	**50,000**	150,278
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	**—**	200,000
Gaoyou PPP Project	**136,300**	109,040
Yangzhou River Banks Project	**—**	150,000
Nanchang Science and Technology Park Project of Chines Academy of Sciences	**400,000**	400,000
Lianyungang Haohai R&D Centre Project	**100,000**	100,000
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	**156,310**	156,946
Jiangsu Taizhou New Energy Industrial Park Project	**328,882**	529,467
Shandong Qingzhou MI River Comprehensive Control Project	**207,029**	202,526
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	**313,523**	306,670
Jiangsu Huai'an Huaiyin District Urban Renewal Project	**312,867**	307,510
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	**195,388**	196,183
Chengdu Jintang Huaizhou New City Yunding Ranch Cultural Tourism Project	**251,000**	—
Taizhou Tongtai Intelligent Manufacturing Industrial Park Project	**305,072**	—
The first Phase Construction Project of High-tech Science and Technology Innovation Park in Yangzhong City, Jiangsu Province	**201,000**	—
Suqian Yanghe Bio-tech Industrial Park Project	**107,000**	—
Others	**234,408**	136,409
	3,298,779	3,245,029
Less: allowance for ECLs	**(153,488)**	(32,450)
	3,145,291	3,212,579
Amounts due in the next 12 months classified as current assets	**1,932,758**	847,613
Amounts classified as non-current assets	**1,212,533**	2,364,966

As at 31 December 2019, the Group was entitled to fixed returns ranging from 5.70% to 15.00% (2018: 7.98% to 17.07%) before tax for debt instruments at amortised cost.

(All amounts expressed in RMB'000 unless otherwise specified)

13. DEBT INSTRUMENTS AT AMORTISED COST (continued)

Movements of ECL allowance during the year ended 31 December 2019 and 2018 are as follows:

	2019	2018
At beginning of year	32,450	—
Effect of adoption of IFRS 9	—	20,851
Credit loss	121,038	11,599
At end of year	153,488	32,450

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to debt instruments at amortised cost is as follows:

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	3,245,029	—	—	3,245,029
New loans	992,698	—	—	992,698
Derecognition	(956,174)	—	—	(956,174)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	(450,000)	—	450,000	—
Foreign currency exchange	17,226	—	—	17,226
At 31 December 2019	2,848,779	—	450,000	3,298,779

For the debt instruments at amortised cost, the Group applies a general approach in calculating ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a credit loss expected within the next 12 months is required, otherwise, a credit loss expected over the remaining life of the exposure is required.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit loss.

(All amounts expressed in RMB'000 unless otherwise specified)

13. DEBT INSTRUMENTS AT AMORTISED COST (continued)

	12-month ECLs	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2019	**32,450**	—	—	**32,450**
Provision and remeasurement	**9,927**	—	**120,500**	**130,427**
Reversal	**(9,562)**	—	—	**(9,562)**
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	—	—	—	—
Transfer to Stage 3	**(4,500)**	—	**4,500**	—
Foreign currency exchange	**173**	—	—	**173**
At 31 December 2019	**28,488**	—	**125,000**	**153,488**

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019**	2018
— Funds	(a)	**28,433**	60,049
— Wealth management products	(b)	**1,188,978**	177,450
— Equity instruments	(c)	**42,784**	33,633
— Derivatives	(d)	**9,894**	5,439
		1,270,089	276,571

(a) In June 2015, CDBC New Town invested in the junior-tranche of CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund and the investment was partly redeemed in 2019.

(b) In 2019, the Group invested in wealth management products mainly issued by Shanghai Pudong Development Bank as part of cash management for the short term.

(c) In July 2015, CDBC Nanjing entered into an agreement to purchase a 13.89% equity interest in Jiangsu Hong-tu Software Venture Capital Investment Ltd.

(d) At the end of 2019, CNT Holding held several cross currency swap and foreign exchange forward contracts with China Construction Bank (Asia) and Bank of East Asia. Those contracts were not designated in hedge relationships, but were, nevertheless, intended to reduce the level of foreign currency exchange risks for the investments and borrowings denominated in foreign currencies.

(All amounts expressed in RMB'000 unless otherwise specified)

15. INVESTMENT PROPERTY

	Year ended 31 December 2019	Year ended 31 December 2018
At beginning of year	**1,315,244**	—
Acquisition of a subsidiary	**—**	1,222,576
Subsequent expenditure	**20,717**	16,659
Gain from increase in fair value	**111,768**	76,009
At end of year	**1,447,729**	1,315,244

The Group owned the investment property of the New Development International Centre, a building located in Wuhan, China that has retail, office and car park spaces. The fair value was determined on the basis of valuation carried out by Cushman&Wakefield, an independent professionally qualified valuer. The valuation was performed based on the income approach.

The following amounts relating to the investment property have been recognised in profit or loss:

	Year ended 31 December 2019	Year ended 31 December 2018
Rental income (Note 5)	**78,109**	15,610
Property management income (Note 5)	**27,405**	4,978
Gain from increase in fair value (Note 6)	**111,768**	76,009
Other direct operating expenses	**(19,128)**	(5,720)

The investment property is pledged for an interest-bearing bank borrowing (see Note 24).

(All amounts expressed in RMB'000 unless otherwise specified)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
Original cost				
At 1 January 2018	15,862	10,202	9,082	35,146
Additions	3,399	1,329	—	4,728
Acquisition of subsidiaries	—	194	303	497
Disposals	—	(31)	—	(31)
At 31 December 2018	19,261	11,694	9,385	40,340
Additions	—	441	6	447
Disposals	—	(979)	(4,630)	(5,609)
At 31 December 2019	19,261	11,156	4,761	35,178
Accumulated depreciation				
At 1 January 2018	6,932	7,991	8,300	23,223
Provided during the year	663	938	220	1,821
Acquisition of subsidiaries	—	8	6	14
Disposals	—	(30)	—	(30)
At 31 December 2018	7,595	8,907	8,526	25,028
Provided during the year	868	1,045	136	2,049
Disposals	—	(883)	(4,261)	(5,144)
At 31 December 2019	8,463	9,069	4,401	21,933
Net carrying amount				
At 1 January 2018	8,930	2,211	782	11,923
At 31 December 2018	11,666	2,787	859	15,312
At 31 December 2019	10,798	2,087	360	13,245

(All amounts expressed in RMB'000 unless otherwise specified)

17. LEASES

Group as a lessee

The Group has lease contracts for various items of buildings, motor vehicles and other equipment in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 10 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 6 years, while motor vehicles generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

(a) Prepaid land lease payments (before 1 January 2019)

	2018
Carrying amount at 1 January 2018	2,395
Recognised in profit or loss during the year	(157)
Carrying amount at 31 December 2018	2,238

(b) Right-of-use assets

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

	Buildings	Motor vehicles	Land	Total
Original cost				
At 1 January 2019	**13,443**	**407**	**2,238**	**16,088**
Additions	**10,460**	**1,018**	**—**	**11,478**
At 31 December 2019	**23,903**	**1,425**	**2,238**	**27,566**
Accumulated depreciation				
At 1 January 2019	**—**	**—**	**—**	**—**
Provided during the year	**9,746**	**493**	**157**	**10,396**
At 31 December 2019	**9,746**	**493**	**157**	**10,396**
Net carrying amount				
At 1 January 2019	**13,443**	**407**	**2,238**	**16,088**
At 31 December 2019	**14,157**	**932**	**2,081**	**17,170**

(All amounts expressed in RMB'000 unless otherwise specified)

17. LEASES (continued)

Group as a lessee (continued)

(c) Lease liabilities

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

	2019
At 1 January 2019	**12,583**
Additions	**11,498**
Interest expense	**244**
Payments	**(11,010)**
As at 31 December 2019	**13,315**
Current	**6,304**
Non-current	**7,011**

(d) The following are the amounts recognised in profit or loss:

	2019
Depreciation expense of right-of-use assets (included in administrative expense)	**10,396**
Interest expense on lease liabilities (included in administrative expense)	**244**
Expense relating to short-term leases (included in cost of sales)	**6,232**
Expense relating to leases of low-value assets (included in administrative expense)	**60**
	16,932

The Group had total cash outflows for leases of RMB17,414 thousand in 2019. The Group has no significant short-term lease or leases of low-value assets commitments at the end of the reporting period.

Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of office and retail. These leases have terms of between 1 and 15 years. Rental income recognised by the Group during the year is RMB78,109 thousand (2018: RMB15,610 thousand).

(All amounts expressed in RMB'000 unless otherwise specified)

17. LEASES (continued)

Group as a lessor (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019	2018
Within one year	**124,811**	67,744
After one year but not more than five years	**203,247**	131,507
More than five years	**17,390**	19,411
	345,448	218,662

18. LAND DEVELOPMENT FOR SALE

	2019	2018
At lower of cost and net realisable value:		
Mainland China — Shenyang Lixiang	**884,820**	880,008
	884,820	880,008

Land development for sale represents the cost of land development within the districts of the new town development projects. Though the Group does not have an ownership title or land use rights to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in those new town development projects. When the land plots are sold, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utility fees, if any).

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

(All amounts expressed in RMB'000 unless otherwise specified)

19. OTHER RECEIVABLES

	Notes	2019	2018
Other receivables			
Wuxi Project:			
— Net disposal consideration		—	59,940
— Balances due from		**20,977**	20,977
Interest receivables from debt instruments at amortised cost		**38,409**	13,479
Due from SREI	(i)	**140,146**	140,146
Balances due from entities disposed of		**24,384**	24,384
Due from joint ventures and associates	(ii)	**487,634**	520,939
Others		**47,975**	18,390
		759,525	798,255
Less: allowance for ECLs		**(25,239)**	(7,982)
Other receivables, net		**734,286**	790,273

The Group applies a simplified approach in calculating ECLs for trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the provision that is based on its historical credit loss experience, adjusted for forward-looking factors to the debtors and the economic environment. The movements in allowance of impairment are as follows:

	2019	2018
At beginning of year	**7,982**	—
Effect of adoption of IFRS 9	—	8,945
Credit loss	**17,257**	(963)
At end of year	**25,239**	7,982

(i) The Group entered into a series of agreements with SREI to settle the outstanding balances regarding the Disposal Assets in 2017. The remaining balance was further offset by the dividend payable and other payable to SREI which amounted to RMB87.55 million in 2018.

(ii) As at 31 December 2019, the balance due from joint ventures mainly included shareholder's loans of RMB380,000 thousand provided by CDBC Nanjing to Guofa and RMB105,029 thousand provided by CDBC New Town to Guowan to facilitate their daily operations, which are interest-free and should be repayable on demand.

(All amounts expressed in RMB'000 unless otherwise specified)

20. TRADE RECEIVABLES

	2019	2018
Receivables from land development for sale	**559,898**	1,554,998
Others	**5,514**	2,831
	565,412	1,557,829
Less: allowance for ECLs	**(8,035)**	(15,578)
Trade receivables, net	**557,377**	1,542,251

The above balances are unsecured and interest-free. The fair values of the trade receivables as at the end of each reporting period approximate to their carrying amounts. No trade receivables were written off as of 31 December 2019 (31 December 2018: Nil).

The Group applies a simplified approach in calculating ECLs for trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the provision that is based on its historical credit loss experience, adjusted for forward-looking factors to the debtors and the economic environment. The movements in allowance of impairment are as follows:

	2019	2018
At beginning of year	**15,578**	—
Effect of adoption of IFRS 9	**—**	12,758
Credit loss	**(7,543)**	2,820
At end of year	**8,035**	15,578

An ageing analysis of the trade receivables is as follows:

		2019	
	Trade receivables	**Less: allowance for ECLs**	**Trade receivables, net**
Within 6 months	**7,686**	**(77)**	**7,609**
6 months to 1 year	**—**	**—**	**—**
1 year to 2 years	**522,680**	**(5,227)**	**517,453**
2 years to 3 years	**—**	**—**	**—**
Over 3 years	**35,046**	**(2,731)**	**32,315**
	565,412	**(8,035)**	**557,377**

(All amounts expressed in RMB'000 unless otherwise specified)

20. TRADE RECEIVABLES (continued)

	2018		
	Trade receivables	Less: allowance for ECLs	Trade receivables, net
Within 6 months	1,522,683	(15,226)	1,507,457
6 months to 1 year	—	—	—
1 year to 2 years	—	—	—
2 years to 3 years	2,394	(24)	2,370
Over 3 years	32,752	(328)	32,424
	1,557,829	(15,578)	1,542,251

21. CASH AND BANK BALANCES

	2019	2018
Cash on hand	**—**	6
Short-term deposits with an original maturity less than 3 months	**—**	1,047
Cash at banks	**269,917**	661,609
Cash and cash equivalents	**269,917**	662,662
Restricted bank deposits	**—**	—
	269,917	662,662

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

There were no restricted bank deposits as at 31 December 2019 (2018: Nil).

21. CASH AND BANK BALANCES (continued)

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

	2019	2018
RMB equivalent of the following currencies:		
SGD	**46**	45
RMB	**246,741**	619,686
HKD	**11,418**	25,598
USD	**8,442**	13,866
EUR	**3,270**	3,467
	269,917	662,662

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. SHARE CAPITAL

Group and Company

	2019		2018	
	Number of shares (thousand)	**Amount***	Number of shares (thousand)	Amount*
Ordinary shares authorised	**20,000,000**		20,000,000	
Ordinary shares issued and fully paid:				
Share capital at the end of the year	**9,726,246**	**4,070,201**	9,726,246	4,070,201

* There is no par value for the shares of the Company. In 2007, there was a share split whereby one existing share was split into 75,000 shares.

The holders of ordinary shares are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. Each ordinary share carries one vote without restrictions.

(All amounts expressed in RMB'000 unless otherwise specified)

23. OTHER RESERVES

Group

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2018	224,032	163,433	205,327	592,792
Capital injection by non-controlling interests	—	—	101	101
Share of equity changes of a joint venture other than comprehensive income	—	—	14,441	14,441
At 31 December 2018	224,032	163,433	219,869	607,334
Share of equity changes of a joint venture other than comprehensive income	—	—	505	505
At 31 December 2019	224,032	163,433	220,374	607,839

Company

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2018, 31 December 2018 and 2019	1,557,445	163,433	191,805	1,912,683

Nature and purpose of other reserves

Imputed equity contribution upon reorganisation

The Company applied the pooling of interest method to account for the business combination under common control that occurred on 20 December 2006. This therefore represents the difference between the Company's share of net assets of the Group and the sum of share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

Capital contribution received upon the repurchase of convertible bonds

This represents the capital contribution from SREI in connection with the Company's repurchase of convertible bonds.

(All amounts expressed in RMB'000 unless otherwise specified)

23. OTHER RESERVES (continued)

Nature and purpose of other reserves (continued)

Other reserves

These represent the fair value change of the equity component of certain convertible bonds issued by the Company upon their purchase of RMB191,805 thousand, the share of the equity change from the joint ventures other than other comprehensive income of RMB39,201 thousand and the equity transaction with the non-controlling interest of RMB(10,632) thousand.

24. INTEREST-BEARING BANK BORROWINGS

Details of interest-bearing bank borrowings which were all denominated in RMB are as follows:

	2019	2018
Bank borrowings — secured and guaranteed	**795,380**	561,159
Bank borrowings — guaranteed	**1,856,432**	1,881,033
	2,651,812	2,442,192

The interest-bearing bank borrowings are repayable as follows:

	2019	2018
Within 6 months	**283,734**	35,000
6 months to 9 months	**15,000**	—
9 months to 12 months	**—**	50,000
1 year to 2 years	**1,647,698**	369,498
2 years to 5 years	**235,000**	1,987,694
Over 5 years	**470,380**	—
	2,651,812	2,442,192

The Group's interest-bearing bank borrowings bore interest at HIBOR plus 2.0%, LIBOR plus 2.2%, HIBOR plus 2.2% and 4.90% per annum for the year ended 31 December 2019 (2018: at LIBOR plus 2.2%, HIBOR plus 2.2%, 4.275%, 4.41%, 4.90% and 6.175% per annum).

Bank borrowings — guaranteed

As at 31 December 2019, bank borrowings of USD76,968 thousand and HKD1,473,000 thousand (equivalent to RMB1,856,432 thousand) were guaranteed by the Company (2018: USD76,968 thousand and HKD1,173,000 thousand, equivalent to RMB1,556,033 thousand).

As at 31 December 2018, a bank borrowing of RMB325,000 thousand was guaranteed by CDB Capital (2019: Nil).

(All amounts expressed in RMB'000 unless otherwise specified)

24. INTEREST-BEARING BANK BORROWINGS (continued)

Bank borrowings — secured and guaranteed

As at 31 December 2019, bank borrowings of RMB795,380 thousand were guaranteed by CDBC New Town and CCEM Huzhou. The bank borrowings were also secured by the investment property, whose carrying amount at 31 December 2019 was RMB1.447 billion.

As at 31 December 2018, bank borrowings of RMB561,159 thousand were guaranteed by the Company and CCEM Huzhou. The bank borrowings were also secured by the investment property, whose carrying amount at 31 December 2018 was RMB1.315 billion, and the share equity of Wuhan Chuguang held by CCEM Huzhou and CDBC New Town.

25. TRADE PAYABLES

	2019	2018
Payable for land development for sale	**204,932**	496,560
Payable for investment property	**158,879**	204,608
Others	**5**	5
	363,816	701,173

An ageing analysis of the Group's trade payables is as follows:

	2019	2018
Within 1 year	**7,647**	581,197
1 to 2 years	**254,199**	19,372
Over 2 years	**101,970**	100,604
	363,816	701,173

Trade payables are non-interest-bearing.

(All amounts expressed in RMB'000 unless otherwise specified)

26. OTHER PAYABLES AND ACCRUALS

	2019	2018
Payroll and welfare	**20,951**	29,958
Accrued interest on bank and other borrowings	**16,126**	24,797
Other taxes payable:		
Business tax payable	**12,715**	12,715
Property tax payable	**1,128**	1,744
Land use tax payable	**52**	47
Value-added tax payable	**2**	445
Other miscellaneous taxes	**571**	1,526
Withholding tax payable	**7,172**	10,713
Receipts in excess of the Group's estimated share of land sales proceeds	**26,477**	26,477
Amounts due to related parties (Note 31(a))	**178**	321
Payable for intermediary and professional service charges	**5,901**	4,860
Payable for Wuxi Project	**42,250**	42,250
Other borrowings from Tongchuang LP	**97,020**	159,945
Others	**126,147**	102,999
	356,690	418,797

Terms and conditions of the above liabilities are as follows:

- Payroll and welfare are normally settled within the next month.
- Other borrowings from Tongchuang LP are bearing interest of 7% p.a and are payable on demand.
- Other payables, tax payables and accruals are non-interest-bearing and are normally settled when they are due or within one year.

27. ADVANCE FROM CUSTOMERS

	2019	2018
Rental	**15,438**	11,754

Receivables related to rent to tenants are billed three months in advance, non-interest-bearing and are typically due within 30 days.

(All amounts expressed in RMB'000 unless otherwise specified)

28. CONTRACT LIABILITIES

	2019	2018
Contract liabilities arising from:		
Land development	**432,156**	442,522
Property management	**4,396**	3,136
	436,552	445,658

As at 31 December 2019, the contract liabilities arising from land development for sale represent the portion of amounts received or receivable from the land authorities or local governments as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities of land sold are still in progress. The amounts received or receivable are non-refundable unless the Group fails to complete the development work. The contract liabilities are classified as current liabilities as the remaining development work is expected to be provided within the normal operating cycle.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019**	2018
Financial liabilities at fair value through profit or loss			
— Due to other interest holders of structured entities	(a)	**—**	187,943
— Derivatives	(b)	**3,605**	5,613
		3,605	193,556

(a) The structured entities, which were controlled by the Group, were consolidated to the financial statements of the Group. The interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the Group's consolidated financial position. As at 31 December 2019, the Group held 100% residual shares as a result of the redemption of the other interest holders.

(b) In 2018, CNT Holding entered into one cross currency swap contract with Shanghai Pudong Development Bank. The cross currency swap contract is not designated in hedge relationships, but is, nevertheless, intended to reduce the level of foreign currency exchange risks for the investments and borrowings denominated in foreign currencies.

(All amounts expressed in RMB'000 unless otherwise specified)

30. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

Employee benefits (including directors)

	2019	2018
Included in administrative expenses:		
Wages and salaries	29,292	31,535
Social welfare other than pensions	7,275	6,304
Pension — defined contribution plan	5,561	5,481
Staff welfare and bonuses	13,025	20,772
	55,153	64,092

Directors' remuneration

Details of the directors' remuneration are as follows:

	2019	2018
Fees	2,565	2,561
Other emoluments:		
Salaries, allowances and benefits in kind	2,265	1,680
Discretionary bonuses	1,526	1,603
Equity-settled share option expense	—	—
Pension scheme contributions	—	34
	6,356	5,878

The names of the directors and their remuneration for the year are set out below:

Year ended 31 December 2019	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
Li Yao Min	650	—	—	—	650
Liu Heqiang	—	865	380	—	1,245
Yang Meiyu	—	681	555	—	1,236
Ren Xiaowei	—	687	591	—	1,278
Shi Janson Bing	650	32	—	—	682
Henry Tan Song Kok	397	—	—	—	397
Kong Siu Chee	349	—	—	—	349
Zhang Hao	229	—	—	—	229
E Hock Yap	290	—	—	—	290
	2,565	2,265	1,526	—	6,356

(All amounts expressed in RMB'000 unless otherwise specified)

30. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

(continued)

Directors' remuneration (continued)

Year ended 31 December 2018	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
Li Yao Min	675	—	—	—	675
Liu Heqiang	—	684	521	—	1,205
Yang Meiyu	—	505	541	—	1,046
Ren Xiaowei	—	491	541	—	1,032
Shi Janson Bing	675	—	—	34	709
Henry Tan Song Kok	380	—	—	—	380
Kong Siu Chee	334	—	—	—	334
Zhang Hao	278	—	—	—	278
E Hock Yap	219	—	—	—	219
	2,561	1,680	1,603	34	5,878

The directors have not waived any remuneration as listed above.

Five highest paid employees

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

	2019	2018
Salaries, allowances and benefits in kind	**1,720**	2,003
Discretionary bonuses	**1,342**	1,544
Pension scheme contributions	**73**	84
	3,135	3,631

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

	2019	2018
RMB500,001 — RMB1,000,000	**—**	—
RMB1,000,001 — RMB1,500,000	**—**	3
RMB1,500,001 — RMB2,000,000	**2**	—
	2	3

(All amounts expressed in RMB'000 unless otherwise specified)

31. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As mentioned in Note 1, in the opinion of the Directors, with the completion of the share subscription of CDBIH, the Company's ultimate holding company is CDB, which holds 54.98% of the issued share capital of the Company. As a result, SREI became the second largest shareholder of the Company with the ability to exert significant influence.

(a) Amounts due to related parties

	2019	2018
Other payables		
CDBIH	**55**	—
CDB Capital	**105**	321
Kaiyuan Investment	**18**	—
	178	321
Dividend payables		
CDBIH	**—**	54,356

(b) Amounts due from related parties

	2019	2018
Other receivables		
Guowan	**105,029**	99,470
SREI	**140,146**	140,146
Guoyuan	**968**	816
Guofa	**380,000**	380,000
Guoying	**21**	40,018
GP Holding Co	**16**	16
Kaiyuan Investment	**1,254**	619
Kailian	**346**	—
	627,780	661,085

(All amounts expressed in RMB'000 unless otherwise specified)

31. RELATED PARTY DISCLOSURES (continued)

(c) Debt instruments at amortised cost

	2019	2018
Loan:		
Guowan	**15,000**	—
Guoying	**81,000**	—
	96,000	—

(d) In addition to the transactions detailed in Notes 31(a) and 31(b) above, the Group had the following material transactions with related parties during the years ended 31 December 2019 and 2018:

	Notes	2019	2018
Financial guarantee from CDB Capital	(i)	**—**	325,000
Financial guarantee to Guoying	(ii)	**200,000**	—
Dividend distributed to CDB Fund	(iii)	**692**	696
Fund redeemed to CDB Fund	(iii)	**6,000**	—
Interest income from Guowan	(iv)	**280**	—
Interest income from Guoying	(v)	**4,861**	—
Dividend distributed to SREI	(vi)	**7,725**	12,762
Dividend distributed to CDBIH	(vii)	**82,492**	—

Notes:

(i) Bank borrowings of RMB325 million which were guaranteed by CDB Capital were fully repaid, and therefore, the guarantee provided by CDB Capital was terminated in 2019.

(ii) A financial guarantee of RMB200 million (2018: Nil) was provided to Guoying in 2019.

(iii) In 2019, CDB Fund redeemed its investment in the Jiangsu Fund of RMB6,000 thousand (2018: Nil). The dividend paid to CDB Fund was RMB692 thousand and RMB696 thousand in 2019 and 2018 respectively.

(iv) A loan of RMB15,000 thousand (2018: Nil) was lent to Guowan in 2019 and generated interest income of RMB280 thousand (2018: Nil).

(v) A loan of RMB81,000 thousand (2018: RMB40,000 thousand) was lent to Guoying in 2019 and generated interest income of RMB4,861 thousand (2018: Nil).

(vi) The dividend of RMB7,725 thousand was paid to SREI in 2019 (2018: RMB12,762 thousand).

(vii) The dividend of RMB82,492 thousand was paid to CDBIH in 2019 (2018: Nil).

(All amounts expressed in RMB'000 unless otherwise specified)

31. RELATED PARTY DISCLOSURES (continued)

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

	2019	2018
Short-term employee benefits	**13,591**	9,850

Further details of directors' remuneration are disclosed in Note 30.

32. COMMITMENTS

As at 31 December 2019 and 2018, the Group mainly had capital commitments in respect of land development for sale, expenditure on investment property and various investments as follows:

	2019	2018
Commitments in respect of land development for sale		
Contracted, but not provided for	**161,466**	156,603
Authorised, but not contracted for	**3,309,884**	3,327,324
Commitments in respect of various investments		
Contracted, but not provided for	**321,622**	340,502
Authorised, but not contracted for	**—**	—
Commitments in respect of investment property		
Contracted, but not provided for	**28,016**	49,277
Authorised, but not contracted for	**—**	—
Commitments in respect of capital contribution		
Contracted, but not provided for	**200,000**	202,216
Authorised, but not contracted for	**—**	—
Total	**4,020,988**	4,075,922

32. COMMITMENTS (continued)

The Group had significant commitments in respect of land development for sale as it had entered into two urbanization development projects in Shanghai and Shenyang and these commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

At 31 December 2019, the Group had commitments in respect of various investments of RMB321,622 thousand (2018: RMB340,502 thousand).

At 31 December 2019, the Group had commitments in respect of investment property of RMB28,016 thousand (2018: RMB49,277 thousand).

At 31 December 2019, the Group had commitments in respect of capital contribution of RMB200,000 thousand (2018: RMB202,216 thousand).

33. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment, which provides land infrastructure development, and construction of ancillary public facilities;
- Urbanization development segment, which is responsible for investments in new town projects;
- Property leasing segment, which provides property leasing services of investment property; and
- Others segment, which includes the provision of other services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

(All amounts expressed in RMB'000 unless otherwise specified)

33. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows:

	Year ended 31 December 2019					
	Land development	Urbanization development	Property leasing	Others	Adjustments and eliminations	Total
Segment results						
External sales	12,633	296,794	105,514	—	—	414,941
Intersegment sales	—	—	—	—	—	—
Total segment sales	12,633	296,794	105,514	—	—	414,941
Results						
Depreciation	(1,179)	(10,527)	(297)	(442)	—	(12,445)
Share of losses of joint ventures and associates	(1,490)	(2,721)	(2,246)	22,413	—	15,956
Fair value gain on investment property	—	—	111,768	—	—	111,768
Segment profit/(loss)	4,098	144,236	180,127	14,268	(165,238)[1]	177,491
Segment assets	1,678,138	4,996,182	1,643,878	343,833	8,957[2]	8,670,988
Segment liabilities	723,112	59,057	225,289	188,704	2,795,368[3]	3,991,530
Other disclosures						
Investments in joint ventures and associates	105,586	6,480	105,927	66,617	—	284,610
Capital expenditure[4]	37	194	20,920	13	—	21,164

1 Profit/(loss) for each operating segment does not include finance costs of RMB165,238 thousand.

2 Assets in segments do not include deferred tax assets of RMB8,957 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB68,721 thousand, interest-bearing bank borrowings of RMB2,651,812 thousand, and deferred tax liabilities of RMB74,835 thousand as these liabilities are managed on a group basis.

4 Capital expenditure consists of additions of property, plant and equipment of RMB447 thousand and investment property of RMB20,717 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

33. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows: (continued)

	Year ended 31 December 2018					
	Land development	Urbanization development	Property leasing	Others	Adjustments and eliminations	Total
Segment results						
External sales	266,548	312,150	20,588	—	—	599,286
Intersegment sales	—	—	—	—	—	—
Total segment sales	266,548	312,150	20,588	—	—	599,286
Results						
Depreciation	(849)	(626)	(98)	(248)	—	(1,821)
Amortisation	(157)	—	—	—	—	(157)
Share of losses of joint ventures and associates	(2,671)	(269)	(1,828)	(10,186)	—	(14,954)
Fair value gain on investment property	—	—	76,009	—	—	76,009
Segment profit/(loss)	(190,976)	137,393	75,089	(17,866)	(149,708)[1]	(146,068)
Segment assets	2,636,295	4,364,087	1,510,917	479,680	14,436[2]	9,005,415
Segment liabilities	1,026,958	360,867	249,377	195,195	2,555,610[3]	4,388,007
Other disclosures						
Investments in joint ventures and associates	106,571	9,731	108,173	10,087	—	234,562
Capital expenditure[4]	1,336	401	19,622	28	—	21,387

1 Profit/(loss) for each operating segment does not include finance costs of RMB149,708 thousand.

2 Assets in segments do not include deferred tax assets of RMB14,436 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB70,728 thousand, interest-bearing bank borrowings of RMB2,442,192 thousand, and deferred tax liabilities of RMB42,690 thousand as these liabilities are managed on a group basis.

4 Capital expenditure consists of additions of property, plant and equipment of RMB4,728 thousand and investment property of RMB16,659 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings and financial liabilities at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as debt instruments at amortised cost, financial assets at fair value through profit or loss, trade and other receivables, cash and short-term deposits, and trade and other payables which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, including repricing risk, basis risk, yield curve risk and option risk. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit before tax. Fair value changes of the aforesaid financial instruments are not considered. The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	2019	2018
Increase/(decrease) in interest rates (basis points)	**100/(100)**	100/(100)
Increase/(decrease) in profit before tax	**10,275/(10,275)**	9,126/(9,126)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, and restrictive measures were imposed by the government on foreign exchange access in order to balance the books and maintain the national currency exchange rate. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its foreign currency cash and bank balances, debt investments, and interesting-bearing bank borrowings.

The following table demonstrates the sensitivity to reasonably possible changes in the USD, HKD and EUR exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the carrying amount of monetary assets and liabilities). The Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit before tax as disclosed below.

	2019	2018
Increase/(decrease) in the USD exchange rate	**5%/(5%)**	5%/(5%)
Increase/(decrease) in profit before tax	**13,645/(13,645)**	1,956/(1,956)

(All amounts expressed in RMB'000 unless otherwise specified)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	2019	2018
Increase/(decrease) in the HKD exchange rate	**5%/(5%)**	5%/(5%)
Increase/(decrease) in profit before tax	**(36,667)/36,667**	(40,933)/40,933

	2019	2018
Increase/(decrease) in the EUR exchange rate	**5%/(5%)**	5%/(5%)
Increase/(decrease) in profit before tax	**17,580/(17,580)**	2,249/(2,249)

Credit risk

Credit risk arises from cash and bank balances, debt instruments at amortised cost, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group. As at 31 December 2019 and 2018, a large portion of the net receivables was from the investment in urbanization development and the revenue derived from land development for sale, and there was a significant other receivable as mentioned in Note 19, which constitutes a concentration of credit risk.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECL	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Debt instruments at amortised cost	2,820,291	—	325,000	—	3,145,291
Trade receivables	—	—	—	557,377	557,377
Other receivables	—	—	—	734,286	734,286
Financial guarantee	—	—	—	200,000	200,000
	2,820,291	—	325,000	1,491,663	4,636,954

Further quantitative and qualitative information in respect of the Group's exposure to credit risk arising from debt instruments at amortised cost, trade receivables and other receivables are disclosed in Notes 13, 20 and 19, respectively.

(All amounts expressed in RMB'000 unless otherwise specified)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to have available funding through the use of bank loans, and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2019	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing borrowings	**—**	**312,018**	**96,388**	**2,027,528**	**521,956**	**2,957,890**
Trade payables	**363,816**	**—**	**—**	**—**	**—**	**363,816**
Financial liabilities at fair value through profit or loss	**—**	**—**	**3,605**	**—**	**—**	**3,605**
Other liabilities	**271,496**	**—**	**—**	**—**	**—**	**271,496**
Lease liabilities	**—**	**3,536**	**3,359**	**7,722**	**—**	**14,617**
	635,312	**315,554**	**103,352**	**2,035,250**	**521,956**	**3,611,424**

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing borrowings	—	30,253	174,148	2,592,624	—	2,797,025
Trade payables	701,173	—	—	—	—	701,173
Financial liabilities at fair value through profit or loss	—	—	9,811	197,989	—	207,800
Other liabilities	312,575	—	—	—	—	312,575
	1,013,748	30,253	183,959	2,790,613	—	4,018,573

Capital management

The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds, issue convertible bonds or new shares.

As the Group is engaged in land development, urbanization development, and property leasing operation, it needs a substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

(All amounts expressed in RMB'000 unless otherwise specified)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Net debt includes interest-bearing bank and other borrowings and excludes cash and bank balances. Equity includes equity attributable to equity holders of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2019	2018
Interest-bearing bank borrowings	**2,651,812**	2,442,192
Interest-bearing other borrowings	**97,020**	162,207
Less: Cash and bank balances	**(269,917)**	(662,662)
Net debt	**2,478,915**	1,941,737
Capital:		
Total equity	**4,679,458**	4,617,408
Capital and net debt	**7,158,373**	6,559,145
Gearing ratio	**34.6%**	29.6%

Collateral held

The Group did not hold any collateral as at 31 December 2018 and 2019.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2019	2018
Other receivables	**734,286**	790,273
Trade receivables	**557,377**	1,542,251
Debt instruments at amortised cost	**3,145,291**	3,212,579
Financial assets at fair value through profit or loss	**1,270,089**	276,571
Cash and bank balances	**269,917**	662,662
	5,976,960	6,484,336

(All amounts expressed in RMB'000 unless otherwise specified)

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	2019	2018
Financial liabilities at fair value through profit or loss	3,605	193,556
Financial liabilities at amortised cost		
— Interest-bearing bank borrowings	2,651,812	2,442,192
— Trade payables	363,816	701,173
— Others	271,496	312,575
	3,290,729	3,649,496

36. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of the financial instrument. For financial instruments where there is no active market or when current market prices are not available, their fair values are determined using valuation techniques.

The Group's financial assets mainly include debt instruments at amortised cost, cash and bank balances, financial assets at fair value through profit or loss, trade receivables and other receivables. The Group's financial liabilities mainly include interest-bearing bank borrowings, financial liabilities at fair value through profit or loss, and trade and other payables. The fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

(All amounts expressed in RMB'000 unless otherwise specified)

36. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of assets measured at fair value as at 31 December 2019:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 14)	**31 December 2019**	**1,270,089**	**—**	**1,227,305**	**42,784**
Investment property (Note 15)	**31 December 2019**	**1,447,729**	**—**	**—**	**1,447,729**
Financial liabilities at fair value through profit or loss (Note 29)	**31 December 2019**	**3,605**	**—**	**3,605**	**—**

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2019.

Quantitative disclosures of assets measured at fair value as at 31 December 2018:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 14)	31 December 2018	276,571	—	242,938	33,633
Investment property (Note 15)	31 December 2018	1,315,244	—	—	1,315,244
Financial liabilities at fair value through profit or loss (Note 29)	31 December 2018	193,556	—	193,556	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

36. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at 31 December 2019 and 2018 are shown below:

	Valuation Technique	Significant unobservable inputs	31 December 2019	31 December 2018
Office and retail	Investment method	Discount rate	**6.5%, 7.0%**	6.5%, 7.0%
Car Park	Investment method	Discount rate	**3.5%, 4.0%**	3.5%, 4.0%
Non-listed equity investments	DCF method	Discount rate	**6.79%**	6.79%
	Market valuation approach	DLOM	**30%**	30%

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 January 2019	Cash flows	Foreign exchange movement	Others	At 31 December 2019
Interest-bearing bank borrowings	**2,442,192**	**169,186**	**40,434**	**—**	**2,651,812**
Interest-bearing other borrowings	**159,945**	**(62,925)**	**—**	**—**	**97,020**
Financial liabilities at fair value through profit or loss	**193,556**	**(188,500)**	**(2,008)**	**557**	**3,605**
Total liabilities from financing activities	**2,795,693**	**(82,239)**	**38,426**	**557**	**2,752,437**

	At 1 January 2018	Cash flows	Foreign exchange movement	Others	At 31 December 2018
Interest-bearing bank borrowings	348,938	1,934,900	155,120	3,234	2,442,192
Senior guaranteed notes	1,297,891	(1,300,000)	—	2,109	—
Financial liabilities at fair value through profit or loss	188,268	—	5,613	(325)	193,556
Total liabilities from financing activities	1,835,097	634,900	160,733	5,018	2,635,748

(All amounts expressed in RMB'000 unless otherwise specified)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2019	2018
Assets			
Non-current assets			
Investments in subsidiaries		**5,051,344**	5,051,344
Property, plant and equipment		**23**	47
Loans and receivables		**134,937**	107,950
Right-of-use assets		**6,101**	—
Other assets		**204**	278
Total non-current assets		**5,192,609**	5,159,619
Current assets			
Other receivables		**298,363**	295,760
Dividend receivables		**260,000**	260,000
Cash and bank balances		**2,518**	10,945
Total current assets		**560,881**	566,705
Total assets		**5,753,490**	5,726,324
Equity and liabilities			
Equity			
Equity holders of the parent:			
Share capital	22	**4,070,201**	4,070,201
Other reserves	23	**1,912,683**	1,912,683
Accumulated losses		**(938,344)**	(885,640)
Total equity		**5,044,540**	5,097,244
Non-current liabilities			
Lease liabilities		**3,975**	—
Total current liabilities		**3,975**	—
Current liabilities			
Other payables and accruals		**9,231**	16,052
Lease liabilities		**2,126**	—
Dividend payables		**78**	54,637
Amount due to subsidiaries		**693,540**	558,391
Total current liabilities		**704,975**	629,080
Total liabilities		**708,950**	629,080
Total equity and liabilities		**5,753,490**	5,726,324
Net current liabilities		**144,094**	62,375
Total assets less current liabilities		**5,048,515**	5,097,244

Zuo Kun
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

(All amounts expressed in RMB'000 unless otherwise specified)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves	Accumulated losses	Total reserves
As at 1 January 2018	1,912,683	(1,045,955)	866,728
Total comprehensive loss	—	253,524	253,524
Dividends	—	(93,209)	(93,209)
As at 31 December 2018	1,912,683	(885,640)	1,027,043
Total comprehensive income	—	(1,533)	(1,533)
Dividends	—	(51,171)	(51,171)
As at 31 December 2019	1,912,683	(938,344)	974,339

There were no movements in other reserves during the years ended 31 December 2019 and 2018.

39. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in January 2020, the prevention and control has been continuously carried out nationwide. Wuhan Chuguang, the subsidiary of the Group, is located in Wuhan City Hubei Province, which is mainly engaged in self-owned house leasing and property management. Its major assets is investment property located at the New Development International Centre in Wuhan that has retail, office and car park spaces.

The outbreak of COVID-19 will have a certain impact on the operation of enterprises in some provinces (including Hubei) and some industries, as well as the overall economic operation, which may affect the assets income of the group to some degree which depends on the prevention and control, the duration and the implementation of control policies.

The Group will continue to pay close attention to the situation of the COVID-19, evaluate and actively respond to its impact on the Group's financial position, operating results, and possible impairment risk of important assets, etc. As of 30 March 2020, the assessment is still in progress.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278