



**明发集团**  
MINGFA GROUP

**Mingfa Group (International) Company Limited**

**明發集團（國際）有限公司**

(incorporated in the cayman islands with limited liability)

Stock code: 846



# ANNUAL REPORT

2019





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui  
Mr. Liu Yuwei (*appointed on 15 July 2019*)

### Non-Executive Director

Mr. Wong Wun Ming (*Chairman*)  
(*re-designated from Executive Director to Non-Executive Director effective 15 July 2019*)

### Independent Non-Executive Directors

Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus  
Dr. Lam, Lee G.  
Mr. Chan Sing Lai (*appointed on 15 July 2019*)

## COMPANY SECRETARY

Mr. Poon Wing Chuen (*FCCA*)

## AUDIT COMMITTEE

Mr. Chu Kin Wang Peleus (*chairperson of the committee*)  
Mr. Lau Kin Hon  
Dr. Lam, Lee G.

## NOMINATION COMMITTEE

Mr. Wong Wun Ming (*chairperson of the committee*)  
Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus

## REMUNERATION COMMITTEE

Mr. Lau Kin Hon (*chairperson of the committee*)  
Mr. Chu Kin Wang Peleus  
Mr. Wong Wun Ming

## RISK MANAGEMENT COMMITTEE

Mr. Chan Sing Lai (*appointed on 15 July 2019, chairperson of the committee*)  
Mr. Lau Kin Hon  
Dr. Lam, Lee G.

## AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming  
Mr. Poon Wing Chuen (*FCCA*)

## REGISTERED OFFICE

Vistra (Cayman) Limited  
P.O. Box 31119 Grand Pavilion  
Hibiscus Way, 802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

## HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Jiangsu Mingfa Business Park  
No. 88 Pudong North Road  
Pukou, Nanjing City  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6-8, 23/F, South Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

## COMPANY'S WEBSITE

<http://www.ming-fa.com>

## STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands





## CORPORATE INFORMATION

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **PRINCIPAL BANKERS**

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited

### **LEGAL ADVISER AS TO HONG KONG LAWS**

Paul Hastings  
21-22/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

### **AUDITOR**

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong



# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board ("**Board**") of directors ("**Directors**") of Mingfa Group (International) Company Limited ("**Company**" and together with its subsidiaries, "**Group**" or "**Mingfa Group**"), I am pleased to present the annual report for the year ended 31 December 2019 ("**year under review**").

On behalf of the Board, I would like to express our most sincere gratitude to all the shareholders of the Company, investors, business partners and other stakeholders for their understanding and continued support to the Company despite the suspension of trading in the shares of the Company ("**Shares**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 1 April 2016.

The outbreak and spread of Coronavirus has significant adverse impacts on the global economy. Real estate sectors are expected to be sluggish in the first and second quarters. The Group will adjust the strategies to minimize the negative impacts arisen from the Coronavirus.

The Group has continued to strengthen its expertise to bolster its market position and focus on developing a diversified and balanced property portfolio in growing cities such as Nanjing and Wujiang where the Group had land reserves of 1.4 million sq.m. and 3.3 million sq.m. in terms of GFA respectively.



## Chairman's Statement

For the year under review, the Group achieved income and profit for year which was RMB12.7 billion and RMB952.1 million respectively. The contracted sales for year 2019 was RMB11.3 billion.

Meanwhile, the Group is adhering to prudent financial management practices through carefully controlling its leverage level while maintaining diverse finance resources. In January 2019, the Group issued private placed bonds of USD200 million which was used to re-finance the payment of bonds issued in 2018.

The Board will be prudent towards the prospects of real estate market in PRC. By steadfastly adhering to its low land-cost strategy and actively exploring acquisition opportunities of land parcels in high growth potential cities, the Board has confidence in the business performance of the Group.

Last but not least, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their patience and understanding as well as trust and the entire staff for their constant dedication.

**Wong Wun Ming**

*Chairman*

22 April 2020



# MANAGEMENT DISCUSSION AND ANALYSIS





## FINANCIAL HIGHLIGHTS

For the year ended  
31 December

	2019 (audited)	2018 (audited)	Percentage of increase/ (decrease)
Revenue ( <i>RMB million</i> )	<b>12,660.9</b>	11,641.9	8.8%
Profit for the year ( <i>RMB million</i> )	<b>1,135.9</b>	1,289.1	(11.9)%
Profit attributable to equity holders of the Company ( <i>RMB million</i> )	<b>952.1</b>	855.1	11.3%
Basic and diluted earnings per share ( <i>RMB cents</i> )	<b>15.6</b>	14.0	11.4%



# MANAGEMENT DISCUSSION AND ANALYSIS



## RESULTS

The consolidated revenue of the Group was approximately RMB12,660.9 million for 2019 (2018: approximately RMB11,641.9 million), representing an increase of 8.8% as compared to 2018. The consolidated profit for the year and profit attributable to equity holders of the Company were approximately RMB1,135.9 million and RMB952.1 million respectively for 2019 (2018: approximately RMB1,289.1 million and RMB855.1 million respectively), representing a decrease of 11.9% and an increase of 11.3% respectively as compared to 2018. The basic and diluted earnings per share were RMB15.6 cents for 2019 (2018: RMB14.0 cents per share), representing an increase of 11.4% as compared to 2018.

The Board does not recommend payment of final dividend for the year ended 31 December 2019.

## INDUSTRY REVIEW

The PRC government reiterated that residential properties should be used as dwellings instead of speculative investment. Stringent regulations were still applied on the real estate market to curb the speculative activities. The GFA sold in community house in the PRC in 2019 remained stable in terms of transaction volume and selling price.

## PROSPECTS

Looking forward to 2020, the outbreak and spread of Coronavirus has significant adverse impacts on the economy. Real estate sectors are expected to be sluggish in the first and second quarters. Nevertheless, the adverse impacts on real estate market may be short term and temporary and have limited impact on the economy in the long run.

In consideration of the economy uncertainties in 2020, the Group will develop the existing land reserves first and replenish the land parcel in a more prudent manner. The land reserves decreased by 4.9% in 2019 to 21.3 million sq.m. which is expected to be sufficient for projected growth for seven to eight years.

The Group is holding 36.8% and 24.6% of its land reserves in Anhui and Jiangsu Province respectively. Looking forward, the Group will remain focused on capturing the opportunities presented by the market trends and government policies to optimize the regional layout of property projects.



# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

### Sales and Earnings

The revenue of the Group was approximately RMB12,660.9 million for 2019 (2018: approximately RMB11,641.9 million), representing an increase of 8.8% as compared to 2018. The increase in revenue in 2019 was mainly due to the increase in the GFA delivered from 1,248,065 sq.m. in 2018 to 1,484,164 sq.m. in 2019.

The gross profit of the Group was approximately RMB3,998.0 million for 2019, representing an increase of 20.3% as compared to 2018 (2018: approximately RMB3,322.0 million). The gross profit for 2019 increased primarily as a result of the revenue growth.

The profit for the year of the Group decreased by 11.9% from approximately RMB1,289.1 million in 2018 to approximately RMB1,135.9 million in 2019. The decrease was mainly due to the increase in the income tax provision.

The profit attributable to the equity holders of the Company was approximately RMB952.1 million for 2019, representing an increase of approximately RMB97.0 million or approximately 11.3% from 2018 (2018: approximately RMB855.1 million). The increase was mainly due to less profits being shared to the non-controlling interests in Nanjing Rong Li.

The cost of sales of the Group was approximately RMB8,662.9 million for 2019, representing an increase of 4.1% as compared to 2018 (2018: approximately RMB8,319.9 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB5,585.7 per sq.m. for 2019, representing a decrease of 11.6% over 2018 (2018: average cost of properties included in cost of sales was RMB6,319.9 per sq.m.). The decrease was due to less commercial properties being delivered in 2019 which had higher cost.

The total GFA sold and delivered by the Group in 2019 was approximately 1,484,164 sq.m., representing an increase of 18.9% as compared to 2018 (2018: approximately 1,248,065 sq.m.). Such increase was due to more properties delivered in the newly completed projects in Jiangsu and Anhui in 2019.

During the year under review, the average selling price (“ASP”) of the Group’s delivered properties was RMB8,146.5 per sq.m., representing a decrease of 8.4% as compared to 2018 (2018: RMB8,912.7 per sq.m.). Such decrease was mainly due to less commercial properties being delivered to buyers in 2019 which had higher ASP.



# MANAGEMENT DISCUSSION AND ANALYSIS



The GFA of the properties delivered by the Group in 2019 and the ASP per sq.m. were as follows:

	Sales Revenue (RMB'000)		GFA Delivered (sq.m.)		Average Selling Price (RMB per sq.m.)	
	2019	2018	2019	2018	2019	2018
Nanjing Mingfa Wealth Centre	2,132,058.9	n/a	143,207.9	n/a	14,887.9	n/a
Wujing Mingfa Jiangwan City	1,621,212.5	1,005,192.3	286,733.7	201,557.7	5,654.1	4,987.1
Nanjing Minghong Xin Xing Yue Cheng	1,054,427.8	n/a	76,040.9	n/a	13,866.6	n/a
Nanjing Rong Li	747,089.7	2,433,583.3	32,738.1	105,362.8	22,820.2	23,097.2
Zhangzhou Longhai Mingfa Mall	589,384.5	n/a	78,804.8	n/a	7,479.0	n/a
Mingfa MingBo Town	580,123.8	n/a	111,441.5	n/a	5,205.6	n/a
Changsha Mingfa Shopping Mall	503,207.9	5,836.2	72,379.7	926.6	6,952.3	6,298.5
Guang'an Mingfa Mall	445,289.1	n/a	107,308.6	n/a	4,149.6	n/a
Xiamen Mingfa Mingfeng Town	429,736.8	n/a	24,907.1	n/a	17,253.6	n/a
Taoyuan Guandi	423,454.4	n/a	67,076.3	n/a	6,313.0	n/a
Nanjing Mingfa Xiang Hill Garden	385,421.1	383,900.1	15,591.4	16,080.4	24,720.1	23,873.7
Taizhou Mingfa City Complex	333,465.6	530,463.2	47,918.7	85,299.2	6,959.0	6,218.9
Taoyuan Guanlan	328,797.2	n/a	64,800.8	n/a	5,074.0	n/a
Taoyuan Fudi	242,308.1	n/a	49,587.5	n/a	4,886.5	n/a
Wuxi Mingfa International New Town	212,796.8	70,977.2	23,056.2	9,215.3	9,229.5	7,702.1
Jinzhai Mingfa Shopping Mall	204,068.2	1,668,529.8	40,400.0	325,519.1	5,051.2	5,125.8
Taoyuan Xi'an	195,689.5	n/a	35,350.3	n/a	5,535.7	n/a
Shenyang Creative Industrial Estate	186,773.6	n/a	31,884.0	n/a	5,857.9	n/a
Nanjing Mingfa Yueshanyuefu	184,564.0	n/a	6,602.5	n/a	27,953.7	n/a
Taoyuan Mingzhu	160,030.2	n/a	23,116.3	n/a	6,922.8	n/a
Taoyuan Mansion	134,034.4	n/a	27,372.7	n/a	4,896.6	n/a
Sihong Shuiyun Taoyuan Garden	127,412.4	n/a	24,482.4	n/a	5,204.2	n/a
Minghong Xin Xing Yue Cheng	126,806.5	n/a	4,879.4	n/a	25,988.1	n/a
Zhenjiang Mingfa Jinxiu Yinshan	119,887.0	72,671.6	23,520.3	15,051.8	5,097.2	4,828.1
Nanjing Mingfa New City Finance Building	93,837.2	112,380.7	4,126.7	6,205.4	22,739.0	18,110.2
Taoyuan Nanyuan Villa	89,720.6	n/a	9,764.2	n/a	9,188.7	n/a
Huai'an Mingfa Shopping Mall	75,664.1	n/a	9,539.2	n/a	7,931.9	n/a
Yangzhou Mingfa Jiangwan City	51,962.0	161,425.8	7,124.1	26,611.1	7,293.8	6,066.1
Tianjin Binhai Mingfa Shopping Mall	46,969.1	431,216.3	4,504.7	48,548.9	10,426.7	8,882.1
Nanjing Mingfa Yuejingyuan	43,067.7	784,346.4	2,338.2	49,193.5	18,419.2	15,944.1
Zibo Mingfa World Trade Centre	34,419.0	1,068,073.2	2,041.8	167,619.9	16,857.2	6,372.0
Nanjing Mingfa Pearl Spring Resort	27,597.2	116,849.1	1,272.7	5,050.9	21,684.0	23,134.5
Shenzhen Mingfa Guangming Xuan	18,184.9	92,959.1	579.7	2,906.1	31,369.5	31,988.1
Nanjing Mingfa Cloud Mansion	11,545.5	141,044.2	575.7	6,001.7	20,054.7	23,500.6
Quanzhou Mingfa International Huachang City	9,963.6	103,271.4	2,052.3	20,260.4	4,854.8	5,097.2
Nanjing Mingfa Pearl River International	7,403.4	68,985.2	388.7	2,130.9	19,046.6	32,374.5
Nanjing Dream Garden	4,964.7	1,608,024.8	328.6	112,316.6	15,108.6	14,316.9
Others	107,427.1	263,887.7	20,326.1	42,206.7	5,285.2	6,252.3
<b>Total</b>	<b>12,090,766.1</b>	<b>11,123,617.6</b>	<b>1,484,163.9</b>	<b>1,248,064.7</b>	<b>8,146.5</b>	<b>8,912.7</b>



# MANAGEMENT DISCUSSION AND ANALYSIS



## PROJECT LOCATION



# MANAGEMENT DISCUSSION AND ANALYSIS



## CONTRACTED SALES

In the year under review, the Group recorded contracted sales of approximately RMB11,314.0 million with GFA of 1,448,890 sq.m. (2018: approximately RMB16,358.8 million with GFA of 1,786,192 sq.m.).

## PRE-SOLD PROPERTIES

As at 31 December 2019, the attributable GFA of pre-sold properties not yet delivered to the buyers was 2,908,020 sq.m. (2018: 2,685,253 sq.m.). Set out below are the details of the properties, the Group's interest and the attributable pre-sold GFA of the Group:

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Changsha	Changsha Mingfa Shopping Mall	100%	242,691
Chizhou	Taoyuan Mingzhu	100%	38,326
Chizhou	Taoyuan Xiangsong	100%	97,375
Chizhou	Yangguang Qingcheng	100%	14,409
Dingyuan	Dingyuan Mingfa Shuiyun Taoyuan	100%	35,262
Fengxian	Xingyue City	70%	32,738
Guang'an	Guang'an Mingfa Mall	100%	53,359
Guang'an	Guang'an Mingfa Wealth Centre	100%	88,132
Hefei	Hefei Mingfa Shopping Mall	100%	19,946
Huai'an	Huai'an Mingfa Shopping Mall	100%	35,269
Huai'an	Jinse Shui'an	100%	60,314
Huizhou	Huizhou Mingfa Gaobang New City	80%	21,942
Jinzhai	Jinzhai Yueshanyuefu	100%	91,801
Jinzhai	Jinzhai Mingfa City Square	100%	202,567
Jinzhai	Mingfa City Lights	100%	61,765
Laian	Mingfa North Station Centre	100%	56,263
Laian	Mingfa North Station New Town	100%	124,064
Laian	Mingfa North Station Yayuan	100%	92,219



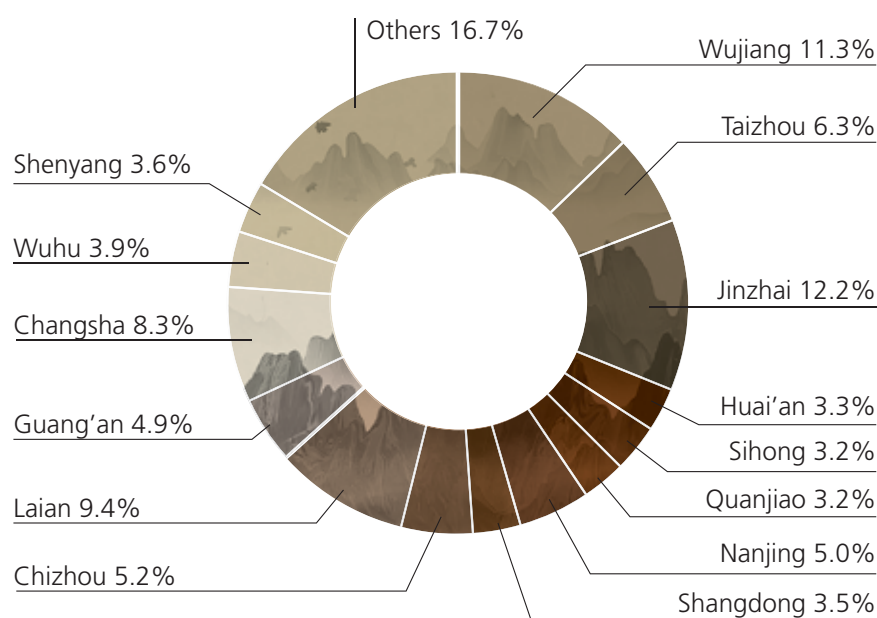
# MANAGEMENT DISCUSSION AND ANALYSIS



City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Ma'anshan	Hecheng Shoufu	100%	17,901
Nanjing	Nanjing International Business Center	80%	41,089
Nanjing	Nanjing Mingfa Shopping Mall	100%	30,547
Nanjing	Nanjing Mingfa Yueshanyuefu	100%	59,036
Nanjing	Nanjing Rong Li	51%	15,966
Pingliang	Pingliang Mingfa European City	60%	21,664
Quanjiao	Taoyuan New Town	100%	90,410
Quanzhou	Quanzhou Mingfa Hua Chang City	100%	39,616
Shandong	Shandong Zibo World Trade Center	100%	101,352
Shenyang	Shenyang Mingfa Jinxiuhua City	100%	86,009
Shenyang	Shenyang Mingfa Mall	100%	19,662
Sihong	Shui Yun Taoyuan	100%	92,052
Suqian	Siyang Mingfa Shoufu	70%	20,585
Taizhou	Taizhou Mingfa City Complex	100%	184,487
Wuhu	Chun Gu Xi An	100%	114,063
Wujiang	Wujiang Mingfa Jiangwan New City	100%	329,678
Xiamen	Xiamen Mingfa Shopping Mall	70%	15,958
Zhangzhou	Zhangpu Mingfa Xiangshan Wan	51%	10,294
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	46,194
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	12,116
Zhengjiang	Zhengjiang Jinxiu Yinshan	100%	55,239
Zibo	Taohua Yuanzhu	100%	46,265
Others			89,395
<b>Total</b>			<b>2,908,020</b>



## Pre-sold Properties by City in terms of GFA



### SUMMARY OF LAND BANK

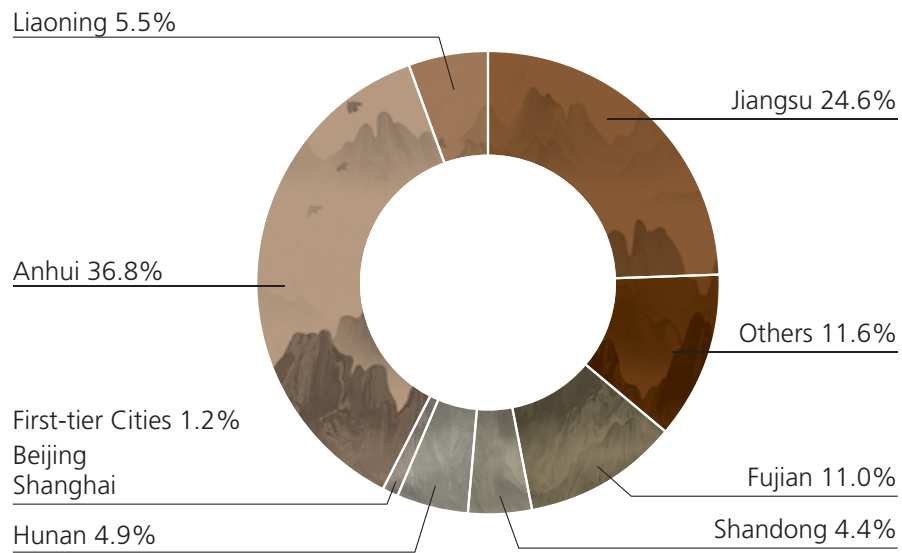
As at 31 December 2019, land reserves attributable to the Group decreased by 4.9% to approximately 21.3 million sq.m. (2018: approximately 22.4 million sq.m.), consisting of 125 projects (2018: 116 projects) in total.

	Number of Projects	Attributable GFA (million sq.m.)
Completed projects	35	2.6
Projects under development	60	14.2
Projects for future development	30	4.5
<b>Total</b>	<b>125</b>	<b>21.3</b>





## Total Land Bank by Location (as of 31 December 2019)



# MANAGEMENT DISCUSSION AND ANALYSIS

The following tables summarize the details of the Group's land reserves as at 31 December 2019:

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Completed Property (held for sale/leasing) (Note 1)</b>								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming district, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/Office	Completed	18,247	449	100%	449
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli district, Xiamen, Fujian Province	Dec/2004	Residential/Commercial/Office	Completed	5,529	1,287	100%	1,287
Xiamen Mingfa Garden	Located at Huanhuli South, Ivlng Road, Siming district, Xiamen, Fujian Province	Apr/2005	Residential/Commercial	Completed	18,697	13,657	100%	13,657
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli district, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	1,418	100%	1,418
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming district, Xiamen, Fujian Province	Feb/2002	Residential/Commercial/Office	Completed	26,016	5,527	100%	5,527
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Oct/2007	Commercial/Office/Hotel	Completed	166,775	25,722	70%	18,006
Xiamen Mingfa Town	Located at Ivlng Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province	Jan/2008	Residential/Commercial	Completed	12,879	14,930	100%	14,930
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou district, Nanjing, Jiangsu Province	Dec/2008	Residential/Hotel	Completed	112,973	3,928	100%	3,928
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Nov/2009	Residential/Commercial	Completed	1,072,182	35,667	100%	35,667
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/Hotel	Completed	182,588	112,186	100%	112,186
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Dec/2011	Residential/Commercial/Hotel	Completed	216,643	435,985	70%	305,189
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Dec/2011	Residential/Commercial/Office/Hotel	Completed	176,698	185,223	100%	185,223
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec/2011	Residential/Commercial/Hotel	Completed	145,267	226,320	100%	226,320
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou district, Nanjing, Jiangsu Province	Dec/2012	Residential/Commercial/Office	Completed	128,683	69,851	100%	69,851
Honglai Mingfa Commercial Center	Located at Longlai district, Nanan, Fujian Province	Jun/2012	Residential/Commercial	Completed	27,065	11,726	100%	11,726
Xiamen Mingfa Xiang Wan Peninsula	Located at East part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/Commercial	Completed	104,380	13,308	100%	13,308
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Dec/2013	Residential/Commercial/Office/Hotel	Completed	223,589	237,328	100%	237,328



# MANAGEMENT DISCUSSION AND ANALYSIS

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seawiew strip of Huli district, Xiamen, Fujian Province	Dec/2013	Hotel	Completed	58,952	136,972	100%	136,972
Huaian Mingfa Shopping Mall (Block C)	Located in Weihai East Road, Huaian, Jiangsu Province	Dec/2014	Residential	Completed	51,345	10,403	100%	10,403
Nanjing Mingfa Pearl River International	Located at Jiangpu Street, East to Xianzhang Road, South to Jiangpu Secondary School, North to South River, West to Guihua Road, Pukou District, Jiangsu Province	Sep/2017	Residential	Completed	8,586	7,215	100%	7,215
Nanjing Mingfa New City Finance Building	Located in New Town Business Avenue North, Pukou District, Nanjing, Jiangsu Province	Dec/2017	Residential/Commercial	Completed	59,042	33,256	100%	33,256
Nanjing Mingfa Cloud Mansion	Located in along the mountain road south, Jiangpu street, Nanjing, Jiangsu Province	Sep/2017	Residential	Completed	32,787	3,103	40%	1,241
Jinzhai Mingfa City Square	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Sep/2017	Residential/Commercial	Completed	105,504	219,451	100%	219,451
Jinzhai Mingfa City Square	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Dec/2017	Residential/Commercial	Completed	62,885	57,737	100%	57,737
Wuxi Mingfa International New Town	Located south of Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Jun/2017	Residential/Commercial	Completed	258,297	92,756	100%	92,756
Jinzhai Mingfa City Square	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Jun/2018	Residential/Commercial	Completed	203,406	227,311	100%	227,311
Beijing Mingfa Mall	Located in Beizang Village, Daxing district, Beijing	Dec/2018	Residential/Commercial	Completed	45,414	111,142	100%	111,142
Nanjing Dream Garden	Located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province	Jul/2018	Residential	Completed	58,914	15,841	51%	8,079
Xiamen Mingfeng Town	Located at Lingdou Siming District, Xiamen, Fujian Province	Jul/2018	Commercial	Completed	19,190	95,688	100%	95,688
Zhenjiang Mingfa Xinjin Yuancheng	Located at East of the new road, Danbei Town, Danyang City	Jan/2018	Residential/Commercial	Completed	14,287	11,629	100%	11,629
Shenzhen Mingfa Guangming Xuan	Located at Tianliao Yulv Area, Guangming New District, Shenzhen	Dec/2018	Commercial	Completed	4,109	12,320	100%	8,834
Nanjing Mingfa Yuejingyuan	Located at Pukou south along the mountain road, east side Nanjing University of Technology	Oct/2018	Commercial	Completed	31,455	38,415	100%	38,415
Nanjing Mingfa Xiang Hill Garden	Located in Along the mountain road to the South, Caiba Road East, Pukou District, Nanjing, Jiangsu Province	Dec/2019	Residential	Completed	115,876	100,817	100%	100,817
Nanjing Xingyue City	Located in Along the street High and new technology industrial Development Zone, Nanjing, Jiangsu Province	Dec/2019	Commercial	Completed	27,428	12,690	40%	5,076
Jinzhai Mingfa City Square	Located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province	Dec/2019	Residential/Commercial	Completed	111,142	128,403	100%	128,403
<b>Sub-total</b>					<b>3,917,083</b>	<b>2,709,663</b>		<b>2,550,428</b>



# MANAGEMENT DISCUSSION AND ANALYSIS



Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Property under development (Note 2)</b>								
Zhenjiang Jinxu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2020	Residential/Commercial/Hotel	Approximately 90% of construction has been completed	296,702	171,450	100%	171,450
Huaian Mingfa Shopping Mall (Block A)	Located in Shenzhen South Road, Huaian, Jiangsu Province	Dec/2020	Commercial	Approximately 90% of construction has been completed	133,110	256,898	100%	256,898
Shenyang Mingfa Jinxu Hua City	Located in Shenbei Xinqiu Daoyi Development Zone, Liaoning Province	Dec/2020	Residential/Commercial	Approximately 90% of construction has been completed	61,222	169,401	100%	169,401
Yangzhou Mingfa Jiangwan City	Located at East of Xuzhuang Road, North of Kaifa East Road, West of Liaojiagou Road, South of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec/2020	Residential	Approximately 90% of construction has been completed	158,238	3,997	100%	3,997
Taizhou Mingfa International Mall (Phase 1)	Located in Gaogang District, Taizhou, Jiangsu Province	Dec/2020	Residential/Commercial	Approximately 70% of construction has been completed	292,487	392,487	100%	392,487
Taizhou Mingfa International Mall (Phase 2)	Located in Gaogang District, Taizhou, Jiangsu Province	Dec/2020	Residential/Industrial	Approximately 60% of construction has been completed	237,075	199,429	100%	199,429
Zhangzhou Longhai Mingfa Mall (2011G17, 2011G18)	Located in Bangshan Town, Kekeng Village, Longhai, zhangzhou, Fujian Province	Dec/2020	Residential/Commercial	Approximately 90% of construction has been completed	78,622	235,204	100%	235,204
Shanghai Mingfa Shopping Mall	Located in Hu Yi Highway East, Baijin Road of South, Boundary of West, Gaotai Road North, Shanghai	Dec/2020	Commercial	Approximately 50% of construction has been completed	53,779	152,555	100%	152,555
Pingliang Mingfa European City	Located in Water bridge West, Linjing Road North, Kongdong District, Pingliang, Gansu Province	Dec/2021	Residential	Approximately 80% of construction has been completed	117,594	112,637	60%	67,582
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Dec/2021	Residential/Commercial	Approximately 50% of construction has been completed	285,594	1,045,458	100%	1,045,458
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Guangdong Province	Dec/2020	Residential	Approximately 70% of construction has been completed	332,335	708,157	80%	566,526
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2021	Commercial	Approximately 50% of construction has been completed	209,048	364,852	100%	364,852
Nanjing Mingfa Wealth Center	Located in New City Headquarters Avenue on the north side of 05 plots, Pukou district, Nanjing, Jiangsu Province	Dec/2020	Commercial/Office	Approximately 70% of construction has been completed	56,694	140,262	100%	140,262
Nanjing Rong Li	Located at Jiangpu street, Puzhu Road North, Directional River Road East, Pukou district, Nanjing, Jiangsu Province	Dec/2020	Residential	Approximately 70% of construction has been completed	132,937	111,742	51%	56,988
Wujiang Mingfa Jiangwan New City (Phase 1)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2020	Residential/Commercial	Approximately 70% of construction has been completed	298,289	505,775	100%	505,775
Wujiang Mingfa Jiangwan New City (Phase 2)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2021	Residential/Commercial	Approximately 60% of construction has been completed	489,567	1,111,321	100%	1,111,321
Quanzhou Mingfa International Huachang City	Located at Neicuo village, Guanqiao Town, Nanan, Fujian Province	Dec/2021	Residential/Commercial	Approximately 55% of construction has been completed	276,120	745,600	100%	745,600
Guang'an Mingfa Mall (GC2013-45 Block)	Located in Bridge Group, Guan'an, Sichuan Province	Dec/2020	Residential/Commercial	Approximately 60% of construction has been completed	76,153	275,383	100%	275,383
Shandong Zibo World Trade Center	Located in People's road to the north, Shanghai Road to the East, Zhangdian District, Zibo, Shandong Province	Dec/2021	Residential/Commercial	Approximately 55% of construction has been completed	147,371	448,447	100%	448,447
Shenyang Creative Industrial Estate	Located in Shenbei Xinqiu Daoyi Development Zone, Liaoning Province	Dec/2021	Residential/Commercial	Approximately 75% of construction has been completed	154,024	289,705	100%	289,705



# MANAGEMENT DISCUSSION AND ANALYSIS

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Zhangzhou Longhai Mingfa Mall (2011G15 · 2012G15)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Jun/2021	Residential	Approximately 55% of construction has been completed	63,127	114,593	100%	114,593
Zhonggao Town Building	Located at South of Xiang'an District, Xiamen, Fujian Province	Dec/2020	Commercial	Approximately 60% of construction has been completed	11,870	98,104	51%	50,033
Mingfa MingBo Town	Located at Bowang Town Bowang District, Maanshan, Anhui Province	Dec/2020	Residential/Commercial	Approximately 60% of construction has been completed	101,504	60,509	100%	60,509
Nanjing Mingfa Yueshan Yuefu	Pukou Jiangpu street angle at University Avenue and Flower Industry	Dec/2020	Residential	Approximately 80% of construction has been completed	72,280	72,906	100%	72,906
Taoyuan New Town	Located at Xianghe Town, Quanjiao, Anhui Province	Dec/2020	Residential	Approximately 60% of construction has been completed	109,452	203,657	100%	203,657
Taoyuan Mansion	Located at Xianghe Town, Quanjiao, Anhui Province	Dec/2020	Residential	Approximately 60% of construction has been completed	18,099	30,768	100%	30,768
Taoyuan Mingzhu	Located in Shengzhou Road, Chizhou, Anhui Province	Jun/2021	Residential	Approximately 60% of construction has been completed	99,943	136,793	100%	136,793
Sihong Shuiyun Taoyuan Garden	Located in Radish Li Road East, North of Sizhou Street, Sihong County, Suqian, Jiangsu Province	Dec/2020	Residential/Commercial	Approximately 50% of construction has been completed	84,200	169,178	100%	169,178
Jinse Shui'an	Located in North side of Huaihe Road, Jinhu County, Huanan, Jiangsu Province	Dec/2022	Residential/Commercial	Approximately 50% of construction has been completed	289,236	336,769	100%	336,769
Taoyuan Xi'an	Located in Gushi Town, Dangtu County, Anhui Province	Dec/2020	Residential/Commercial	Approximately 50% of construction has been completed	24,439	10,393	100%	10,393
Taoyuan Guandi	Located in South side of Taochang Road, Hanshan County, Anhui Province	Dec/2020	Residential	Approximately 50% of construction has been completed	43,868	7,500	100%	7,500
Wujiang Mingfa Jiangwan New City Phase III	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2021	Residential/Commercial	Approximately 35% of construction has been completed	613,287	1,665,440	100%	1,665,440
Nanjing International Business Center	Located in Software service center high tech Development Zone, Nanjing, Jiangsu Province	Dec/2021	Commercial	Approximately 40% of construction has been completed	62,015	446,246	80%	356,997
Taoyuan Xiangsong	Located in North New District, Dongzhi County, Chizhou, Anhui Province	Dec/2020	Residential/Commercial	Approximately 40% of construction has been completed	36,590	62,202	100%	62,202
Taoyuan Fudi	Located at Xianghe Town, Quanjiao, Anhui Province	Dec/2020	Residential	Approximately 40% of construction has been completed	66,262	158,206	51%	80,685
Taoyuan Guanlan	Located at Xianghe Town, Quanjiao, Anhui Province	Dec/2020	Residential	Approximately 40% of construction has been completed	55,481	78,229	51%	39,897
Mingfa North Station New Town	Located in west side of Changjiang road, Chahe town, Laian county	Jan/2020	Residential/Commercial	Approximately 85% of construction has been completed	65,335	163,337	100%	163,337
Guang'an Mingfa City complex Project (ChaMa Road B1-1 Block)	Located in Binjiang Road, Guang'an District, Guan'an, Sichuan Province	Dec/2021	Residential/Commercial	Approximately 50% of construction has been completed	76,363	305,452	100%	305,452
Zhangpu Mingfa Xiangshan Wan	Located in Houcai Village, Qianting Town, Zhangpu County, zhangzhou, Fujian Province	May/2022	Residential/Commercial	Approximately 40% of construction has been completed	46,885	204,457	51%	104,273
Wuhu Chungu Xi'an	Located in New City east of Chengdong, Fanchang County, Wuhu City, Anhui Province	May/2022	Residential	Approximately 50% of construction has been completed	64,607	129,214	100%	129,214
New project in Nanjing Pukou 2014GY04 · 2016GY020	Located in the channel of science and technology industrial park, Pukou district, Nanjing, Jiangsu Province	Feb/2021	Industrial	Approximately 35% of construction has been completed	119,564	95,652	100%	95,652
Mingfa north station center	Located at Chahe Town, Laian, Anhui Province	Jun/2021	Residential/Commercial	Approximately 60% of construction has been completed	69,757	383,664	100%	383,664



# MANAGEMENT DISCUSSION AND ANALYSIS

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Mingfa north station villas	Located at Chahe Town, Laian, Anhui Province	Jun/2021	Residential	Approximately 80% of construction has been completed	66,350	132,699	100%	132,699
Hecheng Shoufu	Located at Liyang Town, Maanshan, Anhui Province	Jan/2021	Residential	Approximately 55% of construction has been completed	26,918	53,835	100%	53,835
Mingfa Huguangshanse Yihao	Located at Xiangquan Town Maanshan, Anhui Province	Dec/2020	Residential/Commercial	Approximately 40% of construction has been completed	68,688	82,426	100%	82,426
	Located at Xiangquan Town Maanshan, Anhui Province	Dec/2020	Residential/Commercial	Approximately 40% of construction has been completed	63,674	76,409	100%	76,409
Jinzhai Yueshan Yuefu	Located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province	Jun/2021	Residential/Commercial	Approximately 40% of construction has been completed	133,332	252,883	100%	252,883
New project in Nanjing Pukou G01	Located in Xinghuo Road Bus station, Jiangbei New District, Nanjing, Jiangsu Province	Nov/2022	Commercial/Office	Approximately 30% of construction has been completed	7,025	21,145	40%	8,458
Nanjing Mingrong Garden	Located in Puzhu Road, Jiangpu street, Pukou District, Nanjing, Jiangsu Province	Dec/2020	Commercial	Approximately 20% of construction has been completed	26,530	66,325	100%	66,325
New project in Nanjing Pukou G30	Located at Pukou north of Nanjing University of Technology, south along the mountain road	Dec/2020	Commercial	Approximately 20% of construction has been completed	32,843	59,117	100%	59,117
Taohua Yuanzhu	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Residential	Approximately 30% of construction has been completed	156,691	282,044	100%	282,044
Mingfa internet industrial park	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Commercial	Approximately 20% of construction has been completed	67,156	100,735	100%	100,735
Siyang Mingfa Shoufu 2013E1	Located at Zhongxing Town Siyang, Suqian, Jiangsu Province	Dec/2021	Residential/Commercial	Approximately 30% of construction has been completed	64,173	320,865	70%	224,606
New project in Jinnihu TP201813-3	Located in east of Changxing road, Jinniu Lake new city, Tianchang, Anhui province	Oct/2021	Residential/Commercial	Approximately 60% of construction has been completed	48,073	96,145	100%	96,145
Xingyue City	Located in West Ring Road East, Zhangyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province	Dec/2020	Residential/Commercial	Approximately 30% of construction has been completed	102,069	255,172	70%	178,620
Mingfa City Lights JZZB-GT-2018-37	Located in Jinzhai modern industrial park, Anhui Province	Mar/2021	Residential/Commercial	Approximately 40% of construction has been completed	43,995	131,986	100%	131,986
Jurong Youjia Village	Located in Baohua Town, Jurong, Jiangsu Province	Apr/2021	Residential	Approximately 50% of construction has been completed	8,378	20,945	51%	10,682
Mingbo Yue City	Located at Bowang Town, Bowang District, Maanshan, Anhui Province	Nov/2021	Residential/Commercial	Approximately 30% of construction has been completed	67,600	121,680	100%	121,680
Dingyuan Mingfa Shuiyun Taoyuan	Located at Kaoshan Road, Dingyuan Town, Chizhou, Anhui Province	Oct/2022	Residential	Approximately 30% of construction has been completed	69,333	138,666	100%	138,666
Shenyang Mingfa Square	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Jun/2021	Residential/Commercial	Approximately 40% of construction has been completed	119,154	238,308	100%	238,308
Yangguang Qingcheng	Located at Rongcheng Town, Chizhou, Anhui Province	Apr/2022	Residential/Commercial	Approximately 30% of construction has been completed	58,308	151,600	100%	151,600
<b>Sub-total</b>					<b>7,311,413</b>	<b>14,977,014</b>		<b>14,186,455</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Property with land use rights certificate for future development (Note 3)</b>								
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou district, Nanjing, Jiangsu Province	Jun/2021	Industrial	Vacant	41,434	103,585	100%	103,585
Lanzhou Mingfa Zhongke Ecological park	Located in Weijia Village of Southwest, Gansu Province	Dec/2021	Residential	Vacant	1,371,786	1,371,786	51%	699,611
Taiwan Taoyuan 54 Block	Located in Air passenger Park, Taoyuan, Taiwan	Jun/2021	Commercial	Vacant	13,710	32,905	100%	32,905
Taiwan Taoyuan 169 Block	Located in Air passenger Park, Taoyuan, Taiwan	Jun/2021	Commercial	Vacant	16,110	38,663	100%	38,663
Shenyang Mingfa Wealth Center	Located at Young Street, Heping District, Shenyang, Liaoning Province	Dec/2021	Commercial	Vacant	5,468	54,677	100%	54,677
Shenyang Mingfa Comprehensive Technology Park	Located at Zaohua Street, Yuhong District, Shenyang, Liaoning Province	Dec/2021	Residential	Vacant	235,526	423,948	100%	423,948
New project in Maanshan MingPu	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Industrial	Vacant	31,258	46,888	100%	46,888
New project in Maanshan MingLin	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential/Commercial/ Industrial	Vacant	123,223	211,755	100%	211,755
Siyang Mingfa Shoufu2013E2	Located at Zhongxing Town Siyang, Suqian, Jiangsu Province	Dec/2021	Residential/Commercial	Vacant	39,799	198,995	70%	139,297
Jurong Zidong Square	Located at the east side of Ninghang north road and the west side of Chigang road Jurong, Jiangsu Province	Aug/2022	Residential/Commercial	Vacant	53,892	296,406	100%	296,406
Mingfa Huguangshanse Erhao	Located at Xiangquan Town Maanshan, Anhui Province	May/2021	Residential	Vacant	108,972	108,972	100%	108,972
New project in Jurong2017-2-1-08	Located in Huanhu Road, Jurong, Jiangsu Province	Apr/2021	Commercial	Vacant	9,265	13,989	100%	13,989
Mingfa City Lights JZB-GT-2018-38	Located in Jinzhai modern industrial park, Anhui Province	Mar/2021	Residential	Vacant	63,421	139,527	100%	139,527
New Project in Dingyuan CR2018-21	Located at south of Qijiquang Avenue, Dingyuan Town, Chizhou, Anhui Province	Oct/2022	Commercial/Office	Vacant	24,439	146,636	100%	146,636
New Project in Fengxian (2016-30, 2016-32, 2016-33, 2016-34)	Located in West Ring Road East, Zhangyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province	Dec/2022	Residential/Commercial	Vacant	213,380	533,451	70%	373,415
New Project in Huai'an Xinyi	Located in North of Beijing East Road, East of Qianjiang Road, Xinyi, Xuzhou, Jiangsu Province	Oct/2022	Commercial	Vacant	46,548	88,000	60%	52,800
Xinyi Mingfa Zhongyang Lake CBD	Located in zhongshan Road, Xinyi high-tech Zone, Xuzhou, Jiangsu Province	Jan/2023	Residential/Commercial	Vacant	76,473	202,653	100%	202,653
New Project in Qingyang	Located at Qibuquan Road, Rongcheng Town, Chizhou, Anhui Province	Apr/2022	Residential/Commercial	Vacant	52,388	136,207	100%	136,207
Mingfa north station Meiyuan	Located at Chahe Town, Laian, Anhui Province	Apr/2022	Residential/Commercial	Vacant	64,377	141,429	100%	141,429
New Project in Zibo Hotel	Located at zibo Economic Development Zone South of Renmin Road, Zibo, Shandong Province	Oct/2023	Residential/Commercial	Vacant	81,795	114,513	100%	114,513
Nan'an Mingfa International Center	Located at Fuxi Community, Mellin Streets, Quanzhou, Fujian Province	Aug/2023	Office	Vacant	22,288	133,728	100%	133,728
New Project in Fengxian (2019-39)	Located in West Ring Road East, Zhangyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province	Mar/2023	Residential/Commercial	Vacant	22,316	55,791	70%	39,054
<b>Sub-total</b>					<b>2,717,869</b>	<b>4,594,503</b>		<b>3,650,657</b>



# MANAGEMENT DISCUSSION AND ANALYSIS



Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Property with signed land use rights contract for future development (Note 4)</b>								
Hong Six highway rebuilding Project	Located at Xixia Village, Honglai Town, Nanan, Fujian Province	Dec/2022	Residential/Commercial	Vacant	22,784	92,298	100%	92,298
Zhangzhou Longhai Mingfa Mall (2011G16, 2012G13, 2012G14)	Located in Bangshan Town, Kekeng Village, Longhai, zhangzhou, Fujian Province	Dec/2022	Residential	Vacant	105,188	315,564	100%	315,564
Kangyang Town	Located in Jiangjun Road, Jinzhai, Anhui Province	Sep/2021	Residential/Commercial	Vacant	64,539	103,263	100%	103,263
New Project in Hainan A-05	Located in Haikou Comprehensive Bonded Area, Haikou, Hainan Province	Jan/2021	Industrial	Vacant	57,600	57,600	100%	57,600
New Project in Hainan	Located in Haikou Comprehensive Bonded Area, Haikou, Hainan Province	Jan/2021	Industrial	Vacant	53,369	53,369	100%	53,369
New Project in Chuzhou Mingsheng	Located in Intersection of Zuiweng Road and Jingling Road, Chuzhou, Anhui Province	Sep/2021	Residential	Vacant	77,564	155,128	100%	155,128
Peixian Mingfa Noble Place	Located in East side of zhenxing Road, Zhangzhuang Town, Peixian, Xuzhou, Jiangsu Province	Jan-23	Residential/Commercial	Vacant	37,676	75,352	100%	75,352
<b>Sub-total</b>					<b>418,720</b>	<b>852,574</b>		<b>852,574</b>
<b>Total</b>					<b>14,365,085</b>	<b>23,133,754</b>		<b>21,240,114</b>

## Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates had been obtained as at 31 December 2019.
2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates had been obtained as at 31 December 2019.
3. The site area is in respect of the whole property (regardless of GFA that have been sold).
4. The approximate leasable and saleable GFA and attributable GFA have excluded the GFA that have been sold/leased.





# MANAGEMENT DISCUSSION AND ANALYSIS

## SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT

The following table summarizes the details of the Group's major properties held for investment as at 31 December 2019:

Property Name	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Property Attributable to the Group
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Commercial	113,462	8–20 years	70%–100%
Xiamen Mingfa Group Mansion	Located at Qianpu Industrial Park, Xiamen, Fujian Province	Commercial	1,123	5–6 years	100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province	Industrial	62,132	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Commercial	70,809	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	12–19 years	100%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yangqiao town, Huishan district, Wuxi, Jiangsu Province	Commercial	6,695	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Commercial	157,166	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Licheng District, Jiangnan Torch Village, Quanzhou, Fujian Province	Hotel	4,755	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	58,860	15 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Commercial	70,742	20 years	100%
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Commercial	45,419	3 years	100%
Wuxi Mingfa International New Town	Located at south of Yangqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	2,361	3 years	100%
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Commercial	2,859	15.5 years	100%
Beijing Mingfa Mall	Located at Bizang Village, Daxing District, Beijing	Residential/Commercial	62,162	3–10 years	100%
Jinzhai Mingfa City Square	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Commercial	55,791	2–15 years	100%
Taizhou Mingfa International Mall	Located in Gaogang District, Taizhou, Jiangsu Province	Commercial	13,985	10 years	100%
Nanjing Mingfa New City Finance Building	Located in New Town Business Avenue North, Pukou District, Nanjing, Jiangsu Province	Commercial	1,334	3–5 years	100%
Zhangzhou Longhai Mingfa Mall	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Commercial	2,831	10 years	100%
<b>Total</b>			<b>1,091,601</b>		



# MANAGEMENT DISCUSSION AND ANALYSIS



## PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

The progress and current status of the development of the Group's major projects in various sites and locations are as follows:

### Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is designed to be an integrated residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m.

As at 31 December 2019, approximately 90% of construction had been completed.

As at 31 December 2019, an aggregate GFA of 55,239 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2020.

### Huai'an Mingfa Shopping Mall (Block A)

Huai'an Mingfa Shopping Mall is located on Shenzhen South Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a commercial complex and will form an integral part of the Group's shopping mall.

The site area of the project is approximately 133,110 sq.m., with an aggregate GFA of approximately 266,335 sq.m.

As at 31 December 2019, approximately 90% of construction had been completed. The project is expected to be completed in December 2020.

### Shenyang Mingfa Jinxiuhua City

Shenyang Mingfa Jinxiuhua City is located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province. Shenyang Mingfa Jinxiuhua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m. As at 31 December 2019, completion certificate had been granted for 280,040 sq.m.

As at 31 December 2019, approximately 90% of construction had been completed.

As at 31 December 2019, an aggregate GFA of 86,009 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2020.

### Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Jiangwan City is designed as an integrated residential complex complemented with commercial properties.



## MANAGEMENT DISCUSSION AND ANALYSIS

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m. As at 31 December 2019, completion certificate had been granted for 196,412 sq.m.

As at 31 December 2019, approximately 90% of construction had been completed. The project is expected to be completed in December 2020.

### **Taizhou Mingfa City Complex (Phase 1 and 2)**

Taizhou Mingfa City Complex is located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province.

Taizhou Mingfa City Complex is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 529,562 sq.m. with an aggregate attributable GFA of approximately 1,053,450 sq.m.

As at 31 December 2019, approximately 70% of construction had been completed and an aggregate GFA of 184,487 sq.m. had been pre-sold but not yet delivered. Such pre-sold units will be delivered to the buyers upon completion in December 2020.

### **Zhangzhou Longhai Mingfa Mall (Phase 1 and 2)**

Zhangzhou Longhai Mingfa Mall is located in Kekeng village, Bangshan town, Longhai, Zhangzhou, Fujian Province.

Zhangzhou Longhai Mingfa Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 141,811 sq.m. with an aggregate attributable GFA of approximately 467,143 sq.m.

Approximately 90% and 55% construction had been completed in Phase 1 and 2 respectively.

As at 31 December 2019, an aggregate GFA of 46,194 sq.m. in Phase 1 had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2020. Phase 2 is expected to be completed in June 2021.

### **Shanghai Mingfa Shopping Mall**

Shanghai Mingfa Shopping Mall is located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai.

This project is designed as integrated commercial complex.

The site area of the project is approximately 53,779 sq.m., with an aggregate GFA of approximately 169,305 sq.m.

As at 31 December 2019, approximately 50% construction had been completed. The project is expected to be completed in December 2020.

### **Pingliang Mingfa European City**

Pingliang Mingfa European City is located at the west of Water bridge, north of Linjing Road, Kongdong district, Pingliang, Gansu Province.

This project is designed as integrated residential complex.



# MANAGEMENT DISCUSSION AND ANALYSIS



The site area of the project is approximately 117,594 sq.m. with an aggregate GFA of approximately 268,259 sq.m.

As at 31 December 2019, approximately 80% construction had been completed and an aggregated GFA of 21,664 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **Changsha Mingfa Shopping Mall**

Changsha Mingfa Shopping Mall is located in Star Cheng town, Wangcheng county, Changsha, Hunan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 285,594 sq.m. with an aggregate GFA of approximately 928,837 sq.m.

As at 31 December 2019, approximately 50% construction had been completed and an aggregated GFA of 242,691 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **Huizhou Mingfa Gaobang New City**

Huizhou Mingfa Gaobang New City is located in at Huizhou City West Train Station, Huizhou, Guangdong Province. This project is designed as integrated residential and complex.

The site area of the project is approximately 332,335 sq.m. with an aggregate GFA of approximately 708,157 sq.m.

As at 31 December 2019, approximately 70% construction had been completed and an aggregate GFA of 21,942 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

## **Tianjin Binhai Mingfa Shopping Mall**

Tianjin Binhai Mingfa Shopping Mall is located at Tanggu Marine Hi-Tech Development Zone, Tianjin. This project is designed as integrated commercial complex.

The site area of the project is approximately 209,048 sq.m. with an aggregate GFA of approximately 418,096 sq.m.

As at 31 December 2019, approximately 50% construction had been completed. The project is expected to be completed in December 2021.

## **Nanjing Mingfa Wealth Center**

Nanjing Mingfa Wealth Center is located at New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated office complex.

The site area of the project is approximately 56,694 sq.m. with an aggregate GFA of approximately 283,470 sq.m.

As at 31 December 2019, approximately 70% construction had been completed. The project is expected to be completed in December 2020.

## **Nanjing Rong Li**

Nanjing Rong Li is located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated residential complex.



## MANAGEMENT DISCUSSION AND ANALYSIS

The site area of the project is approximately 132,937 sq.m. with an aggregate GFA of approximately 255,552 sq.m.

As at 31 December 2019, approximately 70% construction had been completed and an aggregate GFA of 15,966 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Wujiang Mingfa Jiangwan New City (Phase 1, 2 and 3)**

Wujiang Mingfa Jiangwan New City is located at Wujiang Town Four Lian, Hexian, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 1,401,143 sq.m. with an aggregate GFA of approximately 3,770,827 sq.m. Phase 1 and 2 are expected to be completed in December 2020 while Phase 3 is expected to be completed in December 2019.

As at 31 December 2019, completion certificate had been granted for GFA of 269,628 sq.m.

As at 31 December 2019, approximately 70%, 60% and 35% construction had been completed for phase 1, 2 and 3 respectively. An aggregate GFA of 329,678 sq.m. in Phase 1 had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion from December 2020.

### **Quanzhou Mingfa International Huachang City**

Quanzhou Mingfa International Huachang City is located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province. This project is designed as integrated residential complex.

The site area of the project is approximately 276,120 sq.m. with an aggregate GFA of approximately 787,220 sq.m.

Approximately 55% of construction had been completed.

As at 31 December 2019, an aggregate GFA of 39,616 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Guang'an Mingfa Mall**

Guang'an Mingfa Mall is located at Bridge Group, Guan'an, Sichuan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 76,153 sq.m. with an aggregate GFA of approximately 382,692 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 53,359 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Shangdong Zibo World Trade Center**

Shangdong Zibo World Trade Center is located at People's Road to the north, Shanghai Road to the East, Zhangdian District, Zibo, Shangdong Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 147,371 sq.m. with an aggregate GFA of approximately 618,958 sq.m.



# MANAGEMENT DISCUSSION AND ANALYSIS



As at 31 December 2019, approximately 55% construction had been completed and an aggregate GFA of 101,352 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **Shenyang Creative Industrial Estate**

Shenyang Creative Industrial Estate is located at Shenbei Xinqu Daoyi Development Zone, Liaoning Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 154,024 sq.m. with an aggregate GFA of approximately 462,072 sq.m. The project is expected to be completed in December 2021.

As at 31 December 2019, approximately 75% construction had been completed and an aggregate GFA of 19,662 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **Zhongao Town Building**

Zhongao Town Building is located at South of Xiang'an District, Xiamen, Fujian Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 11,870 sq.m. with an aggregate GFA of approximately 98,104 sq.m.

As at 31 December 2019, approximately 60% construction had been completed. The project is expected to be completed in December 2020.

## **Mingfa Mingbo Town**

Mingfa Mingbo Town is located at Bowang Town, Bowang District, Maanshan, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 101,504 sq.m. with an aggregate GFA of approximately 171,950 sq.m. The project is expected to be completed in July 2019.

As at 31 December 2019, approximately 60% construction had been completed. The project is expected to be completed in December 2020.

## **Nanjing Mingfa Yueshanyuefu**

Mingfa Mingfa Yueshanyuefu is located at Pukou Jiangpu Street, Angle at University Avenue and Flower Industry. This project is designed as integrated residential complex.

The site area of the project is approximately 72,280 sq.m. with an aggregate GFA of approximately 79,508 sq.m.

As at 31 December 2019, approximately 80% construction had been completed and an aggregate GFA of 59,036 sq.m. had been pre-sold but not yet delivered. The project is expected to be completed in December 2020.

## **Taoyuan New Town**

Taoyuan New Town is located at Xianghe Town, Quanjiao, Anhui Province. This project is designed as residential complex.

The site area of the project is approximately 109,452 sq.m. with an aggregate GFA of approximately 240,794 sq.m.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 90,410 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Taoyuan Mansion**

Taoyuan Mansion is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 18,099 sq.m. with an aggregate GFA of approximately 30,768 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and the project is expected to be completed in December 2020.

### **Taoyuan Mingzhu**

Taoyuan Mingzhu is located at Shengzhouhu Road, Chizhou, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 99,943 sq.m. with an aggregate GFA of approximately 159,909 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 38,326 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in June 2021.

### **Sihong Shuiyun Taoyuan Garden**

The project is located at Radish Li Road East, North of Sizhou Street, Sihong County, Suqian, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 84,200 sq.m. with an aggregate GFA of approximately 193,660 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 92,052 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Mingfa Jinse Shuian**

Mingfa Jinse Shuian is located at North side of Huaihe Road, Jinhua County, Huanan, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 289,236 sq.m. with an aggregate GFA of approximately 336,769 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 60,314 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2022.

### **Taoyuan Xi'an**

Taoyuan Xi'an is located at Gushi Town, Dangtu County, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 24,439 sq.m. with an aggregate GFA of approximately 39,103 sq.m.



# MANAGEMENT DISCUSSION AND ANALYSIS

Approximately 50% construction had been completed and the project is expected to be completed in December 2020.

## **Taoyuan Guandi**

Taoyuan Guandi is located at South side of Taochang Road, Hanshan County, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 43,868 sq.m. with an aggregate GFA of approximately 74,576 sq.m.

Approximately 50% construction had been completed and the project is expected to be completed in December 2020.

## **Nanjing International Business Center**

The project is located at Software Service Center High Tech Development Zone, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 62,105 sq.m. with an aggregate GFA of approximately 446,246 sq.m.

As at 31 December 2019, approximately 40% construction had been completed and an aggregate GFA of 41,089 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **Taoyuan Xiangsong**

Taoyuan Xiangsong is located at North New District, Dongzhi County, Chizhou, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 36,590 sq.m. with an aggregate GFA of approximately 62,202 sq.m.

As at 31 December 2019, approximately 40% construction had been completed and an aggregate GFA of 97,375 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2020.

## **Taoyuan Fudi**

Taoyuan Fudi is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 66,262 sq.m. with an aggregate GFA of approximately 132,524 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in December 2020.

## **Taoyuan Guanlan**

Taoyuan Guanlan is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 55,481 sq.m. with an aggregate GFA of approximately 83,222 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in December 2020.





# MANAGEMENT DISCUSSION AND ANALYSIS

## **Mingfa North Station New Town**

Mingfa North Station New Town is located at west side of Changjiang Road, Chahe Town, Laian County, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 65,335 sq.m. with an aggregate GFA of approximately 163,337 sq.m.

As at 31 December 2019, approximately 85% construction had been completed and an aggregate GFA of 124,064 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in January 2020.

## **Guang'an Mingfa Wealth Centre (ChaMa Road B1-1 Block)**

The project is located at west side of Binjiang Road, Guang'an District, Guang'an, Sichuan Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 76,363 sq.m. with an aggregate GFA of approximately 305,452 sq.m.

As at 31 December 2019, approximately 50% construction had been completed and an aggregate GFA of 88,132 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in December 2021.

## **New project in Zhangpu 2017SG15**

The project is located at Houcai Village, Qianting Town, Zhangpu County, Zhangzhou, Fujian Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 46,885 sq.m. with an aggregate GFA of approximately 204,457 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in May 2022.

## **Wuhu Chungu Xi'an**

The project is located at New City east of Chengdong, Fanchang County, Wuhu City, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 64,607 sq.m. with an aggregate GFA of approximately 129,214 sq.m.

As at 31 December 2019, approximately 50% construction had been completed and an aggregate GFA of 114,063 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in May 2022.

## **New project in Nanjing Pukou 2014GY04 & 2016GY020**

The project is located at the Channel of Science and Technology Industrial Park, Pukou District, Nanjing, Jiangsu Province. The project is designed as industrial complex.

The site area of the project is approximately 119,564 sq.m. with an aggregate GFA of approximately 95,652 sq.m.

Approximately 35% construction had been completed and the project is expected to be completed in February 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS



## **Mingfa North Station Centre**

The project is located at Chahe Town, Laian, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 69,757 sq.m. with an aggregate GFA of approximately 132,699 sq.m.

As at 31 December 2019, approximately 60% construction had been completed and an aggregate GFA of 56,263 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in June 2021.

## **Mingfa North Station Yayuan**

The project is located at Chahe Town, Laian, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 66,350 sq.m. with an aggregate GFA of approximately 383,664 sq.m. The project is expected to be completed in June 2021.

As at 31 December 2019, approximately 80% construction had been completed and an aggregate GFA of 92,219 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in June 2021.

## **Hecheng Shoufu**

The project is located at Liyang Town, Maanshan, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 26,918 sq.m. with an aggregate GFA of approximately 53,835 sq.m. The project is expected to be completed in June 2021.

As at 31 December 2019, approximately 55% construction had been completed and an aggregate GFA of 17,901 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in January 2021.

## **Mingfa Huguangshanse Yihao**

The project is located at Xiangquan Town, Maanshan, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 132,362 sq.m. with an aggregate GFA of approximately 158,835 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in December 2020.

## **Jinzhai Yueshan Yuefu**

The project is located at Jinzhai County, Meishan Town New Town, Hefei, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 133,332 sq.m. with an aggregate GFA of approximately 252,883 sq.m.

As at 31 December 2019, approximately 55% construction had been completed and an aggregate GFA of 91,801 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in June 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **New project in Nanjing Pukou G01**

The project is located at Xinghuo Road Bus Station, Jiangbei New City, Nanjing, Jiangsu Province. The project is designed as commercial and office complex.

The site area of the project is approximately 7,025 sq.m. with an aggregate GFA of approximately 21,145 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in November 2022.

### **Nanjing Mingrong Garden**

The project is located at Puzhu Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 26,530 sq.m. with an aggregate GFA of approximately 66,325 sq.m. The project is expected to be completed in December 2020.

Approximately 20% construction had been completed and the project is expected to be completed in December 2020.

### **New project in Nanjing Pukou G30**

The project is located at Pukou North of Nanjing University of Technology, south along the Mountain Road, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 32,843 sq.m. with an aggregate GFA of approximately 59,117 sq.m.

Approximately 20% construction had been completed and the project is expected to be completed in December 2020.

### **Taohua Yuanzhu**

The project is located at Xingyuan Road, Zibo, Shandong Province. The project is designed as residential complex.

The site area of the project is approximately 75,474 sq.m. with an aggregate GFA of approximately 135,853 sq.m.

As at 31 December 2019, approximately 30% construction had been completed and an aggregate GFA of 46,265 sq.m. had been pre-sold but not yet delivered. Such pre-sold properties will be delivered to the buyers upon completion in October 2022.

### **Mingfa Internet Industrial Park**

The project is located at Xingyuan Road, Zibo, Shandong Province. The project is designed as commercial complex.

The site area of the project is approximately 67,156 sq.m. with an aggregate GFA of approximately 100,735 sq.m.

Approximately 20% construction had been completed and the project is expected to be completed in October 2022.

### **Siyang Mingfa Shoufu 2013E1**

The project is located at Zhongxing Town, Siyang, Suqian Jiangsu Province. The project is designed as residential and commercial complex.



# MANAGEMENT DISCUSSION AND ANALYSIS



The site area of the project is approximately 64,173 sq.m. with an aggregate GFA of approximately 320,865 sq.m.

Approximately 30% construction had been completed and the project is expected to be completed in December 2021.

## **Jinniu Lake TP201813-3**

The project is located at East of Changxing Road, Jinniu Lake New City, Tianchang, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 48,073 sq.m. with an aggregate GFA of approximately 96,145 sq.m.

Approximately 60% construction had been completed and the project is expected to be completed in October 2021.

## **Xingyue City**

The project is located at West Ring Road East, Zhangyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 102,069 sq.m. with an aggregate GFA of approximately 255,172 sq.m.

Approximately 30% construction had been completed and the project is expected to be completed in December 2020.

## **Mingfa City Lights JZZB-GT-2018-37**

The project is located at Jinzhai Modern Industrial Park, Jinzhai, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 43,995 sq.m. with an aggregate GFA of approximately 131,986 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in March 2021.

## **Jurong Youjia Village**

The project is located at Baohua Town, Jurong, Jiangsu Province. The project is designed as residential complex.

The site area of the project is approximately 8,378 sq.m. with an aggregate GFA of approximately 10,682 sq.m.

Approximately 50% construction had been completed and the project is expected to be completed in April 2021.

## **Mingbo Yue City**

The project is located at Bowang Town, Bowang District Maanshan, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 67,600 sq.m. with an aggregate GFA of approximately 121,680 sq.m.

Approximately 30% construction had been completed and the project is expected to be completed in November 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Dingyuan Mingfa Shuiyun Taoyuan**

The project is located at Kaoshan Road, Dingyuan Town, Chizhou, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 69,333 sq.m. with an aggregate GFA of approximately 138,666 sq.m.

Approximately 30% construction had been completed and the project is expected to be completed in October 2022.

### **Shenyang Mingfa Square**

The project is located at Shenbei Xinqu Daoyi Development Zone, Liaoning Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 119,154 sq.m. with an aggregate GFA of approximately 238,308 sq.m.

Approximately 40% construction had been completed and the project is expected to be completed in June 2021.

### **Yangguang Qingcheng**

The project is located at Rongcheng Town, Chizhou, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 58,308 sq.m. with an aggregate GFA of approximately 151,600 sq.m.

Approximately 30% construction had been completed and the project is expected to be completed in April 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Properties to be Completed in 2020

Set out below are the properties expected to be completed by the Group in 2020. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 2,790,716 sq.m. including those already pre-sold as at 31 December 2019.

Property	Expected Completion Date	Type of Property	GFA Available for Sales/Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group
Zhenjiang Jinxiu Yinshan	Dec/2020	Residential/Commercial	171,450	100%
Huaian Mingfa Shopping Mall	Dec/2020	Commercial	256,898	100%
Shenyang Mingfa Jinxiu Hua City	Dec/2020	Residential/Commercial	169,401	100%
Yangzhou Mingfa Jiangwan City	Dec/2020	Residential/Commercial	3,997	100%
Zhangzhou Longhai Mingfa Mall	Dec/2020	Residential/Commercial	235,204	100%
Shanghai Mingfa Shopping Mall	Dec/2020	Commercial	152,555	100%
Nanjing Mingfa Wealth Centre	Dec/2020	Commercial/Office	140,262	100%
Nanjing Mingfa Rong Li	Dec/2020	Residential	111,742	51%
Guang'an Mingfa Mall	Dec/2020	Residential/Commercial	275,383	100%
Zhongao Town	Dec/2020	Commercial	98,104	51%
Mingfa MingBo Town	Dec/2020	Residential/Commercial	60,509	100%
Nanjing Mingfa Yueshan Yuefu	Dec/2020	Residential	72,906	100%
Taoyuan New Town	Dec/2020	Residential	203,657	100%
Taoyuan Mansion	Dec/2020	Residential	30,768	100%
Sihong Shuiyun Taoyuan Garden	Dec/2020	Residential/Commercial	169,178	100%
Taoyuan Xi'an	Dec/2020	Residential/Commercial	10,393	100%
Taoyuan Guandi	Dec/2020	Residential	7,500	100%
Taoyuan Xiangsong	Dec/2020	Residential/Commercial	62,202	100%
Taoyuan Fudi	Dec/2020	Residential	158,206	51%
Taoyuan Guanlan	Dec/2020	Residential	78,229	51%
Mingfa North Station New Town	Jan/2020	Residential/Commercial	163,337	100%
Mingfa Huguangshanse Yihao	Dec/2020	Residential/Commercial	158,835	100%
<b>Total</b>			<b>2,790,716</b>	



# MANAGEMENT DISCUSSION AND ANALYSIS

## ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2019, the Group entered into 10 uncompleted memorandum of understanding (“MOU(s)”) with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2014. These MOUs are not legally-binding and there is no assurance that the Group will be granted the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties’ intention of cooperation in the future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	(Notes)
Huai’an Mingfa International Industrial Material Park and Mingfa International Town	Huai’an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Shenyang Creative Park	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang Residential and Commercial Complex Project	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Jiangsu Taizhou Mingfa City Complex Project	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Shenyang Mingfa Integrated Science and Technology Park	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	(5)
Nanjing Software Park Starting Area Project	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(6)
Anhui Hexian Wujiang New Town	Maanshan City, Anhui Province	28-Apr-13	2,000,010	7,000,035	(7)
<b>Total</b>			<b>7,486,167</b>	<b>19,646,270</b>	



# MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

- (1) The Group had acquired 3 plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.
- (2) The Group had acquired 1 plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.
- (3) The Group had acquired 2 plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.
- (4) The Group had acquired 5 plots of land under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 529,526 sq.m. and approximately 832,637 sq.m. respectively.
- (5) The Group had acquired 2 plots of land under the MOU signed on 23 September 2011. The land is located at Zaohua Street, Guan Jia Village, Yuhong District, Liaoning Province. Total land area and GFA is approximately 235,526.47 sq.m. and approximately 423,947.63 sq.m. respectively.
- (6) The Group had acquired 1 plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.
- (7) The Group had acquired 73 plots of land under the MOU signed on 28 April 2013. The land is located at Wujiang Town, Four Lian, Hexian, Anhui Province. Total land area and GFA is approximately 2,213,118 sq.m. and approximately 5,917,508 sq.m. respectively.





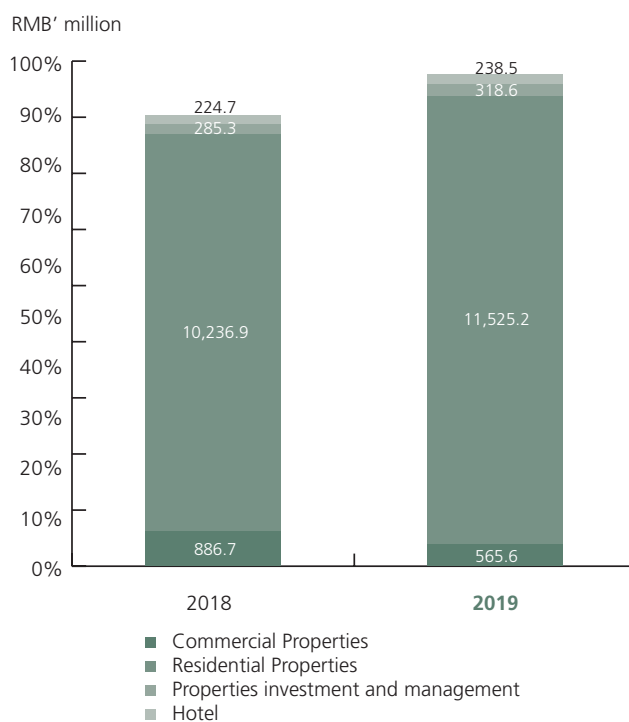
# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2019, revenue generated by the Group was approximately RMB12,660.9 million (2018: approximately RMB11,641.9 million), representing an increase of 8.8% as compared to 2018. The increase in revenue in 2019 was mainly due to the increase in the GFA delivered from 1,248,065 sq.m. in 2018 to 1,484,164 sq.m. in 2019. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Commercial Properties (RMB'million)	Residential Properties (RMB'million)	Properties			Total (RMB'million)	Percentage of Increase in Total Revenue
			Investment and Management (RMB'million)	Hotel (RMB'million)	Others (RMB'million)		
<b>2019</b>	<b>565.6</b>	<b>11,525.2</b>	<b>318.6</b>	<b>238.5</b>	<b>13.1</b>	<b>12,660.9</b>	<b>8.8%</b>
2018	886.7	10,236.9	285.3	224.7	8.3	11,641.9	15.6%

### Revenue by Segment



## MANAGEMENT DISCUSSION AND ANALYSIS



Revenue from the properties sector contributed 95.5% in total to the Group's revenue. Revenue from the commercial properties sector decreased by 36.2% which was primarily due to less commercial properties delivered in Jinzhai Mingfa Shopping Mall in 2019. Revenue generated from the residential properties sector increased for 12.6% in 2019 as compared to 2018. The main reason for the increase in revenue generated from residential properties was more GFA being delivered from 1,178,739 sq.m. in 2018 to 1,453,660 sq.m. in 2019.

Revenue from the properties investment and management sector increased by 11.7%, which was mainly due to the increase in GFA of investment properties and regular rental review.

Income generated from the hotel sector increased by 6.1% from approximately RMB224.7 million in 2018 to approximately RMB238.5 million in 2019.

The gross profit of the Group was approximately RMB3,998.0 million for 2019, representing an increase of 20.3% as compared to 2018 (2018: approximately RMB3,322.0 million). The gross profit for 2019 increased primary as a result of the revenue growth.

The profit for the year of the Group decreased by 11.9% from approximately RMB1,289.1 million in 2018 to approximately RMB1,135.9 million in 2019. The decrease was mainly due to the increase in effective tax rate from 49.9% in 2018 to 57.9% in 2019.

The profit attributable to the equity holders of the Company was approximately RMB952.1 million for 2019, representing an increase of approximately RMB97.0 million or approximately 11.3% from 2018 (2018: approximately RMB855.1 million). The increase was mainly due to less profits was shared to the non-controlling interests in Nanjing Rong Li.

The cost of sales of the Group was approximately RMB8,662.9 million for 2019, representing an increase of 4.1% as compared to 2018 (2018: approximately RMB8,319.9 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB5,585.7 per sq.m. for 2019, representing a decrease of 11.6% over 2018 (2018: average cost of properties included in cost of sales was RMB6,319.9 per sq.m.). The main reason was due to less commercial properties with higher cost was delivered in 2019.

Fair value gains on investment properties decreased by 65.5% to approximately RMB258.5 million in 2019 (2018: approximately RMB749.3 million). The decrease was mainly due to less commercial properties were classified as investment properties in 2019.

Other losses decreased by 31.3% to approximately RMB115.5 million in 2019 (2018: approximately RMB168.2 million). The decrease was mainly due to decrease in exchange losses in 2019.

Selling and marketing costs of the Group were approximately RMB647.1 million in 2019, representing an increase of 15.5% over 2018 (2018: approximately RMB560.2 million). The increase was mainly due to the increase in sale commission in 2019.

General and administrative expenses of the Group were approximately RMB802.2 million in 2019, representing an increase of 14.3% over 2018 (2018: approximately RMB701.8 million). The increase was mainly due to the increase is depreciation of right-of-use assets in 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

Net finance income of the Group increased by 19.3% to approximately RMB86.8 million in 2019 (2018: approximately RMB72.8 million).

## CAPITAL STRUCTURE

As at 31 December 2019, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB3,488.1 million (31 December 2018: approximately RMB5,263.4 million). Restricted cash of the Group was approximately RMB103.3 million (31 December 2018: approximately RMB429.6 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB6,492.0 million and RMB560.4 million respectively (31 December 2018: approximately RMB8,729.8 million and RMB2,109.7 million respectively). The cash and cash equivalents of the Group were mainly denominated in Renminbi as at 31 December 2019.

## BORROWINGS

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured	2,965,625	3,137,813
Bank borrowings — unsecured	—	184,880
Other borrowings — secured	—	278,636
Bonds (Note (b))	—	1,501,268
	<b>2,965,625</b>	5,102,597
Less: Amounts due within one year	<b>(2,405,219)</b>	(2,992,919)
	<b>560,406</b>	2,109,678
Borrowings included in current liabilities		
Current portion of long-term borrowings	2,405,219	2,992,919
Bank borrowings — secured	772,100	3,388,002
Other borrowings — guaranteed and secured	—	976,259
Bonds (Note (b))	3,314,666	1,372,640
	<b>6,491,985</b>	8,729,820



# MANAGEMENT DISCUSSION AND ANALYSIS

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings:		
Between 1 and 2 years	106,139	1,621,293
Between 2 and 5 years	436,212	386,274
Over 5 years	18,055	102,111
	<b>560,406</b>	<b>2,109,678</b>

Total interest expenses including the capitalised interest costs amounted to approximately RMB769.2 million (31 December 2018: approximately RMB1,011.2 million) in total.

Set out below are the major ratios of the Group:

	As at and for the year ended 31 December	
	2019	2018
Gross profit margin	31.6%	28.5%
Operating profit margin	21.1%	21.4%
Net profit margin	9.0%	11.1%
Current ratio	1.02	1.05
Total liabilities to total assets	78.0%	79.7%
Bank loans and other borrowings to shareholders' funds	47.3%	77.7%
Non-current bank loans and other borrowings to total assets	0.7%	2.8%
Gearing ratio*	17.2%	25.2%

\* Defined as net debt (total borrowings less cash and cash equivalents and cash restricted for borrowings) divided by the sum of shareholders' funds and net debt.

## PLEDGES OF ASSETS

As at 31 December 2019, investment properties of the Group with net book value of approximately RMB2,320.0 million (31 December 2018: approximately RMB2,904.5 million), buildings of approximately RMB179.9 million (31 December 2018: approximately RMB381.6 million), the leasehold interests in land of approximately RMB1,918.0 million (31 December 2018: approximately RMB3,587.1 million), completed properties held for sale of approximately RMB3,007.3 million (31 December 2018: approximately RMB2,623.0 million) and properties under development of approximately RMB754.6 million (31 December 2018: approximately RMB2,876.0 million). Cash deposits of approximately RMB103.2 million (31 December 2018: approximately RMB429.6 million) were restricted and deposited in certain banks as security for project construction.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENTS

As at 31 December 2019, the contracted capital commitments of the Group were approximately RMB7,433.1 million (31 December 2018: approximately RMB7,844.2 million), which were mainly the capital commitments for property development. It is expected that the Group will finance such commitments from internally generated funds and resources.

## GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2019, the contingent liabilities of the Group was approximately RMB8,833.1 million (31 December 2018: approximately RMB5,448.3 million), which were mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

## FOREIGN EXCHANGE RISK

As at 31 December 2019, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 99.6%, 0.2% and 0.2% (31 December 2018: Renminbi, Hong Kong dollars and US dollars accounted for 99.8%, 0.1% and 0.1% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in US dollars and New Taiwan dollars in respective proportions of 97% and 3% (31 December 2018: Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars accounted for 64.9%, 2.1%, 32.1% and 0.9% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group in 2019 were made mainly in Renminbi, Hong Kong dollars and US dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi, Hong Kong dollars or US dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2019 as the hedging list was comparable to the corresponding risk.

## INTEREST RATE RISK

As at 31 December 2019, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

## FUNDING AND TREASURY POLICY

The Group utilizes cash flows generated from operating activities and bank loans to finance its operations, construction and capital expenditure, to increase its land banks, to discharge its debt and to ensure the continuous growth of the Group's business.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CREDIT POLICIES

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitors these deposits and advances to ensure actions are taken to recover these balances in the case of any risk of default.

## HUMAN RESOURCES

As at 31 December 2019, the Group employed 3,548 staff (31 December 2018: 3,438 staff). The increase was mainly due to more staff recruited for new project companies. For 2019, the staff costs of the Group including Directors' emoluments were approximately RMB410.7 million (2018: approximately RMB435.8 million). The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan.

The Company values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provides various training opportunities to employees, including training for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustment whenever necessary so as to maintain its competitiveness in the employment market.

## PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

For 2019, the contribution to the above MPF Scheme and retirement benefit scheme made by the Group amounted to approximately RMB38.7 million (2018: approximately RMB41.1 million).





## MANAGEMENT DISCUSSION AND ANALYSIS

### **DIVIDEND POLICY**

In general, the Company will declare or propose dividends semi-annually when the Board approves the interim results and the annual results. Any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements, capital efficiency and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders of the Company. There is no assurance that dividends of any amount will be declared or distributed in any given year.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company (the “**Shareholders**”) as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. During the year under review, all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) were complied with by the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding the Directors’ securities transactions throughout the year under review.

## BOARD OF DIRECTORS

Directors during the financial year end and up to the date of this report were:

### Executive Directors

Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui  
Mr. Liu Yuwei (*appointed on 15 July 2019*)

### Non-Executive Director

Mr. Wong Wun Ming (*Chairman, re-designated from Executive Director to Non-Executive Director effective 15 July 2019*)

### Independent Non-Executive Directors

Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus  
Dr. Lam, Lee G.  
Mr. Chan Sing Lai (*appointed on 15 July 2019*)  
Dr. Wong Tin Yau Kelvin *J.P.* (*retired on 6 March 2019*)

Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all brothers.

The Directors’ biographical information are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. All Executive Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.





# CORPORATE GOVERNANCE REPORT

A total of 8 Board meetings were held during the year under review. The individual attendance of each Director was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Wong Wun Ming	8	8
Mr. Huang Qingzhu	6	8
Mr. Huang Lianchun	1	8
Mr. Huang Li Shui	5	8
Mr. Liu Yuwei ( <i>appointed on 15 July 2019</i> )	2	2
Mr. Lau Kin Hon	8	8
Mr. Chu Kin Wang Peleus	7	8
Dr. Lam, Lee G.	6	8
Mr. Chan Sing Lai ( <i>appointed on 15 July 2019</i> )	2	2
Dr. Wong Tin Yau Kelvin <i>J.P. (retired on 6 March 2019)</i>	1	2

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, none of the Directors holds directorships in other listed companies.



# CORPORATE GOVERNANCE REPORT



## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company's corporate governance. The role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had five independent non-executive Directors ("**Independent Non-Executive Directors**") during the year under review, namely, Mr. Lau Kin Hon, Mr. Chu Kin Wang Peleus, Dr. Lam, Lee G. Mr. Chan Sing Lai (appointed on 15 July 2019) and Dr. Wong Tin Yau Kelvin *J.P.* (retired on 6 March 2019), who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the Independent Non-Executive Directors has been appointed for a term of 2 or 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement.

## NOMINATION OF DIRECTORS

The Company has set up a nomination committee ("**Nomination Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

During the year under review, the chairperson of the Nomination Committee was Non-Executive Director Mr. Wong Wun Ming. The other members include two Independent Non-Executive Directors, namely Mr. Lau Kin Hon and Mr. Chu Kin Wang Peleus.



# CORPORATE GOVERNANCE REPORT

2 Nomination Committee meetings were held during the year under review. The individual attendance of each member was as follows:

<b>Name of Director</b>	<b>Number of Meeting Attended</b>	<b>Total of Meetings Held during the Director's Tenure</b>
Mr. Wong Wun Ming ( <i>chairperson of the Nomination Committee</i> )	2	2
Mr. Lau Kin Hon	2	2
Mr. Chu Kin Wang Peleus ( <i>appointed on 1 November 2016</i> )	2	2

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities include:

- (a) to appoint Mr. Liu Yuwei as an executive Director effective 15 July 2019;
- (b) to review the structure, size and composition of the Board;
- (c) to review the independence of independent non-executive Directors;
- (d) to review the list of Directors of their retirement and re-election;
- (e) to discuss the set up of the nomination policy;
- (f) to review the independence and the appointment of Mr. Chan Sing Lai as an independent non-executive Director effective 15 July 2019;
- (g) to discuss and recommend the Board to set up Risk Management Committee of the Company comprising 3 independent non-executive Directors chaired by Mr. Chan Sing Lai; and
- (h) to re-designate Mr. Wong Wun Ming from an executive Director to a non-executive Director effective 15 July 2019.



## BOARD DIVERSITY POLICY

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Company recognises and embraces the benefits of diversity of the Board to enhance the quality of its performance. The Board has adopted a board diversity policy as set out in the Terms of Reference of Nomination Committee effective from 26 August 2013. All Board appointments will continue to be made on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Under the board diversity policy, selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Each of the Board members possesses different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, procurement management, administration and business management, property and hotel management, investment development, legal and human resource management, etc. The Board is characterized by significant diversity in terms of age, designation, length of service, skills and knowledge.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has set up a remuneration committee ("**Remuneration Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based on remuneration and to ensure none of the Directors can determine their own remuneration.

The Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors, Independent Non-Executive Directors and senior management of the Company and have access to professional advice, if necessary.

The basis of the emoluments payable to the Directors is determined with reference to the range of prevailing remuneration for directors of listed companies in Hong Kong and is subject to the approval of the Board. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions in the Group and the desirability of performance-based remuneration.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 32 to the financial statements.

During the year under review, the chairperson of the Remuneration Committee was Independent Non-executive Director Mr. Lau Kin Hon. The other members include Non-Executive Director Mr. Wong Wun Ming and Independent Non-Executive Director Mr. Chu Kin Wang Peleus.



# CORPORATE GOVERNANCE REPORT

2 Remuneration Committee meetings were held during the year under review. The individual attendance of each member was as follows:

<b>Name of Director</b>	<b>Number of Meetings Attended</b>	<b>Total of Meetings Held during the Director's Tenure</b>
Mr. Lau Kin Hon ( <i>chairperson of the Remuneration Committee</i> )	2	2
Mr. Chu Kin Wang Peleus	2	2
Mr. Wong Wun Ming	2	2

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities include:

- (a) to consider the remuneration package of Mr. Liu Yuwei as an executive Director and Mr. Chan Sing Lai as an independent non-executive Directors both effective 15 July 2019; and
- (b) to review the remuneration policy and structure of the Directors and senior management of the Company.

## AUDIT COMMITTEE

The Company has set up an audit committee ("**Audit Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process, reviewing the corporate governance practices of the Company and performing other duties and responsibilities as assigned by the Board.

The Board delegates its following responsibility and duties in relation to the corporate governance to the Audit Committee:

- to develop and review the policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Corporate Governance Code disclosure in the Company's Corporate Governance Report according to the Listing Rules.



# CORPORATE GOVERNANCE REPORT

During the year under review, the chairperson of the Audit Committee was Independent Non-Executive Director, Mr. Chu Kin Wang Peleus. The other members were all Independent Non-Executive Directors, namely Mr. Lau Kin Hon, and Dr. Lam, Lee G.

4 Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

<b>Name of Director</b>	<b>Number of Meetings Attended</b>	<b>Total of Meetings Held during the Director's Tenure</b>
Mr. Chu Kin Wang Peleus ( <i>chairperson of the Audit Committee</i> )	4	4
Dr. Lam, Lee G.	4	4
Mr. Lau Kin Hon	4	4

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities include:

- (a) to review and discuss the retirement and change of auditors;
- (b) to review and discuss the annual results for the year ended 2016, 2017, 2018; and
- (c) to review and discuss the corporate governance practices.

## RISK MANAGEMENT COMMITTEE

The Company has set up a risk management committee ("**Risk Management Committee**") with terms of reference on 15 July 2019. The main responsibilities of the Risk Management Committee include evaluating the risks, making relevant suggestions, considering and, if thought fit, giving pre-approval to the Board in relation to, among other things, (i) notifiable transactions and connected transactions of the Company; (ii) any acquisition or disposal transactions with a consideration exceeding certain thresholds; and (iii) any borrowings of the Group from non-bank or non-financial institution, and any provision of loans by the Group to any third party with an amount exceeding certain thresholds.

During the year under review, the chairperson of the Risk Management Committee was Independent Non-Executive Director Mr. Chan Sing Lai. The other members include two Independent Non-Executive Directors, namely Mr. Lau Kin Hon and Dr. Lam Lee G.

No meeting was held during the year under review.



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment as our Directors, each newly appointed Director receives comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being our Director, in order to ensure each Director is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company encourages all Directors and also senior executives to equip themselves with relevant up-to-date knowledge and skills. According to the training record maintained by the Company, all Directors received certain trainings during the year under review. A summary of their records of training in 2019 is as follows:

Name of Director	Types of Training/Development*
<b>Executive Directors</b>	
Mr. Huang Qingzhu	A, B
Mr. Huang Lianchun	A, B
Mr. Huang Li Shui	A, B
Mr. Liu Yuwei	A, B, C
<b>Non-Executive Director</b>	
Mr. Wong Wun Ming ( <i>re-designated from Executive Director to Non-Executive Director effective 15 July 2019</i> )	A, B, C
<b>Independent Non-Executive Directors</b>	
Mr. Lau Kin Hon	A, B
Mr. Chu Kin Wang Peleus	A, B
Dr. Lam, Lee G.	A, B
Mr. Chan Sing Lai	A, B, C
Dr. Wong Tin Yau Kelvin <i>J.P. (retired on 6 March 2019)</i>	A, B

\* The letter "A" denotes the activities which include reviewing company business updates, company news and reports and industry updates. The letter "B" denotes the activities which include reading updates of laws, rules and regulations, accounting standards, newspapers and industry journals. The letter "C" denotes training conducted by professional advisers/legal counsel of the Company.



# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT

The remuneration of the members of the senior management of the Group for the year ended 31 December 2019 and 2018 fall within the following bands:

	Number of Individuals	
	2019	2018
<b>Emolument Bands</b>		
HK\$500,001 — HK\$1,000,000	3	3
HK\$1,000,001 — HK\$1,500,000	—	—
HK\$1,500,001 — HK\$2,000,000	—	—
HK\$2,000,001 — HK\$2,500,000	1	1

## AUDITOR'S REMUNERATION

For 2019, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB3.7 million in aggregate.

During the year under review, there were no other significant non-audit service assignments performed by the auditor of the Company.

## ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the existing internal compliance procedures; the adequacy of resources; the staff qualifications and experience; the training programmes and budget; the duties and responsibilities of the accounting, financial reporting, internal control and compliance department of the Group; it was resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has established a process in accordance with relevant requirements under the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission, including notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

The Board appointed an internal control consultant to review the internal control systems and procedures of the Group since December 2018. The scope of review had been reviewed and approved by the Audit Committee. For those major internal control deficiencies identified, the Group had implemented corresponding remedial measures which had been reviewed by the internal control consultant. In July 2017, the Board set up Risk Management Committee comprising 3 Independent Non-Executive Directors. The Risk Management Committee is primarily responsible for providing professional advices on risk management and corporate compliance management to the Board and making decisions on specific risk and compliance management issues according to the authority of the Board. The Company considers the risk management and internal control systems currently in place are adequate.





## SHAREHOLDERS' RIGHTS

### Communication Channel

The Company publishes corporate communications and its Shareholders Communication Policy on its website (<http://www.ming-fa.com>).

Shareholders of the Company and the investment community may at any time make enquiries to the Company:

By post:

Mingfa Group (International) Company Limited  
Units 6-8, 23/F., South Tower, Concordia Plaza  
1 Science Museum Road, Tsim Sha Tsui  
Kowloon, Hong Kong  
Attention: Company Secretary

By telephone: +852 2620 5885

By email: [info@mingfagroup.com](mailto:info@mingfagroup.com)

The Board and senior management maintain a continuing dialogue with the Shareholders and the investment community through various channels, including the Company's annual general meeting. The chairman and other members of the Board attend the annual general meeting of the Company. Directors will answer questions raised by the Shareholders on the performance of the Group. The Company also holds investor relations conference following the release of full year results announcement at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

## GENERAL MEETING

Two general meetings was held during the year under review.

### Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company ("EGM")

Registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at a general meeting of the Company ("**EGM Requisitionist(s)**") can deposit a written request to convene an EGM at the registered office of the Company, which is presently situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

EGM Requisitionist(s) must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.



# CORPORATE GOVERNANCE REPORT



The share registrars of the Company (“**Share Registrars**”) will verify the EGM Requisitionists’ particulars in the EGM Requisitionists’ request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists’ request is in order, the company secretary of the Company will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists’ request is determined to be not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists’ request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists’ request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

## **Procedures for Shareholders to Put Forward Proposals at a General Meeting**

There is no provision allowing Shareholders to move a new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed “Procedures for Shareholders to convene an EGM”.

## **Procedures for Shareholders to Propose a Person for Election as a Director**

Details of the procedures had been made available online on the websites of the Company (<http://www.ming-fa.com>) and the Stock Exchange (<http://www.hkexnews.hk>).

## **CONSTITUTIONAL DOCUMENT**

During the year under review, no amendment to the memorandum and articles of association of the Company was made.

## **DIRECTOR’S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS**

All Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

For and on Behalf of the Board  
**Mingfa Group (International) Company Limited**

**Wong Wun Ming**

*Chairman*

22 April 2020



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

Mingfa Group is a well-known enterprise in the real estate industry of the PRC. It is a large-scale modern group enterprise with urban operations as its core business and commercial real estate, residential real estate and hotel management as its pillars, and engages in industry, commerce, investment and other businesses. As a leading company in the real estate industry of the PRC, the Group actively fulfill their environmental and social responsibilities.

The Group's environmental, social and governance ("**ESG**") report is prepared for the purpose of providing a brief report on its ESG performance in 2019. The Group is actively pursuing innovation in environmental protection and social responsibility, focusing on the direction of sustainable development and global climate change for innovations on business models and operating methods. This report has been prepared in accordance with the environmental, social and governance reporting guidelines as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. For the year ended 31 December 2019, the Company has complied with the "Comply or Explain" provisions contained in the Environmental, Social and Governance Reporting Guidelines of the Hong Kong Stock Exchange.

The Group's environmental and social strategies, management policies, priorities and objectives are disclosed in this report. The Group hereby presents its annual ESG report (the "**ESG Report**") for the period from 1 January 2019 to 31 December 2019. The scope of this ESG Report covers the period from 1 January 2019 to 31 December 2019 for commercial and residential property development and hotel operations of the Group located in Nanjing, Maanshan, Shenyang, Zibo, Huaian, Yangzhou, Hefei, Wuxi, Beijing, Tianjin, Lanzhou, Pingliang, Taizhou, Zhenjiang, Shanghai, Guangan, Changsha, Huizhou, Honglai, Quanzhou, Taoyuan, Zhangzhou, Xiamen, etc., and offices in mainland China and Hong Kong, China.

The Group is principally engaged in the development of large-scale complex properties in China, as well as the national brand reputation of hotel management, property management and property investment. Further information on the Group's principal business is disclosed under "Management Discussion and Analysis" section, which should be read in conjunction with the "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" in order to gain a comprehensive understanding of the performance of the Group.

In accordance with the sustainability strategy of the Group, the Board monitors the environmental impact in the course of operations. To effectively improve the performance of sustainable development, the Board is responsible for monitoring the performance of various departments in respect of ESG, appointing relevant departments to implement policies, conducting regular review and improvement policies, and is committed to continuously improving the Group's strategy for sustainable development, and hopes to continuously improve energy conservation, waste reduction and social responsibility.

## COMMUNICATION WITH STAKEHOLDERS

As a committed company, the Group is dedicated to maintaining the highest environmental and social standards in order to ensure the sustainability of its business. The Group complies with all relevant laws and regulations in relation to our businesses, including construction, health and safety, working conditions, employment and environment which has a significant impact on the Group. The Group understands that a better future depends on the participation and contribution of all stakeholders, and thus it encourages employees, customers, suppliers and other stakeholders to participate in environmental and social activities that benefit the entire community.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Group's stakeholders are broad, including shareholders/investors, government/regulators, employees, clients, suppliers/partners, and communities/public. Through a variety of formal and informal communication methods and opinions collection, we can fully understand the opinions and expectations of stakeholders on the sustainable development of the Group, put social responsibility into practice, balance the interests of the Group and its stakeholders, and identify issues of concerns to stakeholders and topics that have significant impact on the Group.

Key Stakeholders		Communication Methods
Internal stakeholders	Board of Directors, Senior manager and Employees	Questionnaires Employee mailbox Employee performance evaluations Employee meetings and trainings Employee activities (including lectures)
External stakeholders	Shareholders	Corporate financial reporting and data release Shareholders' meetings Investor relations communication Official website
	Clients	Customer service hotline Product label Industry exhibitions Regular meetings Social media communications E-mail Daily business operations
	Government and regulatory agencies	Regular communications Legal compliance reports Regular field trips Policy documents Response and consultations Meetings and seminars
	Suppliers	Questionnaires Regular meetings Industrial seminars Daily business communications Review and evaluations Field trips Social network communications Public biddings
	Industry Association	Regular exchange Participation in industry association affairs
	Community	Community culture building Community services Sponsoring charity events Helping vulnerable groups Volunteer activities Charity events



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the course of business management of the Group, the participation of stakeholders is an important part which helps the Group to examine potential risks and business opportunities. Communicating with stakeholders and understanding their views can bring the Group's business practices closer to their needs and expectations, and properly manage the opinions of different stakeholders.

The Group continues to improve and welcomes stakeholders to provide valuable feedback through the Group's official website <http://www.ming-fa.com>.

## ENVIRONMENTAL CATEGORIES

### Business sustainability

Under the background of China's stable economic growth, the Group will continue to leverage its solid foundation in China through the implementation of various business development strategies and make good use of its existing resources and networks, incorporate business sustainability into our businesses, and develop commercial and residential properties and operate hotels subject to the major premise of environmental protection. Under the leadership of our experienced and dedicated management team, the Group will continue to implement various environmental protection measures, actively participate in various environmental protection activities, and pay attention to global warming issues in order to maintain growth and achieve better returns.

The Group promotes environmental awareness programs to encourage different stakeholders in the community to work together in order to create a better environment. The following contents describe the environmental conservation measures implemented by the Group in terms of gas emissions, waste management, use and protection of resources, environmental impacts and natural resources.

During the reporting year, the Group strictly abides by the environmental laws and regulations of China, including but not limited to the "Environmental Protection Law of the People's Republic of China", "Environmental Impact Assessment Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China" and "Environmental Protection Law on Solid Wastes Pollution of the People's Republic of China".

### A1 Emissions

#### *Property Development*

The Group's major emissions in China and Hong Kong are, among others, electricity, sewage, construction wastes, solid dust, noise and waste gases from transportation. Continuous reduction of gas emission and energy conservation are both elements valued by the Group, which we have endeavored to completely and effectively put into practice for the purpose of confronting global warming.

As the pioneer among environmental protection enterprises, the Group proactively pursues the culture of "outstanding and effective" use of natural resources, and places emphasis on policies concerning energy conservation and carbon reduction in respect of, among others, electricity, water, paper, petrol and non-hazardous wastes. Through the above, the Group aims to guide our staff to uphold our excellent tradition. The Group continues to identify effective and sustainable practices in the course of business operation for protection and better utilization of resources.

During the reporting year, the Group's waste gas emission was 1,005,716 g sulfur oxide (SO<sub>x</sub>) (2018: 780,933 g), 1,248,802 g nitrogen oxides (NO<sub>x</sub>) (2018: 968,693 g) and 35,503,595 kg carbon dioxide (2018: 27,502,618 kg), with a density of 10,006 kg carbon dioxide equivalent/person (2018: 8,000 kg/person).



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Group continuously reviews our ongoing environmental-friendly and energy conservation measures and optimizes the respective policies. The Group's average carbon dioxide production volume per capita increased by 15% from last year.

**For transportation:** The major air pollutants emitted from the operation premises of the Group include nitrogen oxides (NOx), sulfur oxide (SOx) and respirable suspended particulates (RSP), which are originated from vehicle emissions, cements and construction.

During the reporting year, data on vehicle emissions was as below:

Total vehicle travel distance: 5,720,302 km (2018: 7,824,822 km)

Total vehicle fuel consumption: 933,792 L (2018: 855,438 L)

Total vehicle nitrogen oxides (NOx) emission: 651,406 g (2018: 584,514 g)

Total vehicle sulfur oxide (SOx) emission: 14,014 g (2018: 12,575 g)

Total vehicle respirable suspended particulates (RSP) emission: 47,962 g (2018: 43,037 g)

**For electricity, water supply, sewage treatment and communications:** Greenhouse gases emission from "indirect energy source" incurred by the Group during the reporting year was mainly from usage of equipment, operations, sewage treatment and energy consumption arising from outsourced activities. The Group immerses the concepts of energy conservation and emission reduction in our operations and management, while puts those concepts into practice in daily acts for contributing to carbon emission reduction. Further to the abovementioned, to effectively utilize electricity, the Group insists on reducing energy and sewage consumption to the minimum level for sustainable development by participating in environmental protection activities to reduce carbon emission, such as saving water, transporting sewage to local sewage treatment plants, taking part in Earth Hour and replacing long- and short-haul trips by online meetings for our staff.

Energy consumption during the reporting year was 33,018,344 kWh (2018: 25,611,946 kWh).

**For hazardous wastes:** The Group did not produce any hazardous wastes during the reporting year.

**For non-hazardous solid wastes:** The Group's solid wastes are mainly construction wastes and non-hazardous domestic wastes from daily operations. The Group has separated refuse collection points in place for separation and collection of construction wastes and domestic wastes. For kitchen wastes from hotels and restaurants, specialized separation, collection and treatment are conducted and then collected and handled by governmental hygiene authorities to alleviate burdens on the environment. The Group's construction wastes from property development are also properly handled and collected and treated by specialized construction wastes collectors. The Group has established targets for emission reduction and conducts more stringent separation and recycling for domestic wastes, while regularly recycles solid wastes.



**For solid dust and noise:** The Group may produce dust and noise in the course of property development. To reduce the impact of dust and noise on the surrounding environment of property development sites, the Group has implemented a series of measures to alleviate the impact on the environment, including but not limited to setting up pools in construction site to prevent vehicles from bringing dust and sludge outside, regularly cleaning the access to construction sites and building temporary walls in the site boundary to prevent dust, noise and sludge from affecting the surroundings. The Group has also avoided noisy mechanical operation at night time for construction in accordance with local laws. A large number of sound insulation and elimination equipment are employed to reduce the impact of noise on the surrounding environment.

**For sewage:** The Group may produce sewage in the course of property development, which is mainly industrial sewage produced in the course of property development. Prior to emitting to municipal drainage, industrial sewage undergoes sedimentation for filtering impurities before recycling. To more effectively prevent external emission of muddy water, the Group has muddy water treatment equipment in place to reduce muddy water emission and adopt measures on saving water and reducing emission. Such acts reduce the impact on the environment.

**For greenhouse gases:** The Group mainly emits three kinds of greenhouse gases, including carbon dioxide, hydrofluorocarbons and perfluorocarbons. The Group understands the correlation between greenhouse gases emission and global warming. Greenhouse gases produced by the Group during the reporting year were mainly emitted directly or indirectly from operating activities, including but not limited to carbon dioxide produced from vehicle fuels, hydrofluorocarbons and perfluorocarbons emitted from air conditioners as well as indirect carbon dioxide emission from cements production and internal energy consumption. The Group immerses the concepts of energy conservation and emission reduction in our operations and management, while puts those concepts into practice in daily acts for contributing to carbon emission reduction. Since greenhouse gases emission is closely related to energy usage, the Group has implemented various energy conservation measures to reduce energy consumption. The Group also plants trees to transform carbon dioxide into biomass via assimilation.

During the reporting year, the Group had planted 144,300 (2018: 130,900) new types of trees, reducing carbon dioxide (CO<sub>2</sub>) by 3,318,900 kg (2018: 3,010,700 kg).

During the reporting year, the Group's total greenhouse gases emission was 35,850 tons (2018: 27,800 tons).

### *Hotel Operations*

The Group's emissions from hotel business mainly originates from sewage, refuse and gases from daily operations.

**For waste gases:** Gas cooking appliances used in kitchens in hotels' daily operations consume gases. Besides, electricity consumption in hotels also indirectly emits greenhouse gases. Air emission from the Group's hotel business is mainly carbon dioxide.

**For waste oil:** Waste oil from the Group's hotel operations is mainly from waste cooking oil from the kitchens of hotel restaurants. The Group implements centralized collection and separation, and transports to cooking oil collection plants for recycling and treatment.

**For sewage:** Daily sewage produced by the Group's hotel operations passes through municipal drainage to local sewage collection plants for treatment to alleviate the impact on the environment.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



**For solid wastes:** Daily solid wastes produced by the Group's hotel operations are mainly from kitchen wastes and daily refuse produced by hotel customers. Hotels under the Group implement centralized collection and separation, and daily refuse of hotels are then collected by refuse separation and collection companies. The Group advocates environmental protection and proactively utilizes recyclable materials (including but not limited to recyclable soaps, tissues and packaging materials), thereby reducing the consumption of disposable goods.

## *Office*

The Group's emission from offices is mainly from waste gases, sewage, greenhouse gases and solid wastes from daily operations.

**For waste gases:** Indirect greenhouse gases emission is mainly produced from electricity consumed by the Group's office, including carbon dioxide emission, as well as carbon dioxide included in the waste gases produced by vehicles under operations. The Group has formulated a series of measures on energy conservation to reduce electricity and carbon dioxide in daily operations, including but not limited to sensor-activated lighting system, avoiding unnecessary travel and online meeting.

**For sewage:** Daily sewage from the Group's offices is mainly from the use of water by employees in their daily work. The Group often reminds our staff to save water via means such as posting notices and emails. Daily sewage is transferred to local sewage collection plants for treatment via municipal drainage to alleviate the impact on the environment.

**For solid wastes:** The Group's daily solid wastes of offices are mainly produced from our staff. The Group has refuse separation and collection bins in offices to separate recyclable and non-recyclable refuse. Refuse separation and treatment companies collect daily refuse collected from offices for separation and treatment, and recyclable refuse are recycled.

The Group has complied with relevant laws and regulations, including but not limited to the "Environmental Protection Law of the PRC" (《中華人民共和國環境保護法》), the "Prevention and Control of Water Pollution Law of the PRC" (《中華人民共和國水污染防治法》), the "Prevention and Control of Solid Wastes Pollution Law of the PRC" (《中華人民共和國固體廢物污染環境防治法》), the "Prevention and Control of Atmospheric Pollution Law of the PRC" (《中華人民共和國大氣污染防治法》) and the "Prevention and Control of Noise Pollution Law of the PRC" (《中華人民共和國環境噪聲污染防治法》).

The Board is responsible for reviewing and assessing the Group's emission efficiency for greenhouse gases, waste oil, sewage and solid wastes, and considers that the prevailing policies are appropriate.

## **A2 Use of Resources**

The resources the Group uses during the reporting year primarily include water, electricity, paper, construction materials and daily hotel commodities. The Group has endeavoured to reduce its waste production and emissions and chosen to reuse or recycle waste, in order to reduce the consumption of light, water, heat, fuel, electricity and more to protect environment proactively.





On the other hand, the Group has been advocating waste reduction, water saving and electricity saving amongst its employees and has established a series of measures encouraging the staff to put the mentioned into place. The measures include but are not limited to work and communication by emails and e-documents, promotion of a paperless office which requires staff to print, except official documents, internal circulating documents with recycle papers and establishment of different types of recycle bin to collect recyclable non-hazardous wastes.

The Group strives to lessen unnecessary solid wastes and unused materials or unrecyclable materials and transport wastes to local licensed waste treatment company to proceed professional treatment services.

### ***Electricity Consumption***

During the operations of the Group's hotels and offices and the process of its construction projects, it conserves and recycles energy. The Group also places high value on electricity consumption, prompting the use of energy saving lightings within its property projects and hotels as well as using the natural light source as possible to save energy.

The Group has adopted the following measures to conserve energy:

1. Set up the temperature of air-conditioning system to 25.5 °C and switch off air conditioners not in use
2. Reduce the use of lightings in areas with sufficient natural light source
3. Install automatic light sensors for the lighting system
4. Require the staff to turn off all electrical appliances under sleep mode
5. Post notices highlighting energy saving as a reminder to the staff of the Group
6. Clean and maintain appliances regularly to manage its electricity consumption
7. Select equipment lower in electricity consumption
8. Switch off printers, fax machines, computers and lights that are not in use
9. Replace current lightings with LED energy saving lightings
10. Install sun shading to keep the efficiency of air conditioning

Electricity consumption during the reporting year was 33,018,344 kWh (2018: 25,611,946 kWh).

### ***Water Consumption***

No issues in relation to the obtaining of water supply of the Group are identified. The Group often reminds and encourages its staff to save water and reduce water consumption during the business operation procedures. During the reporting year, the Group consumed water totaling 773,734 m<sup>3</sup> with a density approximate 218 m<sup>3</sup>/person.





The Group saves water to help ensure the quality of clean water provided in its operating regions or to the residents in community. Enhancing the efficacy of water resources, the Group adopts the following internal monitoring policies and measures in both public and private water supply facilities, in order to save water:

1. Present water-saving notices in prominent places to encourage staff of the Group to value water
2. Conduct regular check and maintenance on water supply system
3. Undergo regular test on water taps and daily water supply facilities to prevent leakage
4. Provide the staff with water saving education regularly
5. Spread the necessity of water saving principles in daily operations among staff
6. Install water saving devices for water taps
7. Install energy saving devices for toilet tanks
8. Control the water pressure and slow down the speed of water flow within pipes

Water consumption during the reporting year was 773,734 m<sup>3</sup> (2018: 789,280 m<sup>3</sup>).

### ***Packaging Materials***

No packaging materials are used by the Group during the reporting year.

During the reporting year, the Group has no non-compliance with environmental laws and regulations in relation to waste production and emissions.

### **A3 The Environmental Impact and Natural Resources**

As a well-known enterprise in the real estate industry of China, the Group is committed to the development of its business and environmental conservation, maximizing benefits while minimizing the impact on the natural environment. The management of the Group also attaches great importance to the environmental impact of its business activities, ensuring that all the decisions made are in compliance with the legal and regulatory requirements of the China government. In addition, the senior management will also issue guidelines to guide employees for implementation and encourage them to provide opinions on improvement before releasing each business decision, thereby enhancing the Company's transparency and jointly implementing appropriate environmental conservation.

The Group is aware of the limitation of natural resources. Saving energy, increasing the greening proportion to elevate the greening ambience and installing energy saving equipment to further lower the emissions. For the property and hotel projects, the Group reduces unnecessary decorations and the use of unrecyclable materials as well as the addition of energy saving equipment to further lower the emissions. The Group also has to ensure the green area of its property projects are up to standard and organize greening eco-activities with staff on a regular basis to contribute towards nature conservancy.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavours to diminish the impact on environment by adopting various green measures such as efficient use of resources, reduction of carbon emissions, energy conservation and emission reduction, waste management and pollution prevention.

The Group strives to implement good environmental practices and enhance the contributions to environmental sustainability through sustainable development initiatives, review our business practices regularly to evaluate if energy is used effectively, communicate with the suppliers our expectations of responsibilities and sustainable sourcing and manufacturing, reduce the use of printing papers and adopt different energy saving measures such as using LED lights.

For the hotel management business, the Group proactively promotes the sustainable philosophy to its customers and encourages them to replace shark fin soup or consumptions of other endangered species with other innovative delicacies.

The Group continues to protect the environment and reduce any possible impact of business operations on the environment. The Group established procedures for identifying and evaluating environmental factors to ensure that important environmental factors receive necessary attention and effective control to reduce the adverse impact on the environment. When carrying out certain construction projects, the Group will submit environmental impact report to the environmental department, which involves assessing possible pollution in the production and construction process and the feasibility of control measures, in accordance with the provisions of China's environmental laws and regulations.

During the reporting year, the Group was not aware of any significant impact of activities on the environment and natural resources, and was not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions pollution, water pollution, and the generation of hazardous and non-hazardous waste that have significant impact on the Group.

## SOCIAL CATEGORIES

### B1 Employment and Labour Practice

Employees are often considered as the most valuable asset of the Group, they therefore are entitled to social insurance, medical insurance, annual leave, sick leave, marital leave, maternity leave, compensatory leave, compassionate leave and medical check-up leave in both China and Hong Kong. In addition, our Group has been placing prior concerns on the safety of staff as we believe they are one of our valuable assets to ensure human resources can be developed sustainably. We respect employees and enter into employment contracts with them entitling the rights set out in the related labour laws to attract more talents.

Our Group respects all employees and assure that their chances of employment, training, screening and promotion will be fair and free from their race, religion, colours, gender, nationality, age, marital status, pregnancy, family condition or other physical conditions. Consolidating the sense of belonging and loyalty of the staff to the Company, the Group established and implemented the evaluation and reward system for its employees. Employees in different positions are assessed regularly by relevant aspects from their performances, attitudes, abilities to disciplines and accountabilities or comments from supervisors, to conduct periodic assessments over all staff. The Group rewards appropriate incentives to and promotes employees with outstanding performance.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Our Group strictly prohibits unreasonable and unfair dismissal. We also forbid every harassment or harmful behaviours. According to equal opportunities policy, any matters involving discrimination is monitored by the human resources department, and to ensure the Group has complied with related national and local laws and regulations.

During the reporting year, the Group was in strict compliance with employment laws and regulations of the PRC and Hong Kong, which include but are not limited to the following laws:

- Labor Law of the People's Republic of China;
- Employment Promotion Law of the People's Republic of China;
- Labor Contract Law of the People's Republic of China;
- The Social Insurance Law of the People's Republic of China;
- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong);
- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

The Group's human resources department will also assess the remunerations of its staff regularly to the industry standard to ensure employees with different job positions are entitled to corresponding remuneration. Relevant remuneration adjustments are also made regularly for the Group's remuneration policy based on the assessment, with the aim to building a healthy development for the Company and negotiate for employees a better remuneration package. Before public recruitment opens, the Group recognises it is essential to retain talents for a healthy development for the Group's business. The Group formulates annual recruitment plan to recruit new employees according to a "fair, open, equal" principle through the Internet, job fair and employment agency and attract talents with competitive and fair remuneration and benefit packages.

To safeguard the freedom the staff can enjoy, any resignation or transferring within the Group is subject to a one-month notice to the applicants' supervisors in writing. Management personnel will meet the relevant staff to discuss the transferring matters or resignation agreement and deliver to human resources department for review and final decisions. All appointment, promotion or termination of contracts are prevailed upon employment contracts and related employment laws.



The Group strives to refine the internal policies by setting up a reward and punishment system of attendance hours, attendance hours of employees and remuneration structure that are strictly controlled by human resources department, to appraise the working performance and ability of staff on regular basis, adjust their salaries and determine position rotation using the assessed performances as the basis. To award the well-performed staff, the Group reviews the remuneration of staff by annual surplus, market positioning, staff performances and other factors in accordance with the “fair, open, equal” principle so as to offer promoting opportunities for the well-performed staff.

To enhance the sense of belonging of employees, the Group has also planned to provide them with various benefits including annual body check-up, rich festive gifts and more. Management collects the opinions and complaints from staff through trainings, staff manual, emails and meetings. By building an effective communication system, the Group is committed to provide fair opportunities to staff, create a fairly competitive, mutually respect and healthy promotion system, wishing every staff can be respected and receive care, and guarantee the management of the Group can hear the voices of the grass-roots and strengthen the cohesion among all staff within the Group.

The Group has been strictly complied with the labour laws and related laws and regulations of the PRC and Hong Kong, to provide employees in mainland China with 5 national statutory insurances, which include basic pension, basic medical insurance, work injury insurance, maternity insurance and unemployment insurance, and housing provident fund to ensure that it provides employees with legal and reasonable remunerations and benefits, effectively prevents the employment of child labour and offers humane and equitable treatment to employees.

During the reporting year, the Group had no non-compliance with relevant laws that have significant impact on the Group in relation to employees’ safety, working hours and holidays. No material accidents are recorded during the business operations of the Group and no material injuries and death are recorded in construction sites during the reporting year.

The board of directors of the Group will monitor and assess the rights, benefits and welfares of its employees to forbid all unfair or unreasonable dismissal and consider the prevailing policy as appropriate.

## **B2 Employees’ Health and Working Environment Safety**

The Group commits to build a safe, healthy and comfortable environment for its staff. We take employees’ safety as our prior concern, conform to safety procedures involved in regular checks, safeguard employees’ health and safety. We also act together with each relevant laws and regulations of mainland China and Hong Kong such as Production Safety Law of the People’s Republic of China, Code of Occupational Disease Prevention of the People’s Republic of China, Occupational Safety and Health Ordinance, Regulation on Work-Related Injury Insurances and other occupational safety and health policies.

Providing a safe, healthy and suitable daily working environment plays an important role to improve staff occupational health and working efficiency within the Group. We offer them suitable office furniture and equipment, prohibit drinking alcohol in workplace as well as advocating regular body check-ups within staff to ensure their occupational health. The Group also performs routine check-ups on fire protection system, first aid equipment and fire-fighting facilities, conducts fire drills yearly, provides occupational health and safety trainings to our staff. The Group also requires to ensure the emergency exits are kept cleared, first aid





equipment are effective and employees are provided with relevant emergency coping trainings. In addition, environmental protection and workplace safety officer is also appointed by our Group to conduct regular check to assure workplace safety for our staff.

The Group highly concerns occupational diseases prevention works by the formulation of policies to safeguard staff's safety, provision of preventive measures and personal equipment of work-related diseases for staff to raise their awareness of preventing work-related diseases. Any violations against Prevention and Control of Occupational Diseases Law or behaviours causing fatal safety will be penalised. For workers provided with specific work training, duties shall not be assigned before obtaining specific work permits while all workers shall be equipped with safety shoes, safety helmets and reflective vests. Staff within the Group will undergo assessments and trainings, safety drills, hygienic education and services such as occupational check and occupational disease therapy.

During the reporting year, the Group were not aware of any violation of laws and regulations that have a significant impact on the Group relating to employees' health and working environment safety. Nor did we identify any incidents relating to work injuries and negative issues highlighting occupational health and safety.

### **B3 Human Resources Development and Trainings**

The Group considers employees as the most valuable asset of a company and believes they are the key to the sustainability of business development. The Group persists the development philosophy of human-oriented management, of which internal promotion is the priority ahead of external recruitment for candidates best fit for our business criteria, training courses are provided for staff in different job positions with professional mentoring, to ensure the expertise of internal staff can be enhanced, and the Board reviews annually. We have created an environment within the Group allowing our staff to realise their full potentials and contribute skills and experiences to the Group's long-term development.

The Group considers upgrading the quality of all employees and the corporate image the best driving force for trainings. It provides the staff with a comprehensive development path. To ensure the needs of corporate expansion, intelligent recruitment drives the Group to develop comprehensively. The Group endeavours to provide assistance to new employees to adapt to our corporate culture by providing related corporate cultural rules and regulations and specific duty skills trainings before holding any office. Meanwhile, the Group also organizes various training courses for staff from each department, of which the content includes occupational safety, emergency management, overhead works, handling of highly explosive goods, risk management, storage, emergency coping, complaints and followups.

Our staff are encouraged to pursue personal goals by joining external trainings and assessments, to consolidate expertise and knowledge to balance their mental and physical development so as to achieve mutual growth and improvement with the Group.

### **B4 Labour Standards**

#### ***Forbidding Discrimination and Illegal Labour***

For the recruitment, training and development policies of the Group, all forms of child and force labour are strictly forbidden. Employees will not be discriminated against in any forms or deprived of opportunities on the basis of gender, race, background, religion, colour, sex orientation, age, marital status, family condition, resignation reason, disabilities or pregnancy. During the recruitment process, the Group will conduct full background screening of the potential employees and verify the details of the related candidates to confirm



their identity and make sure the applicants, before employed, are in compliance with laws. In the event that any child or illegal labour are discovered, the Group will immediately proceed to enforcement departments. In addition, the Group will not force employees to work overtime.

The Group is in compliance with the labour laws of Hong Kong and Special Protection for Female and Juvenile Workers (女職工和未成年工特殊保護), Chapter VII, and the Labour Law of the PRC and Provisions on the Prohibition against the Use of Child Labour (State Council Order No. 364) (禁止使用童工規定 (國務院令第364號)). During the reporting year, the Group had no non-compliance with laws and regulations in relation to child labour and force labour, which include but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Code, Labour Law of the People's Republic of China, Regulations about Forbidding From the Use of Child Laborers of the People's Republic of China and Law of the People's Republic of China on the Protection of Minors.

During the reporting year, no child labour or illegal labour recruitment of the Group was recorded in its operations.

## **B5 Supplier and Supply Chain Management**

### ***Property Construction and Sales***

The Group adopts the invitation to bid when screening suppliers. In the open tendering, the Group clearly sets out the requirements for suppliers in accordance with relevant national and/or local market norms and standards. The Group is committed to maintaining a healthy and sustainable relationship with its suppliers to continuously improve efficiency and control costs.

In order to achieve stability in supply chain management, the Group completed a comprehensive management innovation in the tender procurement business and successfully established industry benchmarks during the reporting year through the tender procurement platform, (including supplier management, supplier services, source identification and procurement execution) along with the control and service system. To ensure price and quality, the company screens qualified bidders (suppliers are required to provide business licenses, quality certificates, safety production licenses, integrity manuals and certificates of relevant personnel prior to bidding), evaluate quality and price, equipment and management conditions to determine if the contractor's reputation and technical capabilities meet the standards and specifications required for various development projects, and then enter into mutually beneficial contracts with suppliers to ensure price guarantees and quality stability.

In addition, the project company works closely with selected contractors during the implementation of the development plan and closely monitors the construction. The designated supervisory agents supervise outsourcing companies (contractors) in the purchase of building materials and services, selects responsible suppliers, including those with good brand reputation in environmental and social aspects, in order to let business be legally compliant along with the desire to implement environmental protection in the supply chain of the Group's business and submit regular monitoring reports. Random inspections are conducted regularly to monitor the quality of the project and the completion schedule for cost control.

### ***Supplier Management***

The Group is committed to maintaining a good working relationship with its suppliers in the following areas:

1. Service quality, value and safety of the product
2. All products and services complying with the law





3. Committed to contract spirit
4. Reciprocal business policies for suppliers and contractors

Employees of the Group have extensive experience in the industry. By making full use of their inhouse knowledge, they enhance performance of internal staff and suppliers through periodic assessment reports.

### ***Hotel Operations***

The suppliers used in daily operations of the Group's hotels are subject to the Group's rigorous standard screening, and the Group has an independent procurement department for the procurement of day-to-day materials for operations, including but not limited to food, beverages and room supplies, in accordance with the needs of each department and it selects suppliers for the Group's hotels through industry standards in which suppliers are required to provide products that meet the requirements of national safety regulations, chemical cosmeceutical suppliers must comply with relevant environmental protection regulations and food suppliers must comply with the food safety requirements of the relevant government departments. The Group conducts a sample survey of all its hotels as one of the conditions for its assessment of suppliers. Suppliers are required to submit licenses and certifications (e.g. product inspection testing, chemical production license, sanitary permits, etc.) before ensuring that they meet the requirements of all the Group's hotels.

The Group's hotels will also assess potential suppliers in terms of environmental and social risk factors, supplier reputation, credit, competence and etc., and suppliers that fail to meet the criteria will not be considered. Three or more suppliers will participate in the tendering for the products used by the Group's hotels, to ensure that the suppliers supply related materials under the premise of fairness, openness and equality. The Group also negotiates amicably with the suppliers and reach a consensus to abide by the rights and obligations of both parties.

The Group conducts annual assessments for suppliers and establishes guidelines in accordance with relevant laws and regulations to reduce environmental and social impacts.

## **B6 Product Responsibility and Safety**

### ***Property Development and Sales***

As a well-known enterprise in the real estate industry of China, the Group's business activities are widely subject to the PRC government policies and other laws and regulations. The property development and sales business strictly abides by the relevant laws and regulations of China, including but not limited to:

- The Fire Control Law of the People's Republic of China;
- The Construction Law of the People's Republic of China;
- Administrative Regulations on the Work Safety of Construction Projects;
- Law on Protection of Consumer Rights and Interests of the People's Republic of China;
- The Intellectual Property Law of the People's Republic of China;
- Advertising Law of the People's Republic of China;
- Regulatory Measures on the Sale of Commodity Buildings.





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the process of housing sales, we follow the above-mentioned laws and develop internal codes to not defraud consumers. The Group has established auditing standards for advertising and sales promotion materials, requiring using real data and prohibiting false and incorrect presentations in advertisements and sales promotion. Consultation or legal means will be adopted in case of any violation of relevant laws and regulations.

During the process of property development, the Group has set clear targets in its projects and product quality and formulates corresponding technical standards and construction plans. The safety and quality are monitored by qualified authorized persons, aiming to provide quality housing and service to its customers. The project company regularly checks the construction progress, safety and management during construction and operation, to inform the headquarters of the Group of any public emergency or work-related injury, and is responsible for arranging contingency plans and all construction site management to ensure that the conditions meet the requirements set out in the contract.

To safeguard the health and safety of its employees, the Group provides employee insurance for all employees. Responsible officer of project company performs regular inspections on the quality of the construction and evaluates the contractor's work. The safety and quality of the Group's properties at different stages of construction are strictly monitored and safety assessment are implemented in terms of crisis management, fire service facility management, fire exit management, regulatory records, building materials monitoring, construction site inspection and supervision, fire training, fire drills and routine contingency plan records and progress, to ensure the compliance with standards and regulations. As for the safety and health of the Group's employees, it is required to obtain the consent from the engineering department head and wear suitable safety equipment (e.g. helmets, safety shoes and reflective vests) before entering and leaving the site. The Group also purchases appropriate insurance and provides safety training for engineering projects.

## ***Hotel Operations***

The Group's hotel operations strictly abide by the relevant hotel laws and regulations of China. The central air conditioning system is regularly maintained and cleaned to guarantee the air quality of the hotels. Inspection and procedural standards are implemented in accordance with the Group's internal operating instructions.

The Group's hotel operations are customer-oriented, listening carefully to the needs of customers, establishing a complaint mechanism for customers, and actively communicating with customers through various channels. When receiving customers' complaints, the hotel lobby manager will immediately accept and handle them, and reflect the same to the relevant department to make improvements and report to the supervisors. In addition, annual questionnaires about customer satisfaction are available in the Group's hotels in order to collect customers' opinions, and to improve the performance of its employees through analysis and research. The satisfaction level and opinion collected in customer survey will be treated as the blueprint for the Group's hotels' future development, and to enhance the efficacy of service quality, environmental protection and occupational safety and strengthen the safety awareness and responsibility of its employees.

The Group prohibits any false and exaggerated marketing in the property sales and hotel operations. Any marketing advertisements of the Group are inspected by the broadcasting department before they are launched. The Group strictly abides by the Intellectual Property Law of the People's Republic of China while closely monitoring the authenticity of the advertisements and protecting intellectual property rights and the interests of the Group. The Group strictly abides by the Protection Law of the Consumer Rights and Interests





of the People's Republic of China and respects the customers' privacy. The Group strictly prohibits employees from providing customer information to third parties. All customer information is also kept confidential. The information technology department also has a firewall to prevent privacy leakage.

The Group has a comprehensive monitoring mechanism and information security system to prevent data leakage and loss, including but not limited to:

1. Hotel guest's check-in data is kept in the central database of the hotel computer and kept confidential.
2. Hotel guest's room number will not be leaked until the hotel guest's consent is obtained.
3. Hotel staff are required to sign a confidentiality agreement.
4. Sensitive data of hotel guests can only be read by the manager level or above.
5. Guest's privacy will not be leaked (including name, company, accounts, payment information, etc.).
6. Information of the employees who access the guest information are recorded.

## **B7 Anti-corruption**

The Group strictly abides by the anti-corruption and bribery laws in the PRC and Hong Kong, including the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. Misconduct and wrongdoing include but are not limited to the following acts:

- 1: Dishonesty
- 2: Fraud
- 3: Corruption
- 4: Illegal conduct (including bribery, theft, kickbacks, drug trafficking/drug use, use of violence or threats and criminal damage to property)
- 5: Violation of laws or rules
- 6: Unethical behavior and transactions
- 7: Other serious misconduct (including serious mismanagement, serious and significant waste or repeated violations of administrative procedures)
- 8: Serious rule-breaking
- 9: All actions that may result in financial or non-financial losses to the Group or any other related conduct



All employees, officers and directors of the Group abide by the relevant anti-corruption laws in Hong Kong and the PRC, and have zero tolerance for corruption. According to the reporting mechanism, employees are encouraged to report any inappropriate acts directly to our manager or above by fax, letter, email, etc., to enhance their awareness of integrity. The Group adopts a confidential mechanism to protect whistle-blowers from threats and adverse event, and to ensure the integrity of reported information. The Group has established a system whereby all employees are required to be honest, self-disciplined, and shall not engage in any bribery activities, or use their duties to conduct any activities that harm the interests of the Group. The Group regularly educates key employees on integrity to enhance their self-discipline. During the reporting year, no employees of the Group received any reports or complaints.

The Board of Directors of the Group will conduct an internal investigation into any suspected or illegal acts suspected of bribery, extortion, fraud, and money laundering to protect the interests of the Group, and the employees suspected of committing crimes shall be submitted to the relevant regulatory authorities or law enforcement agencies in accordance with the findings of the investigation when the management deems necessary. Heads of departments shall promptly take emergency measures to combat corruption.

During the reporting year, the Group has not recorded any relevant laws and regulations that have a significant impact on the Group in the prevention of bribery, extortion, fraud and money laundering.

### ***Reporting Platform***

The Group has established a comprehensive monitoring mechanism to fully achieved anticorruption work through the establishment of a transparent reporting platform with the establishment of complaint letters, on-site knowledge and reporting, internal audit, monitoring and inspection. The Company has also set up a hotline to collect clues from employees, stakeholders or all other organizations that are intended to report to the Company and its subsidiaries.

The board of directors is responsible for monitoring and assessing the Group's effectiveness in preventing corruption to develop a clean, harmonious and sound anti-corruption mechanism and considers that the current policy is appropriate.

## **B8 Community Investment and Participation**

The Group understands that participating in community investment can not only benefit shareholders, but also take social responsibility and give back to the community, the Group encourage and promote the integration of employees into the well-being of the local community and other activities. During the reporting year, the Group actively encouraged its employees to participate in charity run and other volunteer activities to raise demands and interest awareness of the local community. The Group also organizes regular activities for local children and parents and charitable donations to educational institutions, as well as actively fund various charitable projects such as disaster relief, poverty alleviation and care for the elderly.

Through its community activities, the Group is committed to supporting and encouraging the management of our major business locations and production sites in China. In order to build a better local community, the Group reviews its established policies and plans from time to time to better understand the needs and resources types of the surrounding communities, and will also donate to support various community activities and fulfill its social responsibilities.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

**Mr. HUANG Qingzhu (黃慶祝)**, aged 49, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 20 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of the Group from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as a senior economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

**Mr. HUANG Lianchun (黃連春)**, aged 47, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Mingfa Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

**Mr. HUANG Li Shui (黃麗水)**, aged 62, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than 20 years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

**Mr. LIU Yuwei (劉煜煒)**, aged 49, was appointed as an Executive Director on 15 July 2019. Mr. Liu graduated from Jimei Finance College (集美財政專科學校) in July 1991 majoring in financial credit for infrastructure works and qualified as an economist in 1996. After graduation, he had served in the taxation authority in Xiamen for many years and was mainly engaged in work such as financial audit and management for infrastructure and real estate enterprises. Mr. Liu has over 20 years of experience in the management of and consultation for various medium and large-sized enterprises in China, in particular extensive management and consultation experience in internal control, accounting and taxation, infrastructure and real estate industries.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Non-Executive Director

**Mr. WONG Wun Ming (黃煥明)**, aged 56, was appointed as our Chairman and Executive Director on 27 November 2007, and was re-designated from Executive Director to Non-Executive Director effective 15 July 2019. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong has involved in PRC real estate development since 1986 when he formed his own construction company. Mr. Wong accumulated valuable experience in construction and management as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

### Independent Non-Executive Directors

**Mr. LAU Kin Hon (劉建漢)**, aged 52, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau Kin Hon is a practicing solicitor in Hong Kong. Mr. Lau Kin Hon received his bachelor of laws degree from University College, London, U.K. He is currently a partner of a law firm in Hong Kong.

Mr. Lau Kin Hon is an executive director of CL Group (Holdings) Limited (stock code: 8098) and was a non-executive director of Lisi Group (Holdings) Limited (stock code: 526) from 31 May 2005 to 1 January 2019, all of which are listed on the Stock Exchange.

Mr. Lau Kin Hon was the independent non-executive director of Fujian Group Limited ("**FGL**") during the period from 11 June 1996 to 11 December 2003, Seapower Resources International Limited ("**SRI**") during the period from 15 August 2000 to 5 December 2003 and I-China Holdings Limited ("**ICL**") during the period from 1 April 2001 to 23 April 2004. Each of FGL, SRI and ICL was a company listed on the Stock Exchange during Mr. Lau Kin Hon's directorship. FGL was incorporated in Hong Kong whose principal business was property investment. FGL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2003. Successful debt restructuring of FGL was completed on 11 December 2003 and the said winding up petition and provisional liquidators were discharged on the same date. SRI was incorporated in the Cayman Islands whose principal businesses were property investment and cold storage. SRI was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2001. Successful restructuring of SRI was completed on 5 December 2003 and the said winding up petition and provisional liquidators were discharged accordingly. ICL was incorporated in Bermuda whose principal business was investment holding. ICL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2002. Successful restructuring of ICL was completed on 23 April 2004 and the said winding up petition and provisional liquidators were discharged accordingly. Mr. Lau Kin Hon has confirmed that there was no wrongful act on his part leading to the winding up petitions in respect of FGL, SRI and ICL.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHU Kin Wang Peleus (朱健宏)**, aged 55, was appointed as an Independent Non-executive Director on 1 November 2016. Mr. Chu Kin Wang Peleus is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators. Mr. Chu Kin Wang Peleus graduated from the University of Hong Kong with a master's degree in business administration in December 1998.

Since December 2008, Mr. Chu Kin Wang Peleus has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (stock code: 0681) which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and listed on the Main Board of the Stock Exchange.

Mr. Chu Kin Wang Peleus had been appointed as a non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange, from 19 August 2015 to 1 March 2017.

Mr. Chu Kin Wang Peleus is or was an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or Growth Enterprise Market (GEM) of the Stock Exchange:

- Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co. Limited) (stock code: 0117) since April 2007
- Huayu Expressway Group Limited (stock code: 1823) since May 2009
- Flyke International Holdings Ltd. (stock code: 1998) since February 2010
- China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since October 2011
- SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012
- Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057) since September 2015
- National Agricultural Holdings Limited (stock code: 1236) from 26 June 2015 to 11 September 2015
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (stock code: 372) from 8 March 2017 to 27 September 2017
- China Huishan Dairy Holdings Company Limited (stock code: 6863) from 22 June to 15 December 2017
- Telecom Service One Holdings Limited (stock code: 8145) from 30 April 2013 to 27 December 2017



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. LAM, Lee G. (林家禮)**, aged 60, was appointed as an Independent Non-Executive Director on 1 September 2018. Dr. LAM, is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman — Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-industrialization, and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee, a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, an MPA and a PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors, the Institute of Public Accountants, the Institute of Financial Accountants and CMA Australia; and an Honorary Fellow of CPA Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Co., Ltd. (Stock Code: 6837, a company also listed on Shanghai Stock Exchange, Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Mingfa Group (International) Company Limited (Stock Code: 846), Aurum Pacific (China) Group Limited (Stock Code: 8148) and Greenland Hong Kong Holdings Limited (Stock Code: 337); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412) and Tianda Pharmaceuticals Limited (Stock Code: 455) (the shares of all of the aforementioned companies are listed on the Stock Exchange).



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Lam is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V) (the shares of all of the aforementioned companies are listed on Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: SWH) (a company listed on Toronto Stock Exchange); an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH) (a company listed on Australian Securities Exchange), a non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM) (a company listed on London Stock Exchange) and an independent non-executive director of TMC Life Sciences Berhad (a company (Stock Code: 0101) listed on the Main Board of Bursa Malaysia Securities Bhd).

In the three years preceding his appointment as a Director, Dr. Lam was a non-executive director of Green Leader Holdings Group Limited from 1 June 2019 to 22 July 2019, and Roma Group Limited from 13 September 2017 to 11 December 2017; and an independent non-executive director of each of Hsin Chong Group Holdings Limited from 17 May 2018 to 27 September 2019, Glorious Sun Enterprises Limited from 22 September 2004 to 31 August 2019, and Xi'an Haitiantian Holdings Company Limited (former name as Xi'an Haitain Antenna Holdings Company Limited) from 15 September 2017 to 23 July 2018, all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Limited (a company listed on Singapore Exchange) from 26 June 2002 to 25 April 2018; and an independent non-executive director of Vietnam Equity Holding (a company listed on Stuttgart Stock Exchange) from 25 October 2007 to 28 February 2018.

**Mr. CHAN Sing Lai (陳成禮)**, aged 57, was appointed as an Independent Non-Executive Director on 15 July 2019. Mr. Chan is the founder and owner of Stanley S.L. Chan & Co. Certified Public Accountants (Practising). He is also the owner of a trust company. Mr. Chan has over 30 years of experience in accounting and finance.

From September 2009 to 2011, Mr. Chan was the director and chief financial officer of Asia Pacific of Equity Trust Corporate Management (HK) Limited. From August 1994 to December 2008, Mr. Chan served in various subsidiaries of Gold Peak Industries (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 40) in various roles including general manager and director, and assistant financial controller.

Mr. Chan graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy and received his Master of Business Administration (Executive) from the City University of Hong Kong. Mr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants.





## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Senior Management

**Mr. POON Wing Chuen (潘永存)**, aged 54, our Chief Financial Officer, Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon is responsible for overseeing the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group on 2 May 2008 and was appointed as the Company Secretary of the Company on 12 September 2008. Mr. Poon has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. Poon has confirmed that he has taken no less than 15 hours of relevant professional trainings during 2019 and that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

**Ms. HAO Jin (郝晉)**, aged 42, our Vice President, is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.



# REPORT OF THE DIRECTORS

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2019.

## BUSINESS INFORMATION

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. The nature of the principal activities of the Group remained the same without change during the year under review.

A review of the Group's business for the year ended 31 December 2019 and a discussion on the Group's future development are provided in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report.

The Company regards stakeholders as the key element to the Group's long-term development and success, including all employees, customers, suppliers, investors and government authorities. We provide career development and trainings for employees, and pursue active communications amongst all departments head. We ensure active corporate communication and reporting to share the Group's performance, developments and plans through announcements, periodical reports, marketing campaigns and investor relations events. We respond to all stakeholders' enquiries in a timely manner so that to maintain long-term relationship and cooperation.

## FINANCIAL INFORMATION

The Group's performance for the year ended 31 December 2019 is analyzed by using key financial performance indicators set out in "Summary of Financial Information" of this annual report as a summary of results and assets, liabilities and non-controlling interests of the Group for the last five financial years, which is extracted from the audited consolidated financial statements and restated/reclassified as appropriate. This summary does not form part of the consolidated financial statements.

Possible risks and uncertainties that the Group may be facing and the Group's risk management are discussed in the section heading "Management Discussion and Analysis" and set out in the Note 3 to the consolidated financial statements of this annual report.

## SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC during the year under review and are set out in Note 5 to the consolidated financial statements.

## COMPLIANCE

The Company recognises the importance of compliance with relevant laws and regulations which has significant impact in its business and all commercial activities, including but not limited to the Listing Rules, the Securities and Futures Ordinance and the labour legislation in Hong Kong such as Employment Ordinance, Minimum Wage Ordinance, Mandatory Provident Fund Schemes Ordinance and the Companies Ordinance, and also comply with legislations in the PRC such as Contract Law, Companies Law, Labour Law, Property Law, Environmental Protection Law as well as foreign exchange control. Throughout the years, the Company keeps abreast in promoting and educating all employees with appropriate knowledge in relevant laws and regulations while carrying out their duties. Through the trainings and effective communication amongst department heads, the Company strives to ensure ongoing compliance.



# REPORT OF THE DIRECTORS

The Group is committed to environmental protection and believes sustainable development is the key for long-term growth of its business and the society. During the year under review, the Group educated all employees on the importance of environmental protection in its operations and promotes energy saving and emission reduction on construction sites and its offices, and controlled main contractors to meet the local environment protection policies. The Group will make every endeavor to protect the environment and seek further sustainable improvement.

During the year under review, there was no material non-compliance with relevant rules and regulations, nor were there any reports of material environmental incidents.

## PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group during the year under review are set out in Note 6 and Note 7 to the consolidated financial statements respectively.

## SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year under review are set out in Note 21 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and in Note 43 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no distributable reserve (2018: Nil).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing shareholders.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement of this annual report.

The Board does not recommend payment of final dividend for the year ended 31 December 2019.

## DIRECTORS

The Directors during the year ended 31 December 2019 were as follows:

### Executive Directors

Mr. Huang Qingzhu

Mr. Huang Lianchun

Mr. Huang Li Shui

Mr. Liu Yuwei (*appointed on 15 July 2019*)



# REPORT OF THE DIRECTORS

## Non-Executive Director

Mr. Wong Wun Ming (*Chairman, re-designated from Executive Director to Non-Executive Director effective 15 July 2019*)

## Independent Non-Executive Directors

Mr. Lau Kin Hon

Mr. Chu Kin Wang Peleus

Dr. Lam, Lee G.

Mr. Chan Sing Lai (*appointed on 15 July 2019*)

Dr. Wong Tin Yau Kelvin J.P. (*retired on 6 March 2019*)

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

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Non-Executive Director has entered into a service agreement with the Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the Executive Directors and Non-Executive Director is entitled to their respective basic salary as agreed with the Company.

Each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of two or three years and is subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than three months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the Independent Non-Executive Directors is entitled to their respective annual Directors' fees as agreed with the Company.

The appointments of the Executive Directors, Non-Executive Director and the Independent Non-Executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Director has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' experience, qualifications, duties, responsibilities involved in the Group, the performance and the results of the Group and also the prevailing market conditions. For the year ended 31 December 2019, none of the Directors had waived or agreed to waive any emoluments. The remuneration, including Directors' fees, amounted to approximately RMB5.5 million for the year under review. For details, please refer to Note 32 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISIONS

The articles of association of the Company provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.



# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2019, the total number of issued shares of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2019, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are listed as follows:

### The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares <sup>(Note 1)</sup>	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming	Interest of a controlled corporation <sup>(Note 2)</sup>	5,086,500,000 shares (L)	83.47%

#### Notes:

- (1) The letter "L" denotes a long position in the shares or underlying shares.
- (2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these 5,086,500,000 shares of the Company pursuant to the SFO.

### Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate Percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation <sup>(Note 1)</sup>	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation <sup>(Note 2)</sup>	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation <sup>(Note 3)</sup>	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation <sup>(Note 4)</sup>	1,650 shares	15.00%



# REPORT OF THE DIRECTORS

## Notes:

- (1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.
- (2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.
- (3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.
- (4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly-owned by Mr. Huang Li Shui.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES" in this report, at no time during the year under review were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

## **DIRECTORS' INTERESTS IN ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE**

Save as disclosed under the section headed "RELATED PARTY AND CONNECTED TRANSACTIONS" in this report, no arrangement or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end or at any time during the year under review.

## **MANAGEMENT CONTRACTS**

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

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.



# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2019, the interests or short positions of those persons, other than the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares <sup>(Note 1)</sup>	Approximate Percentage of Interest in the Company
Galaxy Earnest Limited	Beneficial owner	5,086,500,000 shares	83.47%
Ms. Chen Bihua	Interest of spouse <sup>(Note 2, 3, 4)</sup>	5,100,000,000 shares (L)	83.70%
Haitong Securities Co., Ltd.	Interest of a controlled corporation	1,000,000,000 shares (L) <sup>(Note 4)</sup>	16.41%

Notes:

- (1) The letter "L" denotes a long position in the shares or underlying shares.
- (2) Mr. Wong Wun Ming held long interest in 5,100,000,000 shares in the Company, comprising:
  - (a) 13,500,000 shares beneficially owned by him; and
  - (b) 5,086,500,000 shares held by Galaxy Earnest Limited. Galaxy Earnest Limited is owned as to 55% by Growing Group Limited, a company wholly-owned by Mr. Wong Wun Ming. Mr. Wong Wun Ming is therefore deemed to be interested in such 5,086,500,000 shares of the Company pursuant to the Securities and Futures Ordinance.
- (3) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is interested in pursuant to the Securities and Futures Ordinance.
- (4) Haitong Securities Co., Ltd. is deemed to be interested in these 1,000,000,000 shares in which Haitong International Securities Company Limited held as security agent for bondholders pursuant to a share charge executed by Galaxy Earnest Limited in favor of Haitong International Securities Company Limited, details of which are disclosed in the announcement of the Company dated 15 December 2016. Haitong International Securities Company Limited is wholly owned by Haitong International Finance Company Limited, a company wholly-owned by Haitong International (BVI) Limited, which is in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to approximately 61.00% by Haitong International Holdings Limited, which is wholly-owned by Haitong Securities Co., Limited. Mr. Wong Wun Ming and Ms. Chen Bihua, being controlling shareholders of the Company pledged these 1,000,000,000 shares registered in the name of Galaxy Earnest Limited representing approximately 16.4% of the total issued share capital of the Company.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors or chief executives of the Company, had any interest or short position in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.



# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

The Board adopted a share option scheme (“**Share Option Scheme**”) on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company in order to provide motivation and long-term incentive to the employees of the Group and to retain and attract talents for continual operation and also for further development of the Group’s business. Up to 31 December 2019, no option had been granted under the Share Option Scheme. The Share Option Scheme has been terminated since 9 October 2019 upon the expiration of its 10-year term. A summary of the principal terms of the Share Option Scheme is set out below:

### **Purpose of the Share Option Scheme**

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

### **Participants of the Share Option Scheme**

Any Directors (including Non-Executive Directors and Independent Non-Executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

### **Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital**

600,000,000 shares (approximately 9.84% of total issued share capital).

### **Maximum Entitlement of Each Participant Under the Share Option Scheme**

In any 12-month period, in aggregate not exceeding 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

### **Period Within Which the Shares Must Be Taken Up Under an Option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

### **Amount Payable on Application or Acceptance of the Option**

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.





# REPORT OF THE DIRECTORS

## **Basis of Determining the Exercise Price**

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;
- (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

## **Remaining Life of the Share Option Scheme**

Up to 9 October 2019.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year under review, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group.

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group.

## **RELATED PARTY AND CONNECTED TRANSACTIONS**

Details of the related party transactions of the Group are set out in Note 42 to the consolidated financial statements of this annual report.

On 4 April 2019, the Company, Mingfa Group Nanjing Real Estate Development Co., Ltd. (an indirect wholly-owned subsidiary of the Company), Up Chance Holdings Limited, Winning Orient Construction Group (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company), Maanshan Ming Hua Industrial Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and six project companies entered into an equity transfer and cooperation agreement, pursuant to which Up Chance Holdings Limited agreed to purchase from the Company its 51% equity interest in Winning Orient Limited, upon completion of which Up Chance Holdings Limited shall cooperate with the Company in the development of the project sites held by the six project companies.

As at 4 April 2019, the indirect sole shareholder of Up Chance Holdings Limited is Shimao Property Holdings Limited, which is an indirect substantial shareholder of Nanjing Mingmao Real Estate Co., Ltd. (a subsidiary of the Company). Therefore, Up Chance Holdings Limited is a connected person of the Company at the subsidiary level. The transactions contemplated under the equity transfer and cooperation agreement enable the Company to increase its working capital. The cooperation between the Group and Shimao Property Holdings Limited would also bring about synergy effects which are beneficial to the development of the project sites.



# REPORT OF THE DIRECTORS

## SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirms sufficiency of public float as at the date of this annual report.

## GUARANTEED BONDS DUE 2019

Reference is made to the Company's announcement dated 15 December 2016 (capitalized terms in this paragraph have the same meanings as those defined therein). On 15 December 2016, the Company, together with the Guarantors, entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to act as the exclusive placing agent for the Company in relation to the issue by the Company and the placing on a private placement basis by the Placing Agent of the Bonds upon the terms and subject to the conditions set forth in the Placing Agreement. The Placing Agent shall use its best efforts to place and procure the subscribers to subscribe and pay for the Bonds with an aggregate principal amount of US\$60,000,000 ("**Guaranteed Bonds**"). Unless previously redeemed or purchased and cancelled by the Company, the Guaranteed Bonds will be redeemed at their principal amount on an Interest Payment Date in December 2019. The net proceeds from the issue of the Guaranteed Bonds is approximately US\$58 million for general corporate purposes of the Group.

On first Closing Date, the Chargor entered into the Share Charge in favour of the Security Agent as agent of the Bondholders, whereby the Chargor, being the controlling shareholder of the Company, undertake with the Security Agent that it shall ensure that at all times the 1,000,000,000 Shares represent no less than 16.41% of the total issued capital of the Company.

Pursuant to the terms of the Guaranteed Bonds, a change of control event occurs if (a) the Chargor ceases to be the controlling shareholder of the Company; or (b) the Personal Guarantors jointly cease to legally or beneficially own 100% of the total issued share capital of the Chargor from time to time; any Bondholder will have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of their Bonds at 100% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.

The Guaranteed Bonds has been going through negotiation and arrangement in renewal since its mature date in December 2019.

## BONDS DUE 2020 JANUARY

Reference is made to the Company's announcements dated 10 January 2019 and 21 January 2019 (capitalized terms in this paragraph have the same meanings as those defined therein). On 10 January 2019, the Company entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which the Company issued 15% Bonds due 2020 in an aggregate principal amount of US\$200 million ("**2020 Jan Bonds**"). The 2020 Jan Bonds was issued and listed on SGX-ST on 21 January 2019. The net proceeds from the issue of the Bonds was approximately US\$199.6 million for refinancing certain existing indebtedness of the Group and for general corporate purposes of the Group.

The 2020 Jan Bonds bear an interest rate of 15% per annum payable semi-annually in arrears on 16 July 2019 and 15 January 2020. Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2019 Placing Agreement contained certain covenants pursuant to which the Company agreed, among other things:

The 2019 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 Jan Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company, cessation of all or a material part of our business, cross default and other events of default specified in the 2019 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2020 Jan Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.



## REPORT OF THE DIRECTORS

Upon the occurrence of a Change of Control Event, any Bondholder will have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of their Bonds at 101% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.

### BONDS DUE 2020 MAY

Reference is made to the Company's announcements dated 12 May 2017 and 18 May 2017 (capitalized terms in this paragraph have the same meanings as those defined therein). On 12 May 2017, the Company entered into a placing agreement (as amended and supplemented from time to time, the "**2017 Placing Agreement**") with Head & Shoulders Securities Limited as placing agent pursuant to which the Company issued 11% Bonds due 2020 in an aggregate principal amount of US\$220 million ("**2020 May Bonds**"). The 2020 May Bonds was issued and listed on SGX-ST on 18 May 2017. The net proceeds from the issue of the Bonds was approximately US\$216.7 million for refinancing certain existing indebtedness of the Group and for general corporate purposes of the Group.

The 2020 May Bonds bear an interest rate of 11% per annum payable semi-annually in arrears. Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2017 Placing Agreement contained certain covenants pursuant to which the Company agreed, among other things:

- to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%;
- to supply bondholders under the 2020 May Bonds with certain compliance certificate within 7 business days of publishing our annual and semi-annual financial statements;
- to use best endeavours to maintain our listing on the HKSE; and
- to use best endeavours to maintain the listing of the Bonds on SGX-ST.

The 2017 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 May Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company, cessation of all or a material part of our business, cross default and other events of default specified in the 2017 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2020 May Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Upon the occurrence of a certain event of change of control, the bondholder will have the right, at the option of such bondholder, to require the Company to redeem all, but not some only, of their bonds at 101% of their principal amount together with accrued interest (but excluding) the date of such early redemption.

### SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDER

Pursuant to the terms of the 2020 Jan Bonds, 2020 May Bonds, a change of control event occurs if Galaxy Earnest Limited, the controlling shareholder of the Company, ceases to be the controlling shareholder of the Company. Upon the occurrence of a change of control event, any holder of the 2020 Jan Bonds and 2020 May Bonds will have the right to require the Company to redeem all, but not some only, of such bonds at 101% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.



# REPORT OF THE DIRECTORS

## DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

During the year ended 31 December 2019, there were no transactions in the securities of the Company and its subsidiaries.

## SIGNIFICANT INVESTMENTS

Saved as those disclosed under the section headed "Management Discussion and Analysis", the Group did not have any significant investments during the year under review.

## PARTICIPATION IN THE COMMUNITY AND GIVING BACK TO SOCIETY

The Group has been paying close attention to the needs of the society and the Group is willing to shoulder social responsibilities and make contributions to those in need, particularly in the areas of education and environmental protection.

In 2019, the Group donated a total of approximately RMB4.1 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and to give back to society.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company redeemed all of the 2019 Bonds with principal amount of US\$200 million in January 2019.

Save for the abovementioned, there was no purchase, sale or redemption by the Company of listed securities of the Company during the year under review.

## TAXATION

Details of the taxation of the Group are set out in Note 33 to the consolidated financial statements.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

Reference is made on the company's announcement dated 4 April 2019 (capitalized terms in this paragraph have the same meanings as those defined therein). On 4 April 2019, the Company entered into the Equity Transfer and Cooperation Agreement with the Purchaser to transfer 51% equity interest of the Target Company (Winning Orient Limited (東勝有限公司)) for a consideration of RMB2,792,411,500. Upon completion of the Equity Transfer and the Reorganisation, the Company and the Purchaser will hold 49% and 51% of the issued share capital of the Target Company respectively, and the Company and the parties shall cooperate to develop the Project Sites in Maanshan in the PRC.

Save for the abovementioned, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year under review.

## DELAY IN PUBLICATION OF ANNOUNCEMENTS

Reference is made on the Company's announcement dated 25 July 2019 (capitalized terms in this paragraph have the same meanings as those defined therein). The Board announces that:

- (i) on 25 December 2013, the Vendor entered into the House Use Rights Transfer Contracts with the Purchasers, pursuant to which the Vendor agreed to sell and each of the Purchasers agreed to purchase the House Use Rights; and



## REPORT OF THE DIRECTORS

- (ii) on 20 December 2014, the Company, as seller, and Mr. Wong Wai Choi, as purchaser, entered into the Equity Transfer Contract, pursuant to which the Company agreed to sell, and Mr. Wong Wai Choi agreed to purchase, 51% equity interests in the Tianjin Subsidiary. The Proposed Equity Transfer was subsequently terminated on 10 September 2016 pursuant to the Cancellation Agreement.

### SUBSEQUENT EVENTS

- (i) **Bonds with principal amount of US\$220,000,000, interest rate at 15 per cent and due date in 2021 ("2021 Bonds")**

On 15 January 2020, the 2021 Bonds were issued.

- (ii) **Bonds with principal amount of US\$200,000,000, interest rate at 15 per cent and due date in 2020 ("2019 Bonds")**

The 2019 Bonds issued on 16 January 2019 were redeemed in full in January 2020.

- (iii) **COVID-19**

The outbreak of COVID-19 since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's business and operations. The Group's property presold activities in China have resumed but not yet returned to the normal level of operations due to ongoing quarantine enforcement measures and restrictions on movement of people and transportation. There is also disruption to the Group's properties construction and management is closely monitoring the situation and is taking appropriate measures to minimise any potential disruption to construction. As at the date of this report, COVID-19 has not resulted in material impact to the Group's financial position. Depending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report.

### AUDITOR

PricewaterhouseCoopers retired as auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 6 March 2019, upon which BDO Limited was appointed as the auditor of the Company with the approval of the shareholders of the Company.

The consolidated financial statements for the year ended 31 December 2019 have been audited by BDO Limited who will retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of BDO Limited as the Company's auditor will be proposed at the forthcoming AGM.

On Behalf of the Board  
**Mingfa Group (International) Company Limited**

**Wong Wun Ming**  
*Chairman*  
22 April 2020



# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 97 to 227, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of Investment Properties

*(Refer to Note 7 to the consolidated financial statements)*

Based on valuations carried out by an independent qualified valuer, the management estimated the fair value of the Group's investment properties to be approximately RMB11,334,622,000 as at 31 December 2019, with a fair value gain for the year then ended of approximately RMB258,460,000 recorded in the consolidated statement of profit or loss.



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Valuation of Investment Properties (continued)

Valuation of the Group's investment properties is dependent on certain key assumptions and estimations that require significant management judgement. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the investment properties.

Our key procedures in relation to the valuation of investment properties included:

- Assessing the appropriateness of the methodologies and reasonableness of the key assumptions and estimations used;
- Checking the appropriateness of the key input data used and determination of fair value;
- Engaging an auditor's expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and estimations adopted in the valuation for estimating the fair value of the investment properties; and
- Evaluation of the competence, capabilities and objectivity of management's expert and auditor's expert.

### Impairment Assessment of Properties under Development and Completed Properties Held for Sale

*(Refer to Notes 11 and 14 to the consolidated financial statements)*

The Group had properties under development and completed properties held for sale with aggregate carrying amounts of RMB28,801,437,000 and RMB16,735,331,000 respectively as at 31 December 2019. Estimation of net realisable value of the Group's properties under development and completed properties held for sale involves significant judgements and is critically dependent upon the Group's estimation of the market selling prices and the future costs to completion.

Our major procedures in relation to management's assessments of the net realisable value of properties under development and completed properties held for sale included:

- Assessing, on a sample basis, the reasonableness of the future costs to completion of the properties under development estimated by the management based on the underlying documentation such as approved budgets of development project costs and existing construction contracts;
- Assessing, on a sample basis, the appropriateness of the estimated selling price of the properties used by the management by comparing them to the recently transacted prices and prices of comparable properties in the vicinity of the development projects; and
- Assessing the appropriateness of the basis of the determination of the net realisable value of properties under development and completed properties held for sale, and evaluating the reasonableness and consistency of the key assumptions used by the management.



# INDEPENDENT AUDITOR'S REPORT

## **OTHER INFORMATION IN THE ANNUAL REPORT**

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

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

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

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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





# INDEPENDENT AUDITOR'S REPORT

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



# INDEPENDENT AUDITOR'S REPORT

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

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

### **BDO Limited**

Certified Public Accountants

**Lee Ka Leung, Daniel**

Practising Certificate no. P01220

Hong Kong, 22 April 2020



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
<b>Revenues</b>	5	<b>12,660,897</b>	11,641,880
Cost of sales		<b>(8,662,921)</b>	(8,319,853)
<b>Gross profit</b>		<b>3,997,976</b>	3,322,027
Fair value gains on investment properties	7	<b>258,460</b>	749,298
Other income and other gains and losses	29	<b>(115,519)</b>	(168,202)
Net impairment loss on financial assets		<b>(21,966)</b>	(154,707)
Selling and marketing costs		<b>(647,130)</b>	(560,158)
General and administrative expenses		<b>(802,246)</b>	(701,844)
<b>Operating profit</b>		<b>2,669,575</b>	2,486,414
Finance income	31	<b>94,582</b>	72,788
Finance costs	31	<b>(7,752)</b>	—
Finance income — net	31	<b>86,830</b>	72,788
Share of results of			
— Associated companies	12	<b>(60,878)</b>	16,701
— Joint ventures	13	<b>6,163</b>	(509)
		<b>(54,715)</b>	16,192
<b>Profit before income tax</b>	30	<b>2,701,690</b>	2,575,394
Income tax expense	33	<b>(1,565,765)</b>	(1,286,263)
Profit for the year		<b>1,135,925</b>	1,289,131
<b>Attributable to:</b>			
Equity holders of the Company		<b>952,112</b>	855,076
Non-controlling interests		<b>183,813</b>	434,055
		<b>1,135,925</b>	1,289,131
<b>Earnings per share for profit attributable to equity holders of the Company (RMB cents)</b>	35		
— Basic		<b>15.6</b>	14.0
— Diluted		<b>15.6</b>	14.0



# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
<b>Profit for the year</b>	<b>1,135,925</b>	1,289,131
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	13,465	1,339
<i>Item that will not be reclassified subsequently to profit or loss</i>		
— Revaluation deficit upon transfer of an owner-occupied property to an investment property	—	(589)
<b>Other comprehensive income for the year, net of tax</b>	<b>13,465</b>	750
<b>Total comprehensive income for the year</b>	<b>1,149,390</b>	1,289,881
<b>Attributable to:</b>		
Equity holders of the Company	965,577	855,826
Non-controlling interests	183,813	434,055
	<b>1,149,390</b>	1,289,881



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

As at 31 December			
	Notes	2019 RMB'000	2018 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	3,310,647	1,606,743
Investment properties	7	11,334,622	10,693,027
Land use rights	9	—	461,258
Goodwill	10	7,169	7,169
Investments in associated companies	12	1,924,870	1,509,279
Investments in joint ventures	13	1,995,572	1,987,909
Deferred income tax assets	25	578,935	606,273
Other financial assets	19	40,550	40,550
Other receivables	15	14,527	106,327
Prepayments for land use rights	8	884,364	1,046,340
		<b>20,091,256</b>	18,064,875
<b>Current assets</b>			
Land use rights	9	—	17,357,451
Properties under development	11	28,801,437	16,883,863
Completed properties held for sale	14	16,735,331	10,314,214
Inventories		43,992	38,606
Trade and other receivables and prepayments	15	4,356,715	4,919,969
Contract costs	15	312,788	228,475
Prepaid income taxes		296,958	394,407
Amounts due from related parties, joint ventures and associated companies	16	950,118	1,099,647
Amounts due from non-controlling interests	17	545,512	378,777
Restricted cash	18	103,254	429,621
Cash and cash equivalents	18	3,488,059	5,263,380
		<b>55,634,164</b>	57,308,410
<b>Total assets</b>		<b>75,725,420</b>	75,373,285



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	26	16,011,400	13,514,033
Contract liabilities	24	22,293,816	22,428,369
Amounts due to related parties, joint ventures and associated companies	27	6,129,643	6,932,656
Amounts due to non-controlling interests	17	1,168,589	836,285
Income tax payable		2,402,962	1,895,249
Borrowings	23	6,491,985	8,729,820
Lease liabilities	28	56,789	—
		<b>54,555,184</b>	54,336,412
<b>Net current assets</b>		<b>1,078,980</b>	2,971,998
<b>Total assets less current liabilities</b>		<b>21,170,236</b>	21,036,873
<b>Non-current liabilities</b>			
Deferred government grants	22	1,458,041	1,429,486
Borrowings	23	560,406	2,109,678
Deferred income tax liabilities	25	2,405,032	2,209,896
Lease liabilities	28	62,291	—
		<b>4,485,770</b>	5,749,060
<b>Total liabilities</b>		<b>59,040,954</b>	60,085,472
<b>Net assets</b>		<b>16,684,466</b>	15,287,813



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December	
		2019 RMB'000	2018 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	21	536,281	536,281
Reserves		14,388,121	13,422,882
<hr/>			
<b>Non-controlling interests</b>	20	14,924,402	13,959,163
		1,760,064	1,328,650
<hr/>			
<b>Total equity</b>		<b>16,684,466</b>	<b>15,287,813</b>

**Wong Wun Ming**  
*Director*

**Huang Lianchun**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Capital and reserves attributable to equity holders of the Company											
	Share capital RMB'000 (Note 21)	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Revaluation surplus RMB'000 (Note (c))	Contributions			Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
					from equity holders RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (e))	Other reserves RMB'000 (Note (f))					
<b>Balance at 1 January 2018</b>	536,281	146,601	631,266	257,850	209,196	125,509	(207,149)	(5,465)	11,409,248	13,103,337	891,522	13,994,859
<b>Comprehensive income</b>												
Profit for the year	—	—	—	—	—	—	—	—	855,076	855,076	434,055	1,289,131
Other comprehensive income												
— Revaluation deficit upon transfer of an owner-occupied property to an investment property, net of tax	—	—	—	(589)	—	—	—	—	—	(589)	—	(589)
— Currency translation differences	—	—	—	—	—	—	—	1,339	—	1,339	—	1,339
<b>Total comprehensive income for the year</b>	—	—	—	(589)	—	—	—	1,339	855,076	855,826	434,055	1,289,881
<b>Transactions with owners</b>												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	3,073	3,073
<b>Balance at 31 December 2018 and 1 January 2019</b>	536,281	146,601	631,266	257,261	209,196	125,509	(207,149)	(4,126)	12,264,324	13,959,163	1,328,650	15,287,813
<b>Comprehensive income</b>												
Profit for the year	—	—	—	—	—	—	—	—	952,112	952,112	183,813	1,135,925
Other comprehensive income												
— Currency translation differences	—	—	—	—	—	—	—	13,465	—	13,465	—	13,465
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	—	—	—	—	—	—	—	13,465	952,112	965,577	183,813	1,149,390
<b>Transactions with owners</b>												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	52,049	52,049
Disposal of a subsidiary (Note 40(b))	—	—	—	—	—	—	—	—	—	—	(4,840)	(4,840)
Acquisition of a subsidiary (Note 39)	—	—	—	—	—	—	—	—	—	—	208,671	208,671
Change in ownership interest in a subsidiary without loss of control (Note 20)	—	—	—	—	—	—	—	—	(338)	(338)	(8,279)	(8,617)
	—	—	—	—	—	—	—	—	(338)	(338)	247,601	247,263
<b>Balance at 31 December 2019</b>	536,281	146,601	631,266	257,261	209,196	125,509	(207,149)	9,339	13,216,098	14,924,402	1,760,064	16,684,466





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

*Notes:*

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing of the Company on the Stock Exchange. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.
- (b) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (c) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when owner-occupied properties became investment properties which are being carried at fair value.
- (d) Pursuant to the Deed of Settlement dated on 29 September 2008, the controlling shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.
- (e) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.
- (f) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership in the subsidiaries being acquired or disposed from non-controlling interests without change of control.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
<b>Operating activities</b>			
Profit before income tax for the year		2,701,690	2,575,394
Adjustments for:			
Interest income	31	(94,582)	(72,788)
Interest expenses on lease liabilities	31	7,752	—
Depreciation of property, plant and equipment	6	147,641	115,421
Gain on right transferred on sale and leaseback transactions	29	(10,795)	—
Dividend income from other financial assets	29	(1,075)	—
Share of results of associated companies		60,878	(16,701)
Share of results of joint ventures		(6,163)	509
Amortisation of land use rights	9	—	56,200
Depreciation of right-of-use assets under properties under development	30	40,675	—
Fair value gains on investment properties	7	(258,460)	(749,298)
Gain on disposal of 51% equity interest of a subsidiary	29	(5,163)	—
Additional provision for impairment of receivables	15	21,966	154,647
Write-off of trade receivables	29	10,990	—
Net loss from disposal of property, plant and equipment	29	1,477	185
Net exchange losses	29	63,703	(207,365)
Net loss from disposal of investment properties	29	3,844	—
Provision for financial guarantee	29	50,808	—
<b>Operating profit before working capital changes</b>		<b>2,735,186</b>	<b>1,856,204</b>
Land use rights		—	(923,600)
Properties under development		4,352,234	(1,631,576)
Completed properties held for sale		(5,108,816)	(926,363)
Right-of-use assets under properties under development		(1,695,139)	—
Inventories		(5,386)	3,021
Trade and other receivables and prepayments		(599,170)	(1,171,250)
Contract costs		(84,313)	(66,163)
Change in restricted cash relating to operating activities		58,556	(20,821)
Trade and other payables		2,980,909	676,906
Contract liabilities		(110,960)	6,708,186
<b>Net cash generated from operations</b>		<b>2,523,101</b>	<b>4,504,544</b>
Interest received		94,582	72,788
Interest paid		(761,449)	(1,011,172)
Income tax paid		(738,129)	(786,348)
<b>Net cash generated from operating activities</b>		<b>1,118,105</b>	<b>2,779,812</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
<b>Investing activities</b>			
Dividend received from other financial assets		1,075	—
Additions of property, plant and equipment	6	(559,342)	(30,702)
Additions of investment properties	7	(190,751)	(669,077)
Advances made to related parties		(1,040)	(856)
Advances received from related parties		43	18
Advances made to group companies of non-controlling interest		(132,603)	(5,849,352)
Advances received from group companies of non-controlling interest		969,604	6,281,968
Repayment from associated companies		169,264	388,336
Advances to associated companies		(80,682)	(345,750)
Loan to joint ventures		(995,668)	(295,590)
Repayment from joint ventures		1,057,612	—
Proceeds from sale of property, plant and equipment		962	13,000
Proceeds from sale of investment properties		16,250	23,593
Additions of other financial assets	19	—	(10,400)
Acquisition of a subsidiary, net of cash acquired	39	(142,515)	(209,896)
Capital injection to associated companies		(46,290)	(80,212)
Capital injection to a joint venture		(1,500)	(22,622)
Disposal of subsidiaries, net of cash disposed	40(a)	642,057	—
Disposal of 51% equity interest in a subsidiary, net of cash disposed	40(b)	(16,512)	—
Disposal of a subsidiary without loss on control	20	(8,617)	—
<b>Net cash generated from/(used in) investing activities</b>		<b>681,347</b>	<b>(807,542)</b>
<b>Financing activities</b>			
Drawdown of borrowings		2,065,240	2,665,020
Repayments of borrowings		(5,020,062)	(3,491,591)
Repayment of principal portion of lease liabilities		(48,930)	—
Repayment of interest expenses on lease liabilities		(7,752)	—
Advances repaid to non-controlling interest		(818,436)	(1,247,988)
Advances received from non-controlling interest		643,518	1,264,905
Advances repaid to related parties		(115,916)	(121,827)
Advances received from related parties		497,268	814,713
Advances repaid to joint ventures		(687,304)	(1,022,191)
Advances received from joint ventures		56,827	1,656,232
Advances repaid to associated companies		(404,585)	(352,030)
Advances received from associated companies		41,443	630,467
Advances repaid to other parties		(177,614)	(14,303)
Advances received from other parties		12,385	217,154
Advances repaid to shareholders of associated companies and joint ventures		(8,268)	(1,417,008)
Advances received from shareholders of associated companies and joint ventures		2,500	1,076,512
Advances repaid to group companies of non-controlling interest		—	(196,026)
Decrease/(increase) in restricted cash relating to financing activities		267,811	(42,437)
Capital contribution from non-controlling interests		52,049	3,073
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,649,826)</b>	<b>422,675</b>
<b>Effect of foreign exchange rate changes on cash</b>		<b>75,053</b>	<b>19,209</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,775,321)</b>	<b>2,414,154</b>
Cash and cash equivalents at beginning of the year		5,263,380	2,849,226
<b>Cash and cash equivalents at end of the year</b>	18	<b>3,488,059</b>	<b>5,263,380</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1 GENERAL INFORMATION

Mingfa Group (International) Company Limited (the “Company”) was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is office of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the “Group”) are property development, property investment and hotel operation in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 November 2009. Its immediate and ultimate holding company is Galaxy Earnest Limited (incorporated in the British Virgin Islands).

The consolidated financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and under the historical cost convention, as modified by the revaluation of investment properties and other financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

#### (A) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using modified retrospective approach with a date of initial application on 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### (A) Impact of the adoption of HKFRS 16 (continued)

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/ (decrease)):

Statement of financial position as at 1 January 2019	RMB'000
<b>Assets</b>	
Increase in property, plant and equipment	620,010
Decrease in Land use right — non-current portion	(461,258)
Decrease in Land use right — current portion	(17,357,451)
Increase in properties under development	15,825,252
Increase in completed properties held for sale	1,532,199
Increase in total asset	158,752
<b>Liabilities</b>	
Increase in lease liabilities — current portion	49,182
Increase in lease liabilities — non-current portion	109,570
Increase in total liabilities	158,752



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### (A) Impact of the adoption of HKFRS 16 (continued)

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

	RMB'000
<i>Reconciliation of operating lease commitment to lease liabilities</i>	
Operating lease commitment as of 31 December 2018	173,405
Less: short term leases for which lease terms end within 31 December 2019	(84)
Less: future interest expenses	(14,569)
<u>Total lease liabilities as of 1 January 2019</u>	<u>158,752</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.59%.

##### (B) The new definition of a lease

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

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

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### (C) Accounting as a lessee

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

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

##### Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### (C) Accounting as a lessee (continued)

###### Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

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

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

##### (D) Accounting as a lessor

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

##### (E) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach with a date of initial application on 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### (E) Transition (continued)

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments related to that lease recognised in the consolidated statement of financial position as at 31 December 2018. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

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

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

##### *Amendments to HKFRS 9 — Prepayment Features with Negative Compensation*

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2019 (continued)

##### *Amendments to HKAS 19 — Plan Amendments, Curtailment or Settlement*

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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

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

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

#### *Amendments to HKFRS 3 — Definition of a Business*

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

#### *Amendments to HKAS 1 and HKAS 8 — Definition of Material*

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

### (b) Subsidiaries

#### (i) *Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (or to the controlling shareholders under merger accounting). They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Business combinations*

The Group applies the acquisition method to account for business combinations except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (i) Consolidation (continued)

##### *Business combinations (continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

##### *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

It means the amounts previously recognised in other comprehensive income are classified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (ii) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment test is performed according to Note 2(j).

Impairment testing of the investments in subsidiaries is also required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

If the ownership interest in associated companies is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

- **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investment in a joint venture is accounted for using the equity method of accounting. The interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The consolidated statement of financial position includes the Group's share of the net assets of the joint ventures and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.

- **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

In respect of the Group's interest in a joint operation, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of any assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other operators in relation to the joint operation; any income from the sale or use of its share of the output of the joint operation, together with its share of any expense incurred by the joint operation; and any expense that it has incurred in respect of its interest in the joint operation.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

#### (iii) *Group companies*

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the end of reporting period;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss during the periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated statement of profit or loss.

### (h) Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated statement of profit or loss.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as income approach or discounted cash flow projections. These valuations are performed at the end of reporting period by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated statement of profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as other comprehensive income and recorded in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss in the consolidated statement of profit or loss. On subsequent disposal of the investment property, the revaluation surplus included in equity is transferred to retained earnings directly and not made through profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties (continued)

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated statement of profit or loss.

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of profit or loss within net gains or losses from fair value adjustments on investment properties.

### (j) Impairment of investments in subsidiaries, associated companies, joint ventures, joint operations and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (k) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred, the amount of the non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, cost of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

The amortisation of land use rights 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 the consolidated statement of profit or loss.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### (m) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### (n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments

#### (i) Financial assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Fair value through other comprehensive income ("FVTOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

#### *Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that the credit risk on a financial asset has not increased significantly.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (iii) Financial liabilities

The Group classifies its financial liabilities at amortised costs. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, borrowings, amounts due to related parties, joint ventures, associated companies and non-controlling interests are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

#### (vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy set out in Note 2(p)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

#### (vii) Derecognition

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

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (vii) Derecognition (continued)

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

### (q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and are grouped with bank overdrafts in the consolidated statement of cash flows. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities. Restricted cash is excluded from cash and cash equivalents.

### (r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### (s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries/associated companies/joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Current and deferred income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (t) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Employee benefits (continued)

#### (ii) Retirement benefits (continued)

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

### (u) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

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

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

### (i) Sales of properties

Revenue from sale of properties developed for sale in the PRC in the ordinary course of business is recognised at the point in time when control of completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. No revenue is recognised over time since the contract does not give the Group an enforceable right to payment for performance completed to date.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities. There is generally only one performance obligation and the consideration include no variable amount.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Revenue recognition (continued)

#### (ii) Rental income

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectability is reasonably assured.

#### (iii) Hotel operating income

Revenue from hotel room rental and food and beverages sales is recognised when the relevant services have been rendered.

#### (iv) Sales of construction materials

Customers obtain control of the construction materials when the construction materials are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the construction materials. There is generally only one performance obligation.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

#### (vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (vii) Contract liabilities

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

#### (viii) Contract costs

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs (mainly sales commission) as an asset if it expects to recover these costs.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

### (w) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x)A Leases (accounting policies applied from 1 January 2019)

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

#### (i) *Right-of-use asset*

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

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at depreciated cost. The adoption of HKFRS 16 does not have significant impact on the right-of-use asset.

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	40–70 years
Properties	20–40 years

#### (ii) *Lease liability*

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x)A Leases (accounting policies applied from 1 January 2019) (continued)

#### (ii) Lease liability (continued)

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

#### (iii) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

### (x)B Leases (accounting policies applied until 31 December 2018)

Leases where a significant portion of the risk and rewards of the ownership are retained by the lessor are classified as operating lease.

#### (i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged as expense to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

#### (ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated statement of profit or loss. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

#### (iii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets.

### (y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk including foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Market risk

#### (i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar ("HKD") and United States dollar ("USD").

The Company and most of its subsidiaries' functional currency is RMB, so the bank balances, certain balances with related parties and certain borrowings denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated non-derivative monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
USD	5,058	5,180	3,355,059	3,499,911
HKD	370,375	341,421	536,803	553,603





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

The following table indicates the approximate change in the Group's profit after income tax and retained earnings and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

	Increase in foreign exchange rates	Decrease in profit after income tax RMB'000
<b>As at 31 December 2019</b>		
USD	5%	167,305
HKD	5%	4,729
<b>As at 31 December 2018</b>		
USD	5%	(172,374)
HKD	5%	(5,883)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2018.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18), the advances to certain other parties (Note 15), an amount due from a joint venture (Note 16), and amount due from a non-controlling interest (Note 17), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates because the interest rates are not expected to change significantly.

As at 31 December 2019, if interest rates on borrowings at floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB2,351,000 (2018: RMB4,673,000) lower/higher.

### (b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties, joint ventures, associated companies and non-controlling interests included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on financial guarantees provided to the customers in respect of mortgage loan is limited because the related properties can be resold in the market if the customers fail to repay the mortgage loans.

Cash transactions are limited to high-credit-quality financial institutions. Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitor these deposits and advances to ensure actions taken to recover these balances in the case of any risk of default. Normally, the Group does not obtain collateral from customers.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### *Trade receivables*

The Group applies the simplified approach to account for ECLs prescribed by HKFRS 9, which permit the use of the lifetime ECLs. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Within 90 days past due	2.3%	54,773	1,232
Over 90 days and within 1 year past due	13.7%	120,414	16,436
Over 1 year and within 2 years past due	39.3%	84,798	33,336
Over 2 years past due	73.1%	185,561	135,590
		<b>445,546</b>	<b>186,594</b>

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Within 90 days past due	3.6%	65,185	2,324
Over 90 days and within 1 year past due	17.8%	81,343	14,489
Over 1 year and within 2 years past due	35.7%	54,889	19,569
Over 2 years past due	59.3%	216,135	128,246
		<b>417,552</b>	<b>164,628</b>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### *Trade receivables (continued)*

The increase in the loss allowance was due to the following significant changes in the gross carrying amount.

- (i) Increase in the loss allowance of RMB21,966,000 (2018: decrease of RMB4,766,000) as a result of an increase in trade receivables which were past due for over 3 months (2018: decrease in trade receivables which were past due for over 3 months); and
- (ii) During the year, certain trade receivables amounted to RMB10,990,000 has been written-off. (Note 29)

Movement in provision for impairment of trade receivables is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 31 December	164,628	50,686
Impact on initial application of HKFRS 9	—	118,708
Adjusted balance at 1 January	164,628	169,394
Impairment loss recognised during the year	21,966	(4,766)
At 31 December	186,594	164,628

#### *Other receivables*

Since 1 January 2018, the Group has applied the general approach to provide for ECLs of the financial assets measured at amortised cost including other receivables. The Group assessed that the credit standing of the tenor of such receivables is short. And of the deposits, in situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining a right or use over lease assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### *Other receivables (continued)*

Movement in provision for impairment of other receivables is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 31 December	462,176	—
Impact on initial application of HKFRS 9	—	302,703
Adjusted balance at 1 January	462,176	302,703
Impairment losses recognised during the year	—	159,473
Amounts written off during the year	(59)	—
At 31 December	462,117	462,176

The significant changes in the gross carrying amount of other receivables are further explained below:

Other receivable — gross carrying amount (Note 15)	12-month ECLs RMB'000	Lifetime ECLs (individually assessed) RMB'000	Credit-impaired financial assets (lifetime ECLs) RMB'000	Total RMB'000
Gross carrying amount as at 1 January 2019	1,646,628	382,748	723,894	2,753,270
Addition	1,147,720	—	—	1,147,720
Financial assets that have been derecognised	(984,366)	(751,164)	(272,516)	(2,008,046)
Transfer to lifetime ECLs	(666,647)	666,647	—	—
Transfer to credit-impaired financial assets	—	(202,323)	202,323	—
Gross carrying as at 31 December 2019	1,143,335	95,908	653,701	1,892,944

*Note:* Government grant receivables, other receivables, advances to group companies of non-controlling interests, deposits for resettlement costs, deposits for land purchases are subject to ECLs assessment.

Other receivable — gross carrying amount (Note 15)	12-month ECLs RMB'000	Lifetime ECLs (individually assessed) RMB'000	Credit-impaired financial assets (lifetime ECLs) RMB'000	Total RMB'000
Gross carrying amount as at 1 January 2018	1,996,246	69,110	564,729	2,630,085
Addition	1,665,462	—	—	1,665,462
Financial assets that have been derecognised	(857,337)	(527,867)	(157,073)	(1,542,277)
Transfer to lifetime ECLs	(1,157,743)	1,157,743	—	—
Transfer to credit-impaired financial assets	—	(316,238)	316,238	—
Gross carrying as at 31 December 2018	1,646,628	382,748	723,894	2,753,270

*Note:* Government grant receivables, other receivables, advances to group companies of non-controlling interests, deposits for resettlement costs, deposits for land purchases are subject to ECLs assessment.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### *Other receivables (continued)*

Other receivables — loss allowance	12-month ECLs RMB'000	Lifetime ECLs (individually assessed) RMB'000	Credit-impaired financial assets (lifetime ECLs) RMB'000	Total RMB'000
Loss allowance as at 1 January 2018	143,723	17,858	141,122	302,703
Addition	221,910	—	—	221,910
Financial assets that have been derecognised during the period	(28,474)	(6)	(33,957)	(62,437)
Transfer to lifetime ECLs	(107,261)	107,261	—	—
Transfer to credit-impaired financial assets	—	(72,144)	72,144	—
Loss allowance as at 31 December 2018 and 1 January 2019	229,898	52,969	179,309	462,176
Write-off	(59)	—	—	(59)
Loss allowance as at 31 December 2019	229,839	52,969	179,309	462,117

For other receivables as at 31 December 2019, the Group considered the ECLs as insignificant as there have been continuous repayments from debtors with no history of default.

The decrease in the loss allowance was due to the following significant changes.

- (i) During the year 2019, loss allowance decreased by RMB59,000 was due to a write-off of other receivables.
- (ii) During the year 2018, loss allowance increased by RMB159,473,000 was due to impairment loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### *Amounts due from non-controlling interests, related parties, joint ventures and associated companies*

Since 1 January 2018, the Group has applied general approach to provide for ECLs on the financial assets measured at amortised cost including amounts due from non-controlling interests, related parties, joint ventures and associated companies.

As at 31 December 2019, the loss allowances of amounts due from non-controlling interests, related parties, joint ventures and associated companies are assessed under the basis of 12-month ECLs, lifetime ECLs which credit risk has increased significantly but not credit-impaired and lifetime ECLs which are credit-impaired respectively. The gross carrying amounts that are subject to the ECLs assessment are as follows:

#### *12-month ECLs:*

- amounts due from non-controlling interests amounted to RMB481,796,000
- amounts due from related parties amounted to RMB81,000
- amounts due from joint ventures amounted to RMB674,888,000;
- amounts due from associated companies amounted to RMB216,817,000

#### *lifetime ECLs which credit risk has increased significantly but not credit-impaired:*

- amounts due from non-controlling interests amounted to RMB60,000,000
- amounts due from related parties amounted to RMB524,000

#### *lifetime ECLs which are credit-impaired*

- amounts due from non-controlling interests amounted to RMB3,716,000
- amounts due from related parties amounted to RMB3,199,000
- amounts due from joint ventures amounted to RMB5,512,000
- amounts due from associated companies amounted to RMB49,097,000

The ECLs of amounts due from non-controlling interests, related parties, joint ventures and associated companies as at 31 December 2019 were determined to be immaterial.

As at 31 December 2018, the loss allowances of amounts due from non-controlling interests, related parties, joint ventures and associated companies are assessed under the basis of 12-month ECLs, lifetime ECLs which credit risk has increased significantly but not credit-impaired and lifetime ECLs which are credit-impaired respectively. The gross carrying amounts that are subject to the ECLs assessment are as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

*Amounts due from non-controlling interests, related parties, joint ventures and associated companies*

*12-month ECLs:*

- amounts due from non-controlling interests amounted to RMB375,061,000
- amounts due from related parties amounted to RMB256,000
- amounts due from joint ventures amounted to RMB726,947,000
- amounts due from associated companies amounted to RMB326,565,000

*lifetime ECLs which credit risk has increased significantly but not credit-impaired:*

- amounts due from related parties amounted to RMB627,000
- amounts due from joint ventures amounted to RMB1,150,000

*lifetime ECLs which are credit-impaired*

- amounts due from non-controlling interests amounted to RMB3,716,000
- amounts due from related parties amounted to RMB1,924,000
- amounts due from joint ventures amounted to RMB14,247,000
- amounts due from associated companies amounted to RMB27,931,000

The ECLs of amounts due from non-controlling interests, related parties, joint ventures and associated companies as at 31 December 2018 were determined to be immaterial.

### Credit risk profile by external rating grades

2019	Government grant receivables (Note 15)		Other receivables (Note 15)		Advances to group companies of non-controlling interests (Note 15)		Deposits for resettlement costs (Note 15)		Deposits for land purchases (Note 15)		Amounts due from non-controlling interests (Note 17)		Amounts due from joint ventures (Note 16)		Amounts due from associated companies (Note 16)		Amounts due from related parties (Note 16)	
	Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month
B	—	—	48,185	13,259	—	—	—	—	—	151,000	—	—	—	—	—	—	—	—
CCC-CC	60,220	—	508,735	75,165	15,310	903,911	2,687	—	114,472	—	63,716	481,796	5,512	674,888	49,097	216,817	3,723	81
Total	60,220	—	556,920	88,424	15,310	903,911	2,687	—	114,472	151,000	63,716	481,796	5,512	674,888	49,097	216,817	3,723	81

2018	Government grant receivables (Note 15)		Other receivables (Note 15)		Advances to group companies of non-controlling interests (Note 15)		Deposits for resettlement costs (Note 15)		Deposits for land purchases (Note 15)		Amounts due from non-controlling interests (Note 17)		Amounts due from joint ventures (Note 16)		Amounts due from associated companies (Note 16)		Amounts due from related parties (Note 16)	
	Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month	Lifetime	12-month
B	—	—	42,628	2,065	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CCC-CC	60,220	—	489,769	204,852	316,511	1,439,711	2,687	—	194,827	—	3,716	375,061	15,397	726,947	27,931	326,565	2,551	256
Total	60,220	—	532,397	206,917	316,511	1,439,711	2,687	—	194,827	—	3,716	375,061	15,397	726,947	27,931	326,565	2,551	256





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2019</b>					
Borrowings	6,491,985	106,139	436,212	18,055	7,052,391
Interest payments on borrowings (Note)	87,767	25,794	29,776	1,388	144,725
Trade and other payables	16,011,400	—	—	—	16,011,400
Amounts due to related parties, joint ventures and associated companies	6,129,643	—	—	—	6,129,643
Amounts due to non-controlling interests	1,168,589	—	—	—	1,168,589
Financial guarantees (Note 37)	8,833,084	—	—	—	8,833,084
Lease liabilities (Note 28)	61,802	47,938	13,294	4,041	127,075
	<b>38,784,270</b>	<b>179,871</b>	<b>479,282</b>	<b>23,484</b>	<b>39,466,907</b>
<b>As at 31 December 2018</b>					
Borrowings	8,729,820	1,656,043	335,774	117,861	10,839,498
Interest payments on borrowings (Note)	503,295	85,521	49,918	3,002	641,736
Trade and other payables	13,514,033	—	—	—	13,514,033
Amounts due to related parties, joint ventures and associated companies	6,932,656	—	—	—	6,932,656
Amounts due to non-controlling interests	836,285	—	—	—	836,285
Financial guarantees (Note 37)	5,448,321	—	—	—	5,448,321
	<b>35,964,410</b>	<b>1,741,564</b>	<b>385,692</b>	<b>120,863</b>	<b>38,212,529</b>

*Note:* The interest payments on borrowings are calculated based on borrowings held as at 31 December 2019 and 2018 respectively without taking into account the future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2019 and 2018 respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings	7,052,391	10,839,498
Less: Cash and cash equivalents and restricted cash	(3,591,313)	(5,693,001)
Net debt	3,461,078	5,146,497
Total equity	16,684,466	15,287,813
Total capital	20,145,544	20,434,310
Gearing ratio	17.2%	25.2%

### (e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (e) Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI	—	—	40,550	40,550

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI	—	—	40,550	40,550

#### (i) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (e) Fair value estimation (continued)

#### (iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the years ended 31 December 2019 and 2018:

	Financial assets at FVTOCI	
	2019 RMB'000	2018 RMB'000
Opening balance	40,550	30,150
Additions	—	10,400
Closing balance	40,550	40,550
Total gains or losses for the year included in profit or loss for financial assets at FVTOCI held at the end of the year	—	—

### (f) Financial instruments by category

	As at 31 December	
	2019 RMB'000	2018 RMB'000
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Trade and other receivables	1,699,365	2,545,345
Amounts due from related parties, joint ventures and associated companies	950,118	1,099,647
Amounts due from non-controlling interests	545,512	378,777
Restricted cash	103,254	429,621
Cash and cash equivalents	3,488,059	5,263,380
<b>Financial assets at FVTOCI</b>	<b>6,786,308</b>	<b>9,716,770</b>
	<b>40,550</b>	<b>40,550</b>
<b>Total</b>	<b>6,826,858</b>	<b>9,757,320</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3 FINANCIAL RISK MANAGEMENT (continued) (f) Financial instruments by category (continued)

	As at 31 December	
	2019 RMB'000	2018 RMB'000
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Borrowings	7,052,391	10,839,498
Trade and other payables (excluding other taxes payable)	15,758,530	13,261,738
Amounts due to related parties, joint ventures and associated companies	6,129,643	6,932,656
Amounts due to non-controlling interests	1,168,589	836,285
	30,109,153	31,870,177
<b>Lease liabilities</b>	119,080	—
<b>Total</b>	<b>30,228,233</b>	<b>31,870,177</b>

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

### (c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

### (d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions are disclosed in Note 7.

### (e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

### (g) Estimated impairment loss on trade and other receivables

The Group recognises allowance for impairment loss on trade and other receivables when the recoverability of the outstanding debts is uncertain. Such allowance is estimated after taking into account various considerations including the age of the debts, creditworthiness of the debtors, past track records for recovery of debts with similar credit risk characteristics and market conditions. Where the expectation is different from the original estimates, such difference will impact the carrying amounts of receivables and allowance for impairment losses in the period in which such estimate had been changed.

## 5 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments:

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

Management monitors the operating results of its 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 which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5 REVENUES AND SEGMENT INFORMATION (continued)

The Group's revenue from external customers is derived solely from its operations in the PRC, and no significant non-current assets of the Group are located outside the PRC.

Segment assets consist primarily of property, plant and equipment, investment properties, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or non-controlling interests relating to respective segments. They exclude deferred income tax assets, prepaid income taxes and other financial assets.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities and income tax payable.

### (a) Segment information

The segment results and other segment items for the year ended 31 December 2019 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	565,608	11,525,158	402,283	318,567	13,063	—	12,824,679
Inter-segment revenues	—	—	(163,782)	—	—	—	(163,782)
Revenues	565,608	11,525,158	238,501	318,567	13,063	—	12,660,897
Operating profit/(loss)	256,788	2,068,418	(29,559)	479,887	(105,959)	—	2,669,575
Finance income — net							86,830
Share of results of associated companies	(212)	(1,990)	—	(2,152)	(56,524)	—	(60,878)
Share of results of joint ventures	—	7,269	—	(1,106)	—	—	6,163
Profit before income tax							2,701,690
Income tax expense							(1,565,765)
Profit for the year							1,135,925
<b>Other segment information</b>							
Capital and property development expenditure	5,157,610	2,286,583	25,067	528	167,086	—	7,636,874
Depreciation of property, plant and equipment	14,276	128,418	3,982	250	715	—	147,641
Depreciation of right-of-use assets under properties under development	—	40,675	—	—	—	—	40,675
Fair value gains on investment properties	—	—	—	258,460	—	—	258,460





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (a) Segment information (continued)

The segment assets and liabilities as at 31 December 2019 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	4,333,797	89,736,973	1,927,268	12,988,760	16,686,199	(54,784,462)	70,888,535
Associated companies	64	870,684	—	1,161,220	(107,098)	—	1,924,870
Joint ventures	163	48,535	—	1,946,874	—	—	1,995,572
	<u>4,334,024</u>	<u>90,656,192</u>	<u>1,927,268</u>	<u>16,096,854</u>	<u>16,579,101</u>	<u>(54,784,462)</u>	<u>74,808,977</u>
Unallocated:							
Deferred income tax assets							578,935
Prepaid income taxes							296,958
Other financial assets							40,550
Total assets							<u>75,725,420</u>
Segment liabilities	4,315,984	72,204,045	330,701	8,473,644	16,640,657	(54,784,462)	47,180,569
Unallocated:							
Deferred income tax liabilities							2,405,032
Borrowings							7,052,391
Income tax payable							2,402,962
Total liabilities							<u>59,040,954</u>

The segment results and other segment items for the year ended 31 December 2018 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	886,739	10,236,879	228,265	285,316	8,287	—	11,645,486
Inter-segment revenues	—	—	(3,606)	—	—	—	(3,606)
Revenues	886,739	10,236,879	224,659	285,316	8,287	—	11,641,880
Operating profit/(loss)	119,487	1,811,678	(26,280)	936,057	(354,528)	—	2,486,414
Finance income — net							72,788
Share of results of associated companies	(273)	(12,571)	—	53,298	(23,753)	—	16,701
Share of results of joint ventures	—	30,348	—	(30,857)	—	—	(509)
Profit before income tax							2,575,394
Income tax expense							(1,286,263)
Profit for the year							<u>1,289,131</u>
<b>Other segment information</b>							
Capital and property development expenditure	221,845	7,360,580	20,500	1,989,147	231	—	9,592,303
Depreciation of property, plant and equipment	17,080	46,157	50,335	1,743	106	—	115,421
Amortisation of land use rights as expenses	—	56,200	—	—	—	—	56,200
Fair value gains on investment properties	—	—	—	749,298	—	—	749,298



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (a) Segment information (continued)

The segment assets and liabilities as at 31 December 2018 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	4,514,420	93,497,720	2,357,106	12,031,122	15,407,262	(56,972,763)	70,834,867
Associated companies	147,923	104,101	—	1,163,373	93,882	—	1,509,279
Joint ventures	—	39,930	—	1,947,979	—	—	1,987,909
	4,662,343	93,641,751	2,357,106	15,142,474	15,501,144	(56,972,763)	74,332,055
Unallocated:							
Deferred income tax assets							606,273
Prepaid income taxes							394,407
Other financial assets							40,550
Total assets							75,373,285
Segment liabilities	3,343,014	74,510,968	450,668	8,282,843	15,526,099	(56,972,763)	45,140,829
Unallocated:							
Deferred income tax liabilities							2,209,896
Borrowings							10,839,498
Income tax payable							1,895,249
Total liabilities							60,085,472

### (b) Revenues

The following summary describes the operations in each of the Group's reportable segments:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customer within the scope of HKFRS 15:		
• Property development — commercial	565,608	886,739
• Property development — residential	11,525,158	10,236,879
• Hotel	238,501	224,659
• Property investment and management — property management fee income	74,910	61,804
• All other segments	13,063	8,287
	12,417,240	11,418,368
Revenue from other sources		
• Property investment and management — rental income	243,657	223,512
	12,660,897	11,641,880



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Revenues (continued)

In the following tables, revenue is disaggregated by primary geographical market, major products and service and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Property development — commercial		Property development — residential		Hotel		Property investment and management		All other segments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical markets												
PRC	565,608	886,739	11,525,158	10,236,879	238,501	224,659	318,567	285,316	13,063	8,287	12,660,897	11,641,880
Major products/services												
Sales of properties	565,608	886,739	11,525,158	10,236,879	—	—	—	—	—	—	12,090,766	11,123,618
Hotel operating income	—	—	—	—	238,501	224,659	—	—	—	—	238,501	224,659
Rental income												
— from investment properties	—	—	—	—	—	—	203,914	183,177	—	—	203,914	183,177
— others	—	—	—	—	—	—	39,743	40,335	—	—	39,743	40,335
Property management fee income	—	—	—	—	—	—	74,910	61,804	—	—	74,910	61,804
Miscellaneous income	—	—	—	—	—	—	—	—	13,063	8,287	13,063	8,287
	565,608	886,739	11,525,158	10,236,879	238,501	224,659	318,567	285,316	13,063	8,287	12,660,897	11,641,880
Timing of revenue recognition												
At a point in time	565,608	886,739	11,525,158	10,236,879	—	—	—	—	13,063	8,287	12,103,829	11,131,905
Transferred over time	—	—	—	—	238,501	224,659	318,567	285,316	—	—	557,068	509,975
	565,608	886,739	11,525,158	10,236,879	238,501	224,659	318,567	285,316	13,063	8,287	12,660,897	11,641,880



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6 PROPERTY, PLANT AND EQUIPMENT

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Right-of-use assets (Note) RMB'000	Total RMB'000
<b>Cost</b>								
At 31 December 2018	466,751	1,344,634	19,116	142,992	128,406	46,189	—	2,148,088
Impact on initial application of HKFRS 16 (Note 2(a)(i)(A))	—	—	—	—	—	—	620,010	620,010
As at 1 January 2019	466,751	1,344,634	19,116	142,992	128,406	46,189	620,010	2,768,098
Acquisition of subsidiaries (Note 39)	—	—	—	115	—	—	—	115
Additions	525,038	523	2,017	24,568	7,196	—	206,081	765,423
Transfer upon completion	(1,316)	1,316	—	—	—	—	—	—
Disposals	—	(8,815)	(138)	(11,149)	(5,728)	—	—	(25,830)
Transfer from properties under development	—	—	—	—	—	—	468,436	468,436
As at 31 December 2019	990,473	1,337,658	20,995	156,526	129,874	46,189	1,294,527	3,976,242
<b>Accumulated depreciation</b>								
As at 1 January 2019	—	(304,528)	(17,206)	(102,673)	(98,027)	(18,911)	—	(541,345)
Charge for the year	—	(61,646)	(891)	(10,390)	(10,230)	(2,837)	(61,647)	(147,641)
Disposals	—	8,815	137	9,322	5,117	—	—	23,391
As at 31 December 2019	—	(357,359)	(17,960)	(103,741)	(103,140)	(21,748)	(61,647)	(665,595)
<b>Net book value</b>								
As at 31 December 2019	990,473	980,299	3,035	52,785	26,734	24,441	1,232,880	3,310,647

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Right-of-use assets RMB'000	Total RMB'000
<b>Cost</b>								
As at 1 January 2018	453,789	1,314,377	18,712	105,122	126,779	55,738	—	2,074,517
Acquisition of subsidiaries	—	58,781	5,149	29,560	134	—	—	93,624
Additions	13,262	1,393	1,350	9,278	5,419	—	—	30,702
Transfer upon completion	(300)	—	—	300	—	—	—	—
Disposals	—	(151)	(6,095)	(1,268)	(3,926)	(9,549)	—	(20,989)
Transfer to investment properties (Note 7)	—	(29,766)	—	—	—	—	—	(29,766)
As at 31 December 2018	466,751	1,344,634	19,116	142,992	128,406	46,189	—	2,148,088
<b>Accumulated depreciation</b>								
As at 1 January 2018	—	(247,628)	(12,631)	(70,254)	(90,915)	(14,483)	—	(435,911)
Charge for the year	—	(59,629)	(5,798)	(33,516)	(10,472)	(6,006)	—	(115,421)
Disposals	—	—	1,223	1,097	3,360	1,578	—	7,258
Transfer to investment properties (Note 7)	—	2,729	—	—	—	—	—	2,729
As at 31 December 2018	—	(304,528)	(17,206)	(102,673)	(98,027)	(18,911)	—	(541,345)
<b>Net book value</b>								
As at 31 December 2018	466,751	1,040,106	1,910	40,319	30,379	27,278	—	1,606,743

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases previously classified as operating leases under HKAS 17. See Note 2(a)(i)(A).

Depreciation of property, plant and equipment of RMB147,641,000 (2018: RMB115,421,000) has been charged to the consolidated statement of profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2019, certain buildings of RMB179,860,000 (2018: RMB381,623,000) were pledged as collateral for the Group's borrowings (Note 23).

There was no interest capitalised in assets under construction for the year ended 31 December 2019 (2018: Nil).

### Right-of-use assets

	Land use rights (Note i) RMB'000	Properties (Note ii) RMB'000	Total RMB'000
At 1 January 2019	461,258	158,752	620,010
Additions	202,857	3,224	206,081
Depreciation	(8,714)	(52,933)	(61,647)
Transfer from properties under development	468,436	—	468,436
At 31 December 2019	1,123,837	109,043	1,232,880

*Note i:* Land use rights comprise cost of acquiring rights to use certain lands, which are all located outside Hong Kong and primarily in PRC for property, plant and equipment.

As the management changed the intention from held-for-sale to held-for-own-use after completion of the properties, land use rights of RMB468,436,000 was transferred from properties under development.

*Note ii:* The Group has obtained the right to use other properties as its office through tenancy agreements. The lease typically run for an initial period of 2 to 10 years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	10,693,027	8,567,027
Additions	190,751	669,077
Transfer from property, plant and equipment (Note 6)	—	27,037
Transfer from land use rights (Note 9)	—	467,536
Transfer from completed properties held for sale	213,055	236,645
Transfer from deferred government grants (Note 22)	(577)	—
Fair value gains	258,460	749,298
Revaluation deficit upon transfer of an owner-occupied property to an investment property	—	(589)
Disposals	(20,094)	(23,004)
Ending balance	<b>11,334,622</b>	10,693,027

The investment properties were revalued on an existing use basis at the end of each reporting period date by Cushman & Wakefield Limited ("C&W"), an independent and professionally qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
In the PRC, held on leases of 10–50 years	<b>11,334,622</b>	10,693,027

As at 31 December 2019, investment properties of RMB2,320,000,000 (2018: RMB2,904,500,000) were pledged as collateral for the Group's borrowings (Note 23).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	11,054,622
— Investment properties under development	—	—	280,000
<b>Total</b>	—	—	<b>11,334,622</b>

Description	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	9,963,027
— Investment properties under development	—	—	730,000
<b>Total</b>	—	—	<b>10,693,027</b>

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2019		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	9,963,027	730,000	10,693,027
Additions	190,751	—	190,751
Transfer from completed properties held for sale	213,055	—	213,055
Transfer from deferred government grants (Note 22)	(577)	—	(577)
Fair value gains	258,460	—	258,460
Disposals	(20,094)	—	(20,094)
Transfer from investment properties under development to completed investment properties	450,000	(450,000)	—
Ending balance	11,054,622	280,000	11,334,622
Total gains for the year included in profit or loss under fair value gains on investment properties	258,460	—	258,460





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES (continued)

### Fair value measurements using significant unobservable inputs (Level 3) (continued)

	Year ended 31 December 2018		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,671,027	896,000	8,567,027
Additions	669,077	—	669,077
Transfer from property, plant and equipment (Note 6)	27,037	—	27,037
Transfer from land use rights (Note 9)	467,536	—	467,536
Transfer from completed properties held for sale	236,645	—	236,645
Fair value gains	609,298	140,000	749,298
Revaluation deficit upon transfer of an owner-occupied property to an investment property	(589)	—	(589)
Disposals	(23,004)	—	(23,004)
Transfer from investment properties under development to completed investment properties	306,000	(306,000)	—
Ending balance	9,963,027	730,000	10,693,027
Total gains for the year included in profit or loss under fair value gains on investment properties	609,298	140,000	749,298

#### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer, including:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES (continued)

### Valuation techniques

For completed investment properties, the valuation was determined using the income capitalisation approach which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuation was based on a direct comparison model taking into account the following estimates (in addition to the inputs noted above):

- |                   |   |
|-------------------|---|
| Costs to complete | These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;   |
| Completion dates  | Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group. |

There were no changes to the valuation techniques during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7 INVESTMENT PROPERTIES (continued)

### Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2019 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	11,054,622	Income capitalisation approach	Rental value	RMB24-320 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	4.00%-7.00%	The higher the term yield, the lower the fair value
			Reversionary yield	4.5%-7%	The higher the reversionary yield, the lower the fair value
Investment properties under development	280,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB165,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB9,300 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	20% of property value	The higher the profit margin required, the lower the fair value
Description	Fair value at 31 December 2018 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	9,963,027	Income capitalisation approach	Rental value	RMB23-610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	4.00%-7.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%-8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	730,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB172,800,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,780-9,300 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	10%-15% of property value	The higher the profit margin required, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 8 PREPAYMENTS FOR LAND USE RIGHTS

The Group had made prepayments for acquisition of certain land use rights, the ownership certificates of which have not been obtained as at the end of reporting period.

## 9 LAND USE RIGHTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	17,818,709	16,757,037
Upon adoption of HKFRS 16	(17,818,709)	—
Additions	—	3,693,535
Acquisition of a subsidiary	—	355,030
Amortisation		
— capitalised in properties under development	—	(966,373)
— recognised as expenses	—	(56,200)
Transfer to cost of sales	—	(1,501,765)
Transfer to investment properties (Note 7)	—	(467,536)
Disposal of a subsidiary	—	—
Exchange differences	—	4,981
Ending balance	—	17,818,709
Land use rights		
— relating to property, plant and equipment under non-current assets	—	461,258
— relating to properties developed for sale under current assets	—	17,357,451
	—	17,818,709

Land use rights comprise cost of acquiring rights to use certain land, which are all located outside Hong Kong and primarily in PRC for property development over fixed periods.

Amortisation of land use rights of RMB56,200,000 for the year ended 31 December 2018 has been charged to the general and administrative expenses.

As at 31 December 2018, land use rights of RMB3,587,102,000 were pledged as collateral for the Group's borrowings (Note 23).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	7,169	7,169
Impairment of goodwill recognised as expenses (Note)	—	—
Ending balance	7,169	7,169

*Note:* The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment, if any, was included in "General and administrative expenses" in the consolidated statement of profit or loss.

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Property development	7,169	7,169

The recoverable amount of a CGUs is determined based on the higher of the fair value (less cost to sell) of the related properties or its value-in-use estimate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	26,409,743	13,653,232
Interest capitalised	2,391,694	3,230,631
	<b>28,801,437</b>	16,883,863

The properties under development are all located outside Hong Kong and primarily in PRC.

As at 31 December 2019, properties under development of RMB754,657,000 (2018: RMB2,876,021,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings was 10.8% for the year ended 31 December 2019 (2018: 9.33%).

As at 31 December 2019, leasehold interests in land included in properties under development amounted to RMB11,971,356,000 (2018: Nil), of which approximately RMB1,918,046,000 were pledged as collateral for the Group's borrowings (Note 23).

As at 31 December 2019, properties under development amount to approximately RMB15,870,741,000 (2018: RMB10,647,402,000) were not expected to be realised within twelve months from the end of the reporting period.

## 12 INVESTMENTS IN ASSOCIATED COMPANIES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Share of net assets	1,876,310	1,460,719
Goodwill on acquisition	48,560	48,560
	<b>1,924,870</b>	1,509,279



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Nature of investments in associated companies in 2019 and 2018

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights Limited ("Eagle Rights")	Japan	33.33%	Equity accounting
Changchun Shimao Mingfa Real Estate Company Limited ("Shimao Mingfa") 長春世茂明發房地產開發有限公司	PRC	37.5%	Equity accounting
Nanjing Software Valley Qichuang Communication Technology Co., Ltd ("Mingfa Tongxin") 南京軟件谷奇創通訊科技有限公司	PRC	49%	Equity accounting
Nanjing Software Valley Information Development Company Limited ("Software Valley Mingfa") 南京軟件谷明發信息科技發展有限公司	PRC	48%	Equity accounting
Zhangchun Yue Yi Real Estate Development Co., Ltd ("Yue Yi") 長春悅翊房地產開發有限公司	PRC	37.5%	Equity accounting
Jiangsu Zhuye Construction Technology Development Company Limited ("Jiangsu Zhuye") 江蘇築業建築科技發展有限公司	PRC	30%	Equity accounting
Nanjing Ruijing Real Estate Development Co., Ltd. 南京銳昱房地產開發有限公司	PRC	25%	Equity accounting
Nanjing Tongdao Education Consulting Co., Ltd. 南京同道教育諮詢有限公司	PRC	30%	Equity accounting
Dongsheng Co., Ltd ("Dongsheng") 東勝有限公司	Hong Kong	49%	Equity accounting
Nanjing Tongmai Investment Management Co., Ltd 南京同邁投資管理有限公司*	PRC	*40%	Equity accounting

\* acquired during the year 2019

As at 31 December 2019 and 2018, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Mingfa Tongxin	1,235,000	400,000
Software Valley Mingfa	—	800,000
<b>Total</b>	<b>1,235,000</b>	<b>1,200,000</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

### Summarised financial information for the associated companies

Set out below are the summarised financial information for associated companies which are accounted for using the equity method.

### Summarised statement of financial position

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Yue Yi		Dongsheng		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>														
Current assets	115,018	113,229	255,816	256,381	136,237	244,481	838,508	763,958	1,267,346	889,209	1,489,918	—	176,755	373,843
Non-current assets	86,730	82,148	105	105	1,941,359	1,722,864	2,203,294	2,848,490	11,776	11,737	27,784	—	177,452	106,921
	201,748	195,377	255,921	256,486	2,077,596	1,967,345	3,041,802	3,612,448	1,279,122	900,946	1,517,702	—	354,207	480,764
<b>Liabilities</b>														
Current liabilities	(66,867)	(68,331)	—	—	(1,071,889)	(457,651)	(479,608)	(545,844)	(1,187,156)	(873,537)	(258,573)	—	(174,647)	(345,779)
Non-current liabilities	—	—	—	—	(888,000)	(1,253,000)	(580,000)	(1,108,302)	—	—	—	—	—	—
	(66,867)	(68,331)	—	—	(1,959,889)	(1,710,651)	(1,059,608)	(1,654,146)	(1,187,156)	(873,537)	(258,573)	—	(174,647)	(345,779)
Net assets	134,881	127,046	255,921	256,486	117,707	256,694	1,982,194	1,958,302	91,966	27,409	1,259,129	—	179,560	134,985

### Summarised statement of profit or loss and other comprehensive income

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Yue Yi		Dongsheng		Others	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income	26,370	26,435	—	—	56,409	48,596	72,446	64,827	—	—	—	—	301,009	18,263
Expenses	(30,393)	(30,057)	(565)	(727)	(195,396)	(106,685)	(48,554)	(41,109)	(5,443)	(2,585)	—	—	(306,534)	(53,060)
(Loss)/profit after tax	(4,023)	(3,622)	(565)	(727)	(138,987)	(58,089)	23,892	23,718	(5,443)	(2,585)	—	—	(5,525)	(34,797)
Other comprehensive income														
— Exchange differences	11,858	(15,018)	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	7,835	(18,640)	(565)	(727)	(138,987)	(58,089)	23,892	23,718	(5,443)	(2,585)	—	—	(5,525)	(34,797)

The information above reflects the amounts presented in the financial statements of the associated companies, adjusted for differences in accounting policies between the Group and the associated companies, and not the Group's share of those amounts.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

### Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associated companies:

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Yue Yi		Dongsheng		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Opening net assets</b>	127,046	145,686	256,486	257,213	256,694	245,821	1,958,302	1,934,584	27,409	—	—	—	134,985	98,005
Addition	—	—	—	—	—	68,962	—	—	70,000	29,994	—	—	50,100	71,777
Transfer from subsidiary	—	—	—	—	—	—	—	—	—	—	1,259,129	—	—	—
(Loss)/profit for the year	(4,023)	(3,622)	(565)	(727)	(138,987)	(58,089)	23,892	23,718	(5,443)	(2,585)	—	—	(5,525)	(34,797)
Exchange differences	11,858	(15,018)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Closing net assets</b>	134,881	127,046	255,921	256,486	117,707	256,694	1,982,194	1,958,302	91,966	27,409	1,259,129	—	179,560	134,985
<b>% of interest held</b>	33.33%	33.33%	37.50%	37.50%	49%	49%	48%	48%	37.5%	37.5%	49%	100%	20-50%	20-50%
Group's interests in associated companies	44,956	42,344	95,970	96,182	57,677	125,780	951,453	1,130,731	34,487	10,278	616,973	—	74,794	55,404
Goodwill	—	—	48,560	48,560	—	—	—	—	—	—	—	—	—	—
<b>Carrying amount</b>	44,956	42,344	144,530	144,742	57,677	125,780	951,453	1,130,731	34,487	10,278	616,973	—	74,794	55,404

## 13 JOINT ARRANGEMENTS

### a. Joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of net assets	1,995,572	1,987,909



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13 JOINT ARRANGEMENTS (continued)

### a. Joint ventures (continued)

*Nature of investments in joint ventures in 2019 and 2018*

Name of entity	Place of business	% of interest held	Measurement method
Superb Land Limited ("Superb Land")	Hong Kong	20%	Equity accounting
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. ("Mingfa Technological") 南京明發科技商務城建設發展有限公司	PRC	51%	Equity accounting
Versilcraft Holdings Limited ("Versilcraft")	Italy	33.33%	Equity accounting
Nanjing Guofa Real Estate Co., Ltd. 南京國發置業有限公司	PRC	51%	Equity accounting
Nanjing Ming He De Industrial Co., Ltd 南京明禾德實業有限公司	PRC	50%	Equity accounting
Changsha Sand Boat Zhongmin Baihui Ole Business Management Co., Ltd# 長沙砂之船中閩百匯奧萊商業管理有限公司	PRC	49%	Equity accounting
Suzhou Zhengxin Real Estate Development Co., Ltd. 蘇州正信置業發展有限公司	PRC	14.44%	Equity accounting
Guang'an Yueshang Commercial Management Co., Ltd. 廣安市悅尚商業管理有限公司*	PRC	49%	Equity accounting
Wuxi Yueshang Aolai Co., Ltd. 無錫市悅尚奧萊有限責任公司*	PRC	50%	Equity accounting

\* acquired during the year 2019

The Group withdrew the investment in Nanjing Mingfa Tongxing Computer Technology Development Co., Ltd by a written resolution on 23 May 2019.

The Group has joint control of the above companies with other joint venture partners in accordance with the relevant contractual agreements which decisions about the relevant activities require the unanimous consent of the parties sharing control and accordingly these companies have been accounted for as joint ventures.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13 JOINT ARRANGEMENTS (continued)

### a. Joint ventures (continued)

#### *Nature of investments in joint ventures in 2019 and 2018 (continued)*

The Group has discontinued the recognition of its share of losses of joint venture in Superb Land and Versilcraft, because the share of losses of the joint ventures exceeds the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses or profits of these joint ventures for the current year were RMB158,000 and RMB1,890,000 (2018: RMB175,000 and RMB59,000). The accumulated unrecognised losses of these joint ventures were RMB932,000 and RMB2,550,000 (2018: RMB774,000 and RMB4,440,000) respectively.

As at 31 December 2019 and 2018, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Superb Land	351,224	256,478

#### *Summarised financial information for the joint ventures*

Set out below are the summarised financial information for the joint ventures which are accounted for using the equity method and significant to the Group.

#### *Summarised statement of financial position*

	Superb Land		Mingfa Technological		Versilcraft		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Assets</b>								
Current assets	3,456,714	2,935,216	9,604,885	7,405,020	8,751	13,591	2,636,552	1,475,363
Non-current assets	—	—	79,456	79,033	12,042	33,513	48,984	59,938
	3,456,714	2,935,216	9,684,341	7,484,053	20,793	47,104	2,685,536	1,535,301
<b>Liabilities</b>								
Current liabilities	(1,726,122)	(1,635,260)	(5,616,280)	(3,413,823)	(48)	(37)	(2,469,126)	(1,000,303)
Non-current liabilities	(1,730,592)	(1,299,956)	(330,000)	(330,000)	(20,745)	(47,067)	—	(320,000)
	(3,456,714)	(2,935,216)	(5,946,280)	(3,743,823)	(20,793)	(47,104)	(2,469,126)	(1,320,303)
Net assets	—	—	3,738,061	3,740,230	—	—	216,410	214,998



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13 JOINT ARRANGEMENTS (continued)

### a. Joint ventures (continued)

#### *Summarised statement of profit or loss and other comprehensive income*

	Superb Land		Mingfa Technological		Versilcraft		Others	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income	—	—	163,429	126,470	—	—	386,502	76,018
Expenses	—	—	(165,598)	(186,974)	—	—	(388,090)	(34,350)
(Loss)/profit after tax and other comprehensive income	—	—	(2,169)	(60,504)	—	—	(1,588)	41,668

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

Reconciliation of summarised financial information presented to the Group's interest in joint ventures:

	Superb Land		Mingfa Technological		Versilcraft		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	—	—	3,740,230	3,800,734	—	—	214,998	53,922
(Loss)/profit for the year	—	—	(2,169)	(60,504)	—	—	(1,588)	41,668
Capital injection	—	—	—	—	—	—	3,000	119,408
Closing net assets	—	—	3,738,061	3,740,230	—	—	216,410	214,998
% of interest held	20%	20%	51%	51%	33.33%	33.33%	14.44-51%	14.44-51%
Group's interest in Joint ventures	—	—	1,906,411	1,907,517	—	—	89,161	80,392
Carrying amount	—	—	1,906,411	1,907,517	—	—	89,161	80,392



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13 JOINT ARRANGEMENTS (continued)

### b. Joint operation

The Group has a 70% interest in the profits or losses and assets and liabilities of a joint operation located in Xiamen which is engaged in property development and property investment. Powerlong Group Development Co., Ltd (Baolong) has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the joint operation.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
<b>Assets</b>		
Current	457,096	458,496
Non-current	402,827	395,827
	<b>859,923</b>	854,323
<b>Liabilities</b>		
Current	362,332	409,750
Non-current	177,000	177,000
	<b>539,332</b>	586,750
<b>Net assets</b>	<b>320,591</b>	267,573

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Income	47,951	17,544
Fair value gains on investment properties	11,907	6,578
Expenses	(6,840)	(2,794)
<b>Profit after income tax</b>	<b>53,018</b>	21,328
Proportionate interest in joint operation's		
— operating lease rentals receivable	21,597	5,315
— financial guarantees	18,208	22,627



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 14 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in PRC on leases between 40 to 70 years.

As at 31 December 2019, completed properties held for sale of RMB3,007,349,000 (2018: RMB2,623,029,000) were pledged as collateral for the Group's borrowings (Note 23).

As at 31 December 2019, there was no impairment provision made on completed properties held for sale (2018: Nil).

## 15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables	445,546	417,552
Less: Provision for impairment of trade receivables (Note (a))	(186,594)	(164,628)
Trade receivables — net (Note (b))	258,952	252,924
Government grant receivables	60,220	60,220
Other receivables (Note (c))	645,344	739,314
Advances to group companies of non-controlling interests (Note (d))	919,221	1,756,222
Deposits for resettlement costs	2,687	2,687
Deposits for land purchases	265,472	194,827
Less: Provision for impairment of other receivables, deposits and advances to group companies of non-controlling interests	(462,117)	(462,176)
Other receivables and deposits — net	1,430,827	2,291,094
Prepayments for construction costs	1,508,550	1,595,254
Prepaid business tax and other levies on pre-sale proceeds	1,163,327	885,697
Miscellaneous	9,586	1,327
	4,371,242	5,026,296
Less: Non-current portion of other receivables (Note (e))	(14,527)	(106,327)
Current portion	4,356,715	4,919,969
Contract costs (Note (f))	312,788	228,475

As at 31 December 2019 and 2018, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to group companies of non-controlling interest and other parties, other receivables and contract costs approximate their carrying amounts.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS (continued)

Notes:

- (a) Movement in provision for impairment of trade receivables is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	164,628	50,686
Effect of adoption of HKFRS 9	—	118,708
As at 1 January 2019 (restated)	164,628	169,394
Net impairment loss recognised during the year	21,966	(4,766)
As at 31 December 2019	186,594	164,628

- (b) Trade receivables are mainly arose from leases of investment properties and property construction. Proceeds in respect of properties sold and leased and property construction are to be received in accordance with the terms of the related sales and purchase agreements, lease agreements and construction agreement.

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	53,542	65,185
Over 90 days and within 1 year	103,978	81,343
Over 1 year and within 2 years	51,462	54,889
Over 2 years	49,970	51,507
	258,952	252,924

- (c) The amount mainly comprises general and administrative expenses paid on behalf of the Group's tenants and customers, and refundable workers wages protection fund requested by the related government authorities in the property development industry.
- (d) The amount represents advances to group companies of non-controlling interests, which is engaged in property development business and has a long standing business relationship with the Group. The balance is unsecured, interest-free and repayable on demand.
- (e) The non-current portion of other receivables comprised the below items:
- (i) The balance of 2018 includes a cash consideration of RMB90,000,000 paid for acquisition of 9% equity interest of an insurance company. The consideration was refunded in December 2019.
  - (ii) The remaining balance represents the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.
- (f) The amount represents commission paid to property agents in PRC in advance after entering into pre-sale agreements and receiving deposits from customers. These payments are expected to be recognised in profit or loss within twelve months from the end of the reporting period at the point in time when the properties are complete and control is transferred to customers.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 16 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
<b>Receivables from related parties</b>		
Controlled by the controlling shareholders	3,804	2,807
Associated companies	265,914	354,496
Joint ventures	346,567	435,368
<b>Loan to a joint venture (Note (a))</b>	333,833	306,976
	<b>950,118</b>	<b>1,099,647</b>

*Notes:*

- (a) As at 31 December 2019, the loan to a joint venture, Superb Land Limited ("Superb Land") carries interest at 2.2% per annum and will be demanded for repayment during the next 12 months.
- (b) The amounts due from related parties, joint ventures and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand.
- (c) The carrying amounts of amounts due from related parties, joint ventures and associated companies approximate their fair values.
- (d) As at 31 December 2019, the ECLs of the amounts due from related parties, joint ventures and associated companies were assessed under the basis as set out in Note 3(b) and the ECLs were assessed to be immaterial.

## 17 AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

Except for a balance of RMB162,750,000 (2018: RMB153,141,000) due from a non-controlling interest, Xian Gongheng Zhiye Co Ltd. as at 31 December 2019 which is interest bearing at 7.15% per annum, unsecured and mature in 2020, the remaining balance were unsecured, interest-free, repayable on demand and were non-trade in nature.

A balance of RMB340,487,000 due to a non-controlling interest of Fengxian Mingcheng Real Estate Co., Ltd ("Fengxian Mingcheng") relates to the unpaid cash consideration for the acquisition of Fengxian Mingcheng (Note 39).

As at 31 December 2019, the ECLs of the amounts due from non-controlling interests were assessed under the basis as set out in Note 3(b) and the ECLs were assessed to be immaterial.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

As at 31 December 2019, the Group's cash of approximate RMB103,254,000 (2018: RMB429,621,000) was restricted and deposited in certain banks as security for certain borrowings (Note 23) and financial guarantees (Note 37).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 19 OTHER FINANCIAL ASSETS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	40,550	30,150
Addition	—	10,400
Ending balance	40,550	40,550
Less: Non-current portion	(40,550)	(40,550)
Current portion	—	—

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
<b>Equity investments measured at FVTOCI — Non-current</b>		
Unlisted equity shares (Note)	40,550	40,550
	40,550	40,550

*Note:* Other financial assets represented unlisted equity investment of 10% in a PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets for the years ended 31 December 2019 and 2018 from the investment cost. During the year 2019, RMB1,075,000 (2018: Nil) of dividend was declared by this entity and was received by the Group (Note 29).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 20 NON-CONTROLLING INTERESTS

### Material non-controlling interests

Among the total non-controlling interests of RMB1,760,064,000 as at 31 December 2019, the significant balances mainly relate to two PRC subsidiaries, which are Nanjing Mingmao Real Estate Co., Ltd (“Nanjing Mingmao”) and Fengxian Mingcheng respectively holding an equity interest of 49% and 30% with a carrying amount of RMB987,262,000 and RMB208,617,000 respectively. The Group considered the other non-controlling interests as insignificant.

Among the total non-controlling interests of RMB1,328,650,000 as at 31 December 2018, the significant balance mainly relates to a PRC subsidiary, which is Nanjing Mingmao holding an equity interest of 49% with a carrying amount of RMB861,832,000. The Group considered that other non-controlling interests as insignificant.

Set out below is the summarised financial information for Nanjing Mingmao and Fengxian Mingcheng. The financial information represents the amounts before intra-group transactions elimination.

### Summarised statement of financial position

	Nanjing Mingmao As at 31 December		Fengxian Mingcheng As at 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Current</b>				
Assets	2,814,493	6,780,424	1,048,135	—
Liabilities	(803,969)	(5,036,432)	(355,392)	—
Total current net assets	2,010,524	1,743,992	692,743	—
<b>Non-current</b>				
Assets	4,297	14,849	2,646	—
Total non-current net assets	4,297	14,849	2,646	—
<b>Net assets</b>	2,014,821	1,758,841	695,389	—
Accumulated non-controlling interests	987,262	861,832	208,617	—



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 20 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

*Summarised statement of profit or loss and other comprehensive income*

	Nanjing Mingmao Year ended 31 December		Fengxian Mingcheng Year ended 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	747,090	2,433,583	—	—
Profit/(loss) before income tax	318,531	989,543	(14,356)	—
Income (tax)/credit	(62,551)	(247,386)	2,174	—
<b>Post-tax profit and other comprehensive income</b>	255,980	742,157	(12,182)	—
Profit/(loss) allocated to non-controlling interests	125,430	363,657	(3,655)	—

*Summarised statement of cash flows*

	Nanjing Mingmao Year ended 31 December		Fengxian Mingcheng Year ended 31 December	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash flows from operating activities:				
Cash generated from operations	474,975	1,177,981	18,711	—
PRC income tax paid	(271,698)	(122,489)	(3,366)	—
<b>Net cash generated from operating activities</b>	203,277	1,055,492	15,345	—
<b>Net cash used in operating activities</b>	—	—	(514)	—
<b>Net cash (used in)/generated from financing activities</b>	(1,731,273)	375,438	71,287	—
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,527,996)	1,430,930	86,118	—
Cash and cash equivalents at beginning of the year	1,536,382	105,452	—	—
Cash and cash equivalents at end of the year	8,386	1,536,382	86,118	—



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 20 NON-CONTROLLING INTERESTS (continued)

### Material non-controlling interests (continued)

#### Summarised statement of cash flows (continued)

On 7 November 2019, the Group acquired an additional 49% ownership interest in its subsidiary Mingfa Group (Peixian) Real Estate Co., Ltd (“Peixian”). Following the acquisition, the Group had 100% ownership interest. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2019 RMB'000
Consideration paid for 49% ownership interest	8,617
Net assets attributable to 49% ownership interest	(8,279)
Increase in equity attributable to owners of the Company (included in retained earnings)	338

#### Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB8,386,000 as at 31 December 2019 (2018: RMB1,536,382,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

## 21 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent RMB
Authorised:			
At 1 January 2018, 31 December 2018 and at 31 December 2019	12,000,000,000	1,200,000,000	
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and at 31 December 2019	6,093,451,026	609,345,103	536,280,877



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 22 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	1,429,486	1,641,326
Addition (Note (a))	95,654	—
Amortisation to the consolidated statement of profit or loss	(66,522)	(211,840)
Transfer to investment properties (Notes 7 and 22(b))	(577)	—
<b>Ending balance</b>	<b>1,458,041</b>	1,429,486

*Notes:*

- (a) The addition during the year represents subsidies received from governments for land purchase. The amount will be amortised to consolidated statement of profit or loss when the properties are sold.
- (b) As the relevant properties are transferred to investment properties, the government grants are transferred to investment properties accordingly.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Representing:		
Original amount	2,125,311	2,029,657
Accumulated amortisation	(501,084)	(434,562)
Transfer to investment properties (Note 7)	(166,186)	(165,609)
<b>Net book amount</b>	<b>1,458,041</b>	1,429,486

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
For the development of property projects	2,125,311	2,029,657



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23 BORROWINGS

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (Note (a))	2,965,625	3,137,813
Bank borrowings — unsecured (Note (a))	—	184,880
Other borrowings — secured (Note (a))	—	278,636
Bonds (Note (b))	—	1,501,268
	<b>2,965,625</b>	5,102,597
Less: Amounts due within one year	<b>(2,405,219)</b>	(2,992,919)
	<b>560,406</b>	2,109,678
Borrowings included in current liabilities		
Current portion of long-term borrowings (Note (a))	2,405,219	2,992,919
Bank borrowings — secured (Note (a))	772,100	3,388,002
Other borrowings — guaranteed and secured (Note (a))	—	976,259
Bonds (Note (b))	3,314,666	1,372,640
	<b>6,491,985</b>	8,729,820

### (a) Details on borrowings

As at 31 December 2019, the Group's certain borrowings of RMB3,165,523,000 were secured by its properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2018, the Group's certain borrowings of RMB6,792,091,000 were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2019, the Group's certain borrowings of RMB474,192,000 (2018: RMB193,216,000) were secured by its buildings (Note 6) and investment properties (Note 7).

As at 31 December 2019, the Group's certain borrowings of RMB98,010,000 (2018: RMB429,403,000) were secured by its restricted cash (Note 18).

As at 31 December 2019, the Group has no borrowings guaranteed by the intermediate holding company of a non-controlling interest (2018: RMB366,000,000).

As at 31 December 2019, the Group's certain bonds of RMB338,545,000 (2018: RMB345,250,000) were guaranteed by the directors.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2019	404,134	51,389	104,883	560,406
As at 31 December 2018	500,052	59,722	1,549,904	2,109,678

Borrowings included in current liabilities:				
As at 31 December 2019	5,041,552	650,433	800,000	6,491,985
As at 31 December 2018	7,227,145	1,502,675	—	8,729,820

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings:		
Between 1 and 2 years	106,139	1,621,293
Between 2 and 5 years	436,212	386,274
Over 5 years	18,055	102,111
	<b>560,406</b>	<b>2,109,678</b>

The effective interest rates of the borrowings at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
Bank borrowings	6.13%	6.52%
Other borrowings	3.17%	8.16%
Bonds	11.49%	10.79%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The carrying amounts and fair values of non-current borrowings are as follows:

	<b>Carrying amounts</b> RMB'000	<b>Fair values</b> RMB'000
As at 31 December 2019		
Bank borrowings (Note (i))	<b>560,406</b>	<b>567,788</b>
As at 31 December 2018		
Bank borrowings (Note (i))	608,410	617,824
Bonds (Note (i))	1,501,268	1,630,780
	<b>2,109,678</b>	<b>2,248,604</b>

*Note:*

- (i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 5.27% as at 31 December 2019 (2018: 9.53%).

The fair values of current borrowings equal to their carrying amounts.

### (b) Bonds

#### (i) Bonds issued on 15 December 2016 ("2019 Bonds A")

On 15 December 2016, the Company issued US\$60,000,000 bonds. The 2019 Bonds A is interest bearing at 9% per annum and is payable quarterly.

The 2019 Bonds mature in three years from the issue date and shall be redeemed at their principal amount together with accrued and unpaid interest in 2019.

The 2019 Bonds A contain early redemption option. Early redemption option is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on issue date of the bonds, as at 31 December 2019, and is therefore not recognised.

The 2019 Bonds A has matured on 15 December 2019. The Group is negotiating with the bond issuer on renewing the bond up to the date of this annual report.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23 BORROWINGS (continued)

### (b) Bonds (continued)

#### (ii) Bonds issued on 12 May 2017 ("2020 Bonds A")

On 12 May 2017, the Company issued US\$220,000,000 bonds which were listed on Singapore Exchange Securities Trading Limited. The 2020 Bonds A is interest bearing at 11% per annum and is payable semi-annually.

The 2020 Bonds A mature in three years from the issue date and shall be redeemed at 100% of their principal amount together with accrued and unpaid interest in 2020.

#### (iii) Bonds issued on 17 January 2018 ("2019 Bonds B")

On 17 January 2018, the Company issued US\$200,000,000 bonds which were listed on Singapore Exchange Securities Trading Limited. The 2019 Bonds B is interest bearing at 11% per annum and is payable semi-annually.

The 2019 Bonds B were matured and redeemed at 100% of their principal amount together with accrued and unpaid interest on 12 January 2019.

#### (iv) Bonds issued on 16 January 2019 ("2020 Bonds B")

On 16 January 2019, the Company issued US\$200,000,000 bonds which were listed on Singapore Exchange Securities Trading Limited. The 2020 Bonds B is interest bearing at 15% per annum and is payable semi-annually.

The 2020 Bonds B mature in one year from the issue date and shall be redeemed at 100% of their principal amount together with accrued and unpaid interest in 2020.

## 24 CONTRACT LIABILITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract liabilities arising from:		
Properties development	22,288,790	22,418,874
Other services	5,026	9,495
	<b>22,293,816</b>	<b>22,428,369</b>

Typical payment terms which impact on the amount of contract liabilities are as follows:

#### Properties development

The Group requires deposits on certain percentage of selling price of properties sold as stated in the sales and purchase agreement before the transfer of properties sold.

#### Other services

The Group requires deposits for the advance reservation of hotel accommodation with the remainder of the consideration at the completion of services provided.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24 CONTRACT LIABILITIES (continued)

### Movements in contract liabilities

	2019 RMB'000	2018 RMB'000
Balance as at 1 January	22,428,369	17,217,720
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(12,340,662)	(8,135,551)
Increase in contract liabilities as a result of receiving deposits from customers	12,206,109	13,346,200
Balance at 31 December	22,293,816	22,428,369

As at 1 January 2018, upon the initial adoption of HKFRS 15, contract liabilities of RMB17,217,720,000 was recognised. The contract liabilities mainly relate to the advance proceeds received from customers. RMB12,340,662,000 of the contract liabilities as of 1 January 2019 (As at 1 January 2018: RMB8,135,551,000) has been recognised as revenue for the year ended 31 December 2019 and 2018 respectively from performance obligations satisfied in previous year.

As at 31 December 2019, the aggregated amount of the transaction price received and allocated to the remaining performance obligations not yet satisfied by the Group as at 31 December 2019 under the Group's existing contracts of sales of properties outstanding as of 31 December 2019 amounted to RMB22,293,816,000. The Group will recognise the expected revenue in future based on the appropriate accounting policies as described in Note 2(v), which is expected to occur within next 12 to 24 months from the end of the reporting period.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	306,370	55,514
— to be recovered within 12 months	272,565	550,759
	<b>578,935</b>	606,273
Deferred income tax liabilities		
— to be settled after more than 12 months	(2,008,007)	(2,151,847)
— to be settled within 12 months	(397,025)	(58,049)
	<b>(2,405,032)</b>	(2,209,896)
	<b>(1,826,097)</b>	(1,603,623)

The net movement on the deferred income tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	1,603,623	1,445,198
Charged to the consolidated statement of profit or loss (Note 33)	222,474	158,527
Acquisition of subsidiaries	—	(102)
Ending balance	<b>1,826,097</b>	1,603,623



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 25 DEFERRED INCOME TAX (continued)

Movement in deferred income tax assets and liabilities for the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2019	467,790	40,108	221,121	729,019
(Charged)/credited to the consolidated statement of profit or loss	56,389	(54,447)	(51,176)	(49,234)
As at 31 December 2019	524,179	(14,339)	169,945	679,785
As at 1 January 2018	472,399	39,286	140,139	651,824
(Charged)/credited to the consolidated statement of profit or loss	(4,609)	822	80,880	77,093
Acquisition of subsidiaries	—	—	102	102
As at 31 December 2018	467,790	40,108	221,121	729,019



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 25 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2019	(1,468,356)	(101,744)	(146,502)	(616,040)	(2,332,642)
Charged to the consolidated statement of profit or loss	(79,251)	(273)	—	(93,716)	(173,240)
As at 31 December 2019	(1,547,607)	(102,017)	(146,502)	(709,756)	(2,505,882)
As at 1 January 2018	(1,281,031)	(101,744)	(183,477)	(530,770)	(2,097,022)
(Charged)/credited to the consolidated statement of profit or loss	(187,325)	—	36,975	(85,270)	(235,620)
As at 31 December 2018	(1,468,356)	(101,744)	(146,502)	(616,040)	(2,332,642)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated statement of financial position and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB216,942,000 (2018: RMB213,712,000) as at 31 December 2019 in respect of accumulated losses amounting to RMB867,770,000 (2018: RMB854,849,000) as at 31 December 2019. Accumulated losses as at 31 December 2019 amounting to RMB867,770,000 will expire during years from 2020 to 2024.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (Note (a))	11,642,929	9,946,853
Other payables (Note (b))	4,115,601	3,314,885
Other taxes payable	252,870	252,295
	<b>16,011,400</b>	<b>13,514,033</b>

Notes:

(a) The ageing analysis of trade payables, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	8,636,311	5,318,440
Over 90 days and within 1 year	1,439,178	1,540,523
Over 1 year	1,567,440	3,087,890
	<b>11,642,929</b>	<b>9,946,853</b>

(b) Other payables comprise:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits and advances from contractors	729,135	518,118
Deposits received from tenants of investment properties	57,977	72,114
Payable to joint operation partner	31,720	31,720
Advances from shareholders of associated companies and joint ventures (Note (i))	1,005,410	1,011,178
Advances from other parties (Note (ii))	147,935	313,164
Consideration payable on acquisition of subsidiaries	313,121	320,976
Consideration received for disposal of a subsidiary	89,578	87,620
Consideration received on behalf of an associated company from the associated company's parent (Note (v))	754,050	—
Commission payables	40,796	35,908
Accruals and other payables (Note (iii))	515,891	680,543
Provision for loss arising from financial guarantee agreements (Note (iv))	139,944	89,136
Miscellaneous	290,044	154,408
	<b>4,115,601</b>	<b>3,314,885</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26 TRADE AND OTHER PAYABLES (continued)

*Notes: (continued)*

- (b) Other payables comprise: (continued)
- (i) As at 31 December 2019, except for advances from shareholders of associated companies and joint ventures amounted to RMB564,024,000 (2018: RMB850,441,000) for current portion which are unsecured, interest-bearing at rate ranging from 7% to 8.5% (2018: ranging from 5.2% to 13.5%) per annum and repayable on demand (2018: 6 months to 2 years after drawdown date), the remaining balances are unsecured, interest-free and repayable on demand.
  - (ii) As at 31 December 2019, except for advances from other parties amounted to RMB122,793,000 (2018: RMB116,553,000) which are secured, interest-bearing at 12% (2018: 12%) per annum, the remaining balance is unsecured, interest-bearing at rate ranging from 4.35% to 13.5% (2018: 4.35 to 13.5%) per annum and repayable on demand.
  - (iii) The amount mainly comprises accruals of general and administrative expenses, salaries and operating expenses.
  - (iv) In 2016, a provision for loss arose from three financial guarantee contracts in respect of guarantee agreements entered into by a subsidiary of the Group amounted to RMB34,990,000, RMB26,546,000 and RMB27,600,000 respectively and respective interest.
  - (v) The consideration received is from disposal of a subsidiary. The details are set out in note 40(a). Up to the date of this report, the Group received RMB2,792,411,500 from the disposal of subsidiary.

## 27 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year RMB'000	As at 31 December	
		2019 RMB'000	2018 RMB'000
Controlling shareholders			
Mr. Wong Wun Ming	1,740,028	1,740,028	1,359,371
Companies controlling by controlling shareholders		33,195	32,500
Joint ventures (Note 13)		3,939,706	4,570,183
Associated companies (Note 12)		416,714	970,602
		<b>6,129,643</b>	6,932,656

The amounts due to related parties, joint ventures and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due to related parties, joint ventures and associated companies approximate their fair values.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 28 LEASES LIABILITIES

HKFRS 16 was adopted since 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a)(i). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in Note 2(x)A.

	Properties RMB'000
As at 1 January 2019	158,752
Additions	9,179
Interest expense	7,752
Lease payments	(56,682)
Foreign exchange movements	79
As at 31 December 2019	119,080

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 RMB'000	Interest 31 December 2019 RMB'000	Present value 31 December 2019 RMB'000
Not later than one year	61,802	(5,013)	56,789
Later than one year and not later than two years	47,938	(1,779)	46,159
Later than two years and not later than five years	13,294	(1,041)	12,253
Later than five years	4,041	(162)	3,879
	127,075	(7,995)	119,080





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 28 LEASES LIABILITIES (continued)

	Minimum lease payments 1 January 2019 (Note) RMB'000	Interest 1 January 2019 (Note) RMB'000	Present value 1 January 2019 (Note) RMB'000
Not later than one year	56,682	(7,500)	49,182
Later than one year and not later than two years	59,481	(4,669)	54,812
Later than two years and not later than five years	52,508	(2,071)	50,437
Later than five years	4,650	(329)	4,321
	173,321	(14,569)	158,752

*Note:* The Group has applied HKFRS 16 using modified retrospective approach with a date of initial application on 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. See Note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	2019 RMB'000
Current liabilities	56,789
Non-current liabilities	62,291
	119,080
	2019 RMB'000
Short-term lease expense	11,381
Aggregate undiscounted commitments for short term leases	1,362



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 28 LEASES LIABILITIES (continued)

### *Operating leases — lessee*

With the exception of the headquarters in Hong Kong, the Group leases the majority of its properties in PRC. The terms of property leases are generally every 1 to 10 years.

The lease payments recognised as an expenses are as follows:

	2018 RMB'000
Minimum leases payments	32,093

The total future minimum lease payments are due as follows:

	2018 RMB'000
Not later than one year	56,766
Later than one year and not later than two years	59,481
Later than two years and not later than five years	50,958
Later than five years	6,200
	173,405

### *Operating leases — lessor*

The Group's investment property is also leased to a number of tenants for varying terms. The rental income during the year ended 31 December 2019 was RMB243,657,000 (2018: RMB223,512,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Not later than one year	<b>213,044</b>	217,378
Later than one year and not later than two years	<b>206,435</b>	229,946
Later than two year and not later than three years	<b>210,975</b>	223,388
Later than three year and not later than four years	<b>208,182</b>	226,963
Later than four year and not later than five years	<b>255,915</b>	220,212
Later than five years	<b>1,158,852</b>	1,330,125
	<b>2,253,403</b>	2,448,012



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 29 OTHER INCOME AND OTHER GAINS AND LOSSES

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Government grants (Note (a))		1,087	2,534
Reversal of provision for losses on financial guarantee contracts in respect of guarantee agreement		—	674
Net loss from disposal of property, plant and equipment		(1,477)	(185)
Net exchange losses (Note (b))		(63,703)	(207,365)
Net loss from disposal of investment properties		(3,844)	(1,541)
Gain on disposal of 51% equity interest of a subsidiary	40(b)	5,163	—
Gain on rights transferred on sale and leaseback transactions (Note (c))		10,795	—
Write-off of trade receivables		(10,990)	—
Provision for financial guarantee	26(b)(iv)	(50,808)	—
Dividend income from other financial assets	19	1,075	—
Miscellaneous		(2,817)	37,681
		<b>(115,519)</b>	<b>(168,202)</b>

*Notes:*

- (a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local government authorities by certain subsidiaries which were credited to the unaudited consolidated statement of profit or loss directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government authorities on a case by case basis there is no assurance that the Group will continue to enjoy such grants in the future.

- (b) Exchange difference mainly arises from the bonds in Note 23 which is denominated in USD.

- (c) The gain is generated from the sale and lease back transaction. The Group carries on sale and lease back transaction for the purpose of finance expansion of the existing business. After selling the underlying properties to purchaser, the Group will lease back the properties from the purchaser. The lease term ranges from 8 years to 10 years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 30 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Staff costs — including directors' emoluments (Note (a))	410,744	435,825
Auditor's remuneration	3,700	4,800
Charitable donation	4,110	1,134
Depreciation of property, plant and equipment (Note 6)	147,641	115,421
Depreciation of right-of-use assets under properties under development	40,675	—
Amortisation of land use rights	—	56,200
Cost of properties sold	8,212,205	7,815,744
Business tax and other levies on sales and construction of properties (Note (b))	151,665	234,549
Direct outgoings arising from investment properties that generate rental income	142,140	143,343
Short-term leases expenses (Note 28)	11,381	—
Total minimum lease payment for lease previously classified as operating leases under HKAS 17	—	32,093
Hotel operating expenses	145,927	115,108

Notes:

**(a) Staff costs (including directors' emoluments)**

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	353,310	372,863
Pension costs — defined contribution plans	38,668	41,054
Other allowances and benefits	18,766	21,908
	410,744	435,825

**(b) Business tax and other levies on sales and construction of properties**

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale and construction of properties. These expenses are included in cost of sales.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 31 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Finance income		
— interest income on bank deposits and loan to a related party	94,582	72,788
Interest expenses on bank borrowings	(373,761)	(638,454)
Interest expenses on other borrowings and advances from other parties	(32,779)	(31,865)
Interest expenses on bonds (Note 23)	(354,909)	(340,853)
Interest expenses on lease liabilities	(7,752)	—
Less: Interest capitalised	761,449	1,011,172
Finance costs	(7,752)	—
Net finance income	86,830	72,788

## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and chief executive's emoluments

The remuneration of each executive of the Company for the year ended 31 December 2019 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
<b>Executive directors</b>				
Mr. Huang Qingzhu (Note (i))	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,930	15	2,945
Mr. Liu Yuwei (Note (ii))	—	391	—	391
<b>Non-executive director</b>				
Mr. Wong Wun Ming (Note (iii))	—	120	15	135
<b>Independent non-executive directors</b>				
Mr. Lau Kin Hon	528	—	—	528
Mr. Chu Kin Wang Peleus	528	—	—	528
Dr. Lam, Lee G.	528	—	—	528
Mr. Chan Sing Lai (Note (ii))	244	—	—	244
	1,828	3,607	45	5,480



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (a) Directors' and chief executive's emoluments (continued)

The remuneration of each executive of the Company for the year ended 31 December 2018 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
<b>Executive directors</b>				
Mr. Wong Wun Ming	—	120	15	135
Mr. Huang Qingzhu	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,793	15	2,808
<b>Independent non-executive directors</b>				
Mr. Lau Kin Hon	305	—	—	305
Mr. Dai Yiyi	135	—	—	135
Mr. Qu Wenzhou	135	—	—	135
Mr. Chu Kin Wang Peleus	508	—	—	508
Dr. Wong Tin Yau Kelvin J.P.	169	—	—	169
Dr. Lam, Lee G.	169	—	—	169
	1,421	3,079	45	4,545

*Notes:*

- (i) The chief executive of the Group is Mr. Huang Qingzhu, with effect from 15 July 2019. (also a director) whose emoluments have been presented above.
- (ii) Appointed with effect from 15 July 2019.
- (iii) Mr. Wong Wun Ming was re-designated from executive director to non-executive director on 15 July 2019.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (b) Five highest paid individuals

During the year ended 31 December 2019, one (2018: one) of the five highest paid individuals is director of the Company, whose emolument is reflected in the analysis presented above.

The aggregate amounts of emoluments of the four highest paid individuals for the year ended 31 December 2019 (2018: four) are set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Basic salaries and allowance	4,572	4,371
Retirement scheme contributions	129	123
	<b>4,701</b>	<b>4,494</b>

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2019 and 2018 presented fall within the range of following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK\$500,001–HK\$1,000,000	3	3
HK\$1,000,001–HK\$1,500,000	—	—
HK\$1,500,001–HK\$2,000,000	—	—
HK\$2,000,001–HK\$2,500,000	1	1

- (c) During the year ended 31 December 2019, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2018: Nil).

During the year ended 31 December 2019, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2018: Nil).

During the year ended 31 December 2019, no consideration was provided to or receivable by third parties for making available director's services (2018: Nil).

- (d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2018: Nil).
- (e) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33 INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax		
— PRC enterprise income tax	604,460	645,650
— PRC land appreciation tax	738,831	389,949
	<b>1,343,291</b>	1,035,599
Deferred income tax		
— PRC enterprise income tax	128,758	165,394
— PRC withholding income tax	93,716	85,270
	<b>222,474</b>	250,664
	<b>1,565,765</b>	1,286,263

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	2,701,690	2,575,394
PRC land appreciation tax	<b>(738,831)</b>	(389,949)
	<b>1,962,859</b>	2,185,445
Calculated at PRC enterprise income tax rate of 25%	490,715	546,362
Effect of expenses not deductible for income tax purposes (Note (a))	163,465	220,610
Income not subject to tax (Note (b))	<b>(15,520)</b>	(37,420)
Tax losses not recognised as deferred tax assets	94,558	81,492
	<b>733,218</b>	811,044
PRC land appreciation tax	738,831	389,949
PRC withholding income tax	93,716	85,270
	<b>1,565,765</b>	1,286,263





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33 INCOME TAX EXPENSE (continued)

Notes:

- a. Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, net exchange loss, interest expense on bonds.
- b. Income not subject to tax mainly comprises fair value gains on derivative financial instruments, share of results of associated companies and joint ventures and unrealised exchange gain.

### Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2019 (2018: Nil).

Under two-tiered profits tax regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong profit tax is calculated in accordance with the two-tiered profits tax rates regime.

### PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2018: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

### PRC withholding income tax

According to the Enterprise Income Tax Law of the PRC and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied, subject to approval of local tax authorities, when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

## 34 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 35 EARNINGS PER SHARE

### Basic and diluted

Basic earnings per share for the years ended 31 December 2019 and 2018 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

As there were no dilutive options and other dilutive potential shares in issue during 2019 and 2018, and the Company's shares were suspended for trading on Stock Exchange, diluted earnings per share is the same as basic earnings per share.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	952,112	855,076
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,093,451
Basic and diluted earnings per share (RMB cents)	15.6	14.0



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the significant subsidiaries, associated companies and joint ventures of the Group as at 31 December 2019 and 2018 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC</b>							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$1,000,000,000	HK\$1,000,000,000	100%	100%	Property development and investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB200,000,000	RMB200,000,000	100%	100%	Property development and investment holding
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發 有限公司	13 February 2007	Sino-foreign joint venture	HK\$230,000,000	HK\$230,000,000	100%	100%	Property development and investment holding
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發 有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	Property development and investment holding
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發 有限公司	18 October 2006	Sino-foreign joint venture	US\$110,000,000	US\$110,000,000	100%	100%	Property development and investment holding
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發 有限公司	1 November 2005	Sino-foreign joint venture	US\$29,990,000	US\$29,990,000	100%	100%	Property development and investment holding
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發 有限公司	12 July 2002	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	100%	100%	Property development and investment holding
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京明發珍珠泉大酒店 有限公司	15 September 2004	Sino-foreign joint venture	US\$14,804,000	US\$14,804,000	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property investment and investment holding
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB211,680,000	RMB211,680,000	100%	100%	Property development and investment holding
Xiamen Ming Sheng Investment Management Co., Ltd. 明勝世家(廈門)物業管理 有限公司	18 April 2006	Sino-foreign joint venture	HK\$68,000,000	HK\$68,000,000	51%	51%	Property management



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For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing and investment holding
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發 有限公司	28 November 2006	Domestic enterprise	RMB80,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店 有限公司	17 December 2007	Foreign investment enterprise	US\$23,500,000	US\$23,500,000	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment and investment holding
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設 有限公司	18 October 1999	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation and investment holding
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$375,000,000	HK\$88,000,000	100%	100%	Property development and investment holding
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development and investment holding
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發 有限公司	22 October 2009	Domestic enterprise	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Property development and investment holding
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US\$90,000,000	US\$90,000,000	100%	100%	Property development and investment holding



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development
Horgos Zhenxinhua Consulting Co., Ltd. 霍爾果斯振鑫華諮詢服務有限公司	4 August 2017	Domestic enterprise	RMB10,000,000	—	100%	—	Consultant service
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$5,000,000	US\$5,000,000	100%	100%	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業服務經營管理有限公司	2 June 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property management
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK\$5,800,000	HK\$5,800,000	100%	100%	Property management
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)物業經營管理有限公司	15 July 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property management
Ming Sheng (Zhangzhou) Property Operation Management Co., Ltd. 明勝(漳州)物業經營管理服務有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	100%	100%	Property management
Huizhou Fuzhiye Real Estate Co., Ltd. 惠州富之頁房地產開發有限公司	9 November 1991	Foreign investment enterprise	US\$34,700,000	US\$27,546,373	80%	80%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US\$29,800,000	US\$20,000,000	100%	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US\$159,500,000	US\$111,500,070	100%	100%	Property development and investment holding
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development and investment holding
Nanan Mingfa Real Estate Development Co., Ltd. 南安明發房地產開發有限公司	12 October 2019	Domestic enterprise	RMB50,000,000	—	100%	—	Property development



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Xiamen Mingfa Seaview International Hotel Co., Ltd. 廈門明發海景國際酒店有限公司	4 November 2011	Domestic enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Huai'an Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US\$28,000,000	US\$28,000,000	100%	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發(龍海)房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK\$50,000,000	HK\$50,000,000	100%	100%	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團(深圳)房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Lanzhou Mingfa Zhongke Real Estate Co., Ltd. 蘭州明發中科房地產開發有限公司	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	51%	51%	Property development
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	100%	100%	Property development
Mingfa (China) Investments Company Limited 明發(中國)投資有限公司	23 October 2012	Foreign investment enterprise	US\$150,000,000	US\$150,000,000	100%	100%	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司	24 December 2012	Domestic enterprise	RMB200,000,000	RMB200,000,000	100%	100%	Property development
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司	21 March 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Mingfa Group Lianyungang Real Estate Development Co., Ltd. 明發集團連雲港房地產開發有限公司	1 November 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Mingfa Group Suqian Real Estate Development Co., Ltd. 明發集團宿遷房地產開發有限公司	26 September 2017	Domestic enterprise	RMB10,000,000	—	70%	70%	Property development
Nanjing Mingfa Tong Sheng Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司	19 June 2013	Domestic enterprise	US\$10,000,000	US\$6,600,295	70%	70%	Property development



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Zibo Mingfa Hotel Management Co., Ltd 淄博明發酒店管理有限公司	27 August 2019	Domestic enterprise	HKD120,000,000	RMB108,313,990	100%	—	Hotel operation
Chuzhou Mingsheng City Development Co., Ltd 滁州明盛城市開發有限公司	4 September 2019	Domestic enterprise	RMB100,000,000	—	100%	—	Property development
Ping Liang Shi Ding Sheng Real Estate Co., Ltd 平涼市鼎盛置業投資有限公司	20 April 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	60%	60%	Property development
Mingfa Group Nanjing Pukou Real Estate Co., Ltd. 明發集團南京浦口房地產開發有限公司	25 November 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	100%	100%	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司	20 November 2013	Foreign investment enterprise	US\$10,000,000	US\$10,000,000	100%	100%	Property development
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司	22 August 2013	Domestic enterprise	RMB500,000,000	RMB500,000,000	100%	100%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 October 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	100%	100%	Property management
Nanjing MingMao Real Estate Co., Ltd. 南京明茂置業有限公司	05 February 2015	Domestic enterprise	RMB820,000,000	RMB820,000,000	51%	51%	Property development
Nanjing Mingfa PuTai Real Estate Co., Ltd. 南京明發浦泰置業有限公司	16 March 2015	Domestic enterprise	RMB100,000,000	RMB100,000,000	51%	51%	Property development
Zhangzhou Mingfa Wyndham Hotel Co., Ltd 漳州明發溫德姆酒店有限公司	7 August 2014	Domestic enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Hefei Mingfa International Hotel Co., Ltd. 合肥明發國際大酒店有限公司	3 January 2014	Domestic enterprise	US\$15,000,000	US\$10,302,000	100%	100%	Hotel operation
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司	17 March 2014	Domestic enterprise	RMB60,000,000	RMB60,000,000	100%	100%	Property development
Mingfa Group Nanjing Ruiye Real Estate Co., Ltd. 明發集團南京瑞業房地產開發有限公司 (Note (a))	28 May 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	40%	40%	Property development



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group Anhui Jinzhai City Development Co., Ltd 明發集團安徽金寨城市開發有限公司	9 December 2014	Domestic enterprise	RMB200,000,000	RMB120,000,000	100%	100%	Property development and investment holding
Nanjing Zhaofu International Golf Club Co., Ltd 南京昭富國際高爾夫會員俱樂部有限公司 (Note a)	23 May 1992	Sino-foreign enterprise	USD30,800,000	RMB9,242,000	50%	50%	Sport
Dongzhi Mingfa Group International Hotel Co., Ltd. 東至明發國際大酒店有限公司	28 May 2019	Domestic enterprise	RMB100,000,000	—	100%	—	Hotel operation
Xiamen Zhong Ao Cheng Property Co., Ltd. 廈門中澳城置業有限公司	16 June 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	51%	51%	Property development
Nanjing Mingfa Technology Investment Development Co., Ltd. 南京明發科技投資發展有限公司	18 June 2012	Domestic enterprise	RMB100,000,000	RMB20,000,000	100%	100%	Property development
Mingfa Group Digital Valley Information Technology Co., Ltd 明發集團數谷信息科技有限公司	17 July 2003	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Trading of construction materials
Xiamen Hongyuan Gaotai Trade Co., Ltd. 廈門弘源高泰貿易有限公司	20 December 2016	Domestic enterprise	RMB30,000,000	—	100%	100%	Trading of construction materials
Mingfa Group Nanjing Xiang Ye Real Estate Co., Ltd. 明發集團南京祥業房地產開發有限公司	3 June 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Property development
Nanjing Mingfa Business Management Co., Ltd. 南京明發商業管理有限公司	1 June 2016	Sino-foreign joint venture	USD100,000,000	USD20,053,100	80%	80%	Hotel operation
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司 (Note (a))	20 October 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	40%	40%	Property development
Mingfa Group (Ma On Shan) Environmental Construction Co., Ltd. 明發集團(馬鞍山)環境建設有限公司	24 October 2016	Domestic enterprise	USD20,000,000	—	100%	100%	Property development
Jurong Minke Real Estate Development Co., Ltd 句容閩科房地產開發有限公司	22 June 2017	Domestic enterprise	RMB7,830,000	—	100%	49%	Property development





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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Quanjiao Mingfa Industrial Co., Ltd. 全椒明發實業有限公司	8 October 2016	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
He Xian Mingfa Jiangwan Hotel Co., Ltd. 和縣明發江灣大酒店有限公司	4 May 2016	Domestic enterprise	RMB50,000,000	—	100%	100%	Property development and investment holding
Jinzhai Mingfa International Hotel Co., Ltd. 金寨明發國際大酒店有限公司	1 December 2016	Domestic enterprise	RMB100,000,000	—	100%	100%	Property development
Mingfa Group Qingyang City Development Co., Ltd. 明發集團青陽城市開發有限公司	22 July 2019	Domestic enterprise	RMB200,000,000	—	100%	—	Property development
Mingfa Group (Xinyi) Real Estate Development Co., Ltd. 明發集團(新沂)房地產開發有限公司	17 June 2019	Domestic enterprise	USD20,000,000	RMB137,160,000	100%	—	Property development
Fengxian Mingcheng Real Estate Development Co., Ltd. 豐縣名城房地產開發有限公司 (Note (b))	17 July 2018	Domestic enterprise	RMB50,000,000	RMB11,430,000	70%	—	Property development
Chendu Mingfa Commercial Town Construction Co., Ltd. 成都明發商務城建設有限公司	28 January 2016	Domestic enterprise	RMB33,000,000	RMB33,000,000	100%	100%	Property development
Xiamen Hongsheng Tianwei Real Estate Co., Ltd. 廈門弘盛天威置業有限公司	27 October 2017	Domestic enterprise	RMB50,000,000	—	100%	100%	Trading of construction materials
Laian Mingfa Pu Tai Real Estate Co., Ltd. 來安明發浦泰置業有限公司	15 November 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	70%	Property development
Mingfa Group (Liu An) Real Estate Co., Ltd. 明發集團(六安)房地產開發有限公司	23 February 2017	Foreign investment enterprise	RMB100,000,000	—	100%	100%	Property development
Mingfa (Zhangpu) Real Estate Co., Ltd. 明發(漳浦)房地產開發有限公司 (Note (c))	16 June 2017	Foreign investment enterprise	RMB50,000,000	RMB50,000,000	51%	100%	Property development
Ma An Shan Tian Mu Spa Travel Investments Co., Ltd. 馬鞍山天沐溫泉旅遊投資有限公司	20 October 2011	Foreign investment enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Property development
Ma An Shan Tian Mu Property Co., Ltd. 馬鞍山天沐置業有限公司	7 May 2010	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Mingfa Group Sihong Real Estate Co., Ltd. 明發集團泗洪房地產開發有限公司	24 July 2017	Sino-foreign joint venture	USD36,000,000	USD36,000,000	100%	100%	Property development



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group Anhui Intelligent Technology Co., Ltd. 明發集團安徽智能科技有限公司	29 March 2019	Domestic enterprise	RMB20,000,000	RMB7,000,000	70%	—	Provision for trading service
Dingyuan Mingfa Real Estate Co., Ltd. 定遠明發置業有限公司	1 March 2019	Domestic enterprise	RMB400,000,000	—	100%	—	Property development
Mingfa Group Jiangsu Big Data Industry Development Co., Ltd. 明發集團江蘇大數據產業發展有限公司	4 April 2019	Domestic enterprise	RMB100,000,000	RMB65,200,000	60%	—	Property development
Horgos Jianjixin Consulting Co., Ltd. 霍爾果斯建捷信諮詢服務有限公司	14 July 2017	Domestic enterprise	RMB10,000,000	—	100%	—	Consultant service
Horgos Zhengzhenxiang Consulting Co., Ltd. 霍爾果斯正振祥諮詢服務有限公司	14 July 2017	Domestic enterprise	RMB10,000,000	—	100%	—	Consultant service
Hainan Mingfa Real Estate Co., Ltd. 海南明發置業有限公司	9 July 2018	Domestic enterprise	RMB100,000,000	—	100%	100%	Property development
Mingfa Group Gold Lake Real Estate Development Co., Ltd. 明發集團金湖房地產開發有限公司	24 August 2017	Foreign investment enterprise	RMB240,000,000	—	100%	100%	Property development
Mingfa Group Wuhu Real Estate Development Co., Ltd. 明發集團蕪湖房地產開發有限公司	14 September 2017	Foreign investment enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Mingfa Group Dangtu Real Estate Development Co., Ltd. 明發集團當塗房地產開發有限公司	31 August 2017	Foreign investment enterprise	RMB50,000,000	—	100%	100%	Property development
Mingfa Group Hanshan Real Estate Development Co., Ltd. 明發集團含山房地產開發有限公司	1 September 2017	Foreign investment enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Mingfa Group Chizhou Real Estate Development Co., Ltd. 明發集團池州房地產開發有限公司	21 July 2017	Domestic enterprise	RMB500,000,000	RMB400,000,000	100%	100%	Property development
Mingfa Group Anhui East City Development Co., Ltd. 明發集團安徽東至城市開發有限公司	5 July 2017	Domestic enterprise	RMB200,000,000	RMB66,220,000	100%	100%	Property development
Quanjiao Ming Gui Real Estate Development Co., Ltd. 全椒明桂房地產開發有限公司	28 July 2017	Domestic enterprise	RMB15,000,000	RMB15,000,000	51%	51%	Property development
Mingfa Group Lai an Industry Co., Ltd. 明發集團來安實業有限公司	30 November 2017	Domestic enterprise	RMB2,000,000,000	—	100%	100%	Property development



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — established in the PRC (continued)</b>							
Ma On Shan Ming Man Industrial Co Ltd 馬鞍山明曼實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Lai Industrial Co., Ltd 馬鞍山明萊實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Xu Industrial Co., Ltd 馬鞍山明旭實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Yun Industrial Co., Ltd 馬鞍山明雲實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Hainan Mingfa International Investment Co., Ltd 海南明發國際投資有限公司	22 May 2018	Domestic enterprise	RMB100,000,000	—	100%	100%	Property development
Mingfa Group (Pei Xian) Property Development Company Limited 明發集團(沛縣)房地產開發 有限公司(Note (d))	9 May 2019	Domestic enterprise	HKD20,000,000	HKD20,000,000	100%	—	Property development
Ma On Shan Minguo Industrial Co., Ltd 馬鞍山明諾實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Song Industrial Co., Ltd 馬鞍山明松實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Mingsen Industrial Co., Ltd 馬鞍山明森實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Mingpo Industrial Co., Ltd 馬鞍山明浦實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
<b>Subsidiary — incorporated in Taiwan</b>							
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司(台灣)	1 April 2013	Limited liability company	NTD10,000,000	NTD10,000,000	100%	100%	Property development



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — incorporated in Hong Kong</b>							
Ming Fat Holdings (Hong Kong) Limited 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	100%	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港明勝資產集團管理有限公司	10 September 2009	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	27 January 2011	Limited liability company	HK\$10,000	HK\$10,000	80%	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — incorporated in Hong Kong (continued)</b>							
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) City Centre Integrated Projects Company Limited 明發集團(中國)城市綜合體 建設有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限 公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限 公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設 有限公司	3 May 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展 有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發 有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發 有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) World Trade Center Development Company Limited 明發集團(中國)世界貿易中心開發 有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding



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## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — incorporated in the British Virgin Islands</b>							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$11,100	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Haofa Limited 好發有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	2 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding

\* Directly held by the Company



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For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Subsidiaries — incorporated in the British Virgin Islands (continued)</b>							
Baile Investments Limited 百樂投資有限公司*	12 November 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US\$1,000	US\$1,000	100%	100%	Investment holding
Sharp Pass Limited 銳通有限公司*	21 October 2014	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Repute Rise Limited 譽升有限公司*	15 June 2015	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Easycrest Limited 易冠有限公司*	30 April 2014	Limited liability company	US\$1	US\$1	100%	100%	Property development
Amity Achiever Limited 和達有限公司	21 July 2017	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
<b>Associated companies — established in the PRC</b>							
Changchun Shimao Mingfa Real Estate Company Limited 長春世茂明發房地產開發 有限公司	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	37.5%	37.5%	Property development and investment holding
Nanjing Software Valley Mingfa Communication Technology Development Co. Ltd 南京軟件谷奇創通信科技 有限公司	6 February 2013	Sino-foreign joint venture	US\$40,000,000	US\$40,000,000	49%	49%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited 南京軟件谷明發信息科技發展有 限公司	21 June 2005	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	48%	48%	Property investment and investment holding
江蘇築業建築科技發展有限公司	26 July 2017	Domestic enterprise	RMB100,000,000	RMB100,000,000	30%	30%	Property development
Nanjing Ruijing Real Estate Development Co., Ltd 南京銳景房地產開發有限公司	9 October 2017	Domestic enterprise	RMB20,000,000	RMB20,000,000	25%	25%	Property development
Zhangchun Yue Yi Real Estate Development Co., Ltd 長春悅翊房地產開發有限公司	13 November 2017	Domestic enterprise	RMB30,000,000	RMB30,000,000	37.5%	37.5%	Property development
Nanjing Tongmai Investment Management Co., Ltd. 南京同邁投資管理有限公司	26 March 2015	Domestic enterprise	RMB50,100,000	—	40%	—	Consultant service
Ma On Shan Minghua Real Estate Co., Ltd 馬鞍山明華置業有限公司 (Note (e))	27 July 2018	Domestic enterprise	RMB10,000,000	—	49%	100%	Property development

\* Directly held by the Company



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For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Associated companies — established in the PRC (continued)</b>							
Ma On Shan Minglin Industrial Co., Ltd. 馬鞍山明林實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
Ma On Shan Mingkun Industrial Co., Ltd. 馬鞍山明坤實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
Ma On Shan Mingzhao Industrial Co., Ltd. 馬鞍山明昭實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
Ma On Shan Mingzhang Industrial Co., Ltd. 馬鞍山明章實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
Ma On Shan Mingnan Industrial Co., Ltd. 馬鞍山明楠實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
Ma On Shan Mingshu Industrial Co., Ltd. 馬鞍山明樹實業有限公司 (Note (e))	21 December 2017	Domestic enterprise	RMB20,000,000	—	49%	100%	Property development
<b>Associated company — incorporated in the British Virgin Islands</b>							
Eagle Rights Limited 鈞濠有限公司	31 March 2010	Limited liability company	US\$45,000,000	US\$45,000,000	33.3%	33.3%	Investment holding
Dongsheng Co., Ltd. 東勝有限公司 (Note (e))	26 April 2018	Limited liability company	US\$1	US\$1	49%	100%	Investment holding
<b>Associated company — incorporated in the Hong Kong</b>							
Dongsheng Construction Group (Hong Kong) Co., Ltd. 東勝建設集團(香港)有限公司 (Note (e))	20 June 2018	Limited liability company	HK\$10,000	HK\$10,000	49%	100%	Investment holding
<b>Joint venture — established in the PRC</b>							
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Sino-foreign joint venture	US\$448,980,000	US\$448,079,550	51%	51%	Property development
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB18,000,000	RMB18,000,000	28.3%	28.3%	Property development
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	30.6%	30.6%	Property development
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	51%	51%	Property development

\* Directly held by the Company





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For the year ended 31 December 2019

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2019	2018	
<b>Joint venture — established in the PRC (continued)</b>							
Nanjing Mingfa High District Property Co., Ltd. 南京明發高區置業有限公司	17 June 2013	Domestic enterprise	RMB122,610,000	RMB122,610,000	51%	51%	Property development
Nanjing Guofa Real Estate Co., Ltd. 南京國發置業有限公司	27 November 2017	Domestic enterprise	RMB50,000,000	RMB50,000,000	51%	51%	Property development
Nanjing Ming He De Industrial Co., Ltd. 南京明禾德實業有限公司	6 June 2017	Domestic enterprise	RMB100,000,000	—	50%	50%	Property development
Suzhou Zhengxin Real Estate Development Co., Ltd. 蘇州正信置業發展有限公司	1 July 2017	Domestic enterprise	RMB103,721,781.58	RMB17,000,000	14%	14%	Property development
Changsha Sand Boat Zhongmin Baihui Ole Business Management Co., Ltd. 長沙砂之船中閩百匯萊商業管理 有限公司	5 June 2017	Domestic enterprise	RMB39,215,678	RMB3,921,568	49%	49%	Property management
Wuxi Yueshang Aolai Co., Ltd. 無錫市悅尚奧萊有限責任公司	3 February 2019	Domestic enterprise	RMB40,800,000	—	50%	—	Provision for trading service
Guang'an Yueshang Commercial Management Co., Ltd. 廣安市悅尚商業管理有限公司	11 April 2019	Domestic enterprise	RMB20,000,000	—	49%	—	Provision for trading service
<b>Joint ventures — incorporated in the British Virgin Islands</b>							
Superb Land Limited	9 June 2014	Limited liability company	US\$50,000	US\$10	20%	20%	Investment holding
Versilcraft Holdings Limited	21 September 2015	Limited liability company	US\$300	US\$300	33.3%	33.3%	Investment holding

### Notes:

- The adoption of HKFRS 10 has resulted in the consolidation of Mingfa Group Nanjing Ruiye Real Estate Co., Ltd, Nanjing Zhaofu International Golf Club Co., Ltd and Nanjing Minghong New Real Estate Development Co., Ltd despite the Group owning less than 50% of the voting rights. This is because the Group has the practical ability to unilaterally direct the relevant activities of these companies.
- 70% equity interest was acquired by the Group on 21 March 2019.
- 49% equity interest was disposed by the Group on 31 December 2019.
- The entity was incorporated on 9 May 2019 and the Group held 51% equity interest. On 7 November 2019, the Group acquired the remaining 49% entity interest.
- 51% equity interest was disposed by the Group on 4 April 2019.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 37 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2019 and 2018.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	<b>8,833,084</b>	5,448,321

*Note:*

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

## 38 COMMITMENTS

**Commitments for capital and property development expenditure**

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
— Properties being developed by the Group for sale	<b>6,941,077</b>	5,055,577
— Land use rights	<b>492,025</b>	2,788,663
	<b>7,433,102</b>	7,844,240



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 39 ACQUISITION OF A SUBSIDIARY

On 19 April 2019, the Group completed an acquisition of 70% equity interest in a PRC entity, Fengxian Mingcheng at a cash consideration of approximate RMB486,900,000. The Group recognised 30% of non-controlling interest based on proportion of the net assets of acquiree.

The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at its respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired and the net outflow of cash on acquisition are as below:

	<b>Fengxian Mingcheng Purchased value RMB'000</b>
Property, plant and equipment (Note 6)	115
Properties under development — Land use rights	696,141
Cash and cash equivalents	3,898
Prepayment for construction cost	5,498
Other receivables	981
Other payables	(11,062)
Total net assets	695,571
Less: Carrying amounts of non-controlling interest	(208,671)
Net assets acquired	486,900
Total consideration	486,900
Less: Unpaid cash consideration (Note 17)	(340,487)
Purchase consideration settled in cash	146,413
Less: Cash and cash equivalents in the subsidiaries acquired	(3,898)
Net outflow of cash on acquisition	142,515



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 40 DISPOSAL OF INTEREST IN SUBSIDIARIES

- (a) On 28 February 2019, the Group entered into an equity transfer and cooperation Agreement (the "Agreement") with a third party (the "Purchaser") to dispose its 51% equity interest in a wholly owned Hong Kong incorporated subsidiary, Winning Orient Limited (the "Target Company"), which indirectly held six projects companies incorporated in the PRC (the "Project Companies"), at a consideration of RMB2,792,412,000. Pursuant to the Agreement, the consideration payable by the Purchaser under the Agreement of RMB2,792,412,000 was arrived at based on the percentage of equity interest in the Target Company to be transferred (being 51%) multiplied by the estimated contribution on the total costs (including land-use rights, land tax and other preliminary expenses, development and construction costs required to be incurred for the project sites) amounted to RMB5,475,317,000 for the cooperation in the development of the project sites. As at the date of disposal, the consideration of the 51% equity interest being disposed amounted to RMB642,156,000 and the fair value of 49% equity interest retained as associate amounted to RMB616,973,000. Up to the date of reporting period end, RMB1,396,206,000 was received from the Purchaser, in which RMB642,156,000 was as the consideration received for disposal of the 51% equity interest of the Target Company, while the remaining portion of RMB754,050,000 (Note 26(b)) become a consideration received on behalf of the new parent of the Target Company which become an associate of the Group after the disposal of 51% equity interest. Up to the date of this annual report, the total amount of RMB2,792,412,000 was received by the Group.

The assets and liabilities disposed and the net inflow of cash from the disposal are as below:

	RMB'000
Total consideration	642,156
Fair value of 49% equity interest retained as associate	616,973
Less: total carrying amount of net assets disposed of	(1,259,129)
Gain on disposal	—
Land use right	1,259,030
Cash and cash equivalents	99
Total net assets	1,259,129
Net cash inflows arising on disposal:	
Cash consideration received	642,156
Cash and bank balances disposed of	(99)
Net cash inflow	642,057



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 40 DISPOSAL OF INTEREST IN SUBSIDIARIES (continued)

- (b) On 14 November 2019, the Group disposed its entire 51% equity interest in a PRC subsidiary, 南京浦泰鴻和房地產開發有限公司 (“浦泰鴻和”), to a non-controlling interest at a cash consideration of RMB10,200,000. The disposal was completed by the end of 2019.

	RMB'000
Total consideration received	10,200
Less: Net assets disposal of	(5,037)
Gain on disposal (Note 29)	5,163
Land use right	367,185
Trade and other receivables	182,391
Cash and cash equivalents	26,712
Other payables	(366,411)
Borrowings	(200,000)
Total net assets	9,877
Less: Carrying value of the non-controlling interest	(4,840)
Net assets disposal of	5,037
Cash received	10,200
Less: Cash and cash equivalents in the subsidiary disposed of	(26,712)
Net outflow of cash from the disposal	(16,512)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 41 CONTINGENT LIABILITIES

The Group, being a property developer in the PRC, is subject to extensive government requirements in many aspects of its property development operations, including but not limited to land acquisition and transfer, planning and construction works, etc. In the ordinary course of business, the Group has various development projects which are behind the development timelines as stipulated in the land transfer agreements or approved by the local authorities. According to the regulation “Measures for Disposal of Unused Land” and other relevant regulations, the government is empowered to levy idle land penalty and in the extreme case, confiscate the undeveloped land depending on circumstances. In addition, the delay in development may constitute default in contract terms of the land transfer agreements, of which the transferor can claim for liquidated damages. As at 31 December 2019 and 2018, the construction works of the land parcels of certain subsidiaries in Lanzhou, Maonshan, Shenyang and Nanjing, the PRC, were behind the stipulated development timelines. Accordingly, these subsidiaries are exposed to the aforementioned possible penalties and liquidated damages. The directors estimated that the amount of penalty and liquidated damages would be approximately RMB354,009,000 (2018: RMB217,705,000) in aggregate according to the relevant regulations and land transfer agreements. The carrying amount of the aforementioned lands is approximately RMB452,079,000 in aggregate as of 31 December 2019 (2018: RMB236,562,000). Notwithstanding the above, the directors, having regard to their past experiences in handling similar matter and the latest local development, together with the application for extending the commencement dates of construction works submitted and communications with relevant local authorities, considered that the risk of confiscation of the concerned land parcels as well as penalty and liquidated damages is low. Having regard to the nature and latest development, the directors are of the opinion that no non-conformity instance would have material impact on the result and financial position of the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 42 RELATED PARTY TRANSACTIONS

### a. Name and relationship with related parties

#### i. Controlling shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the controlling shareholders.

#### ii. Controlled by the Controlling Shareholders

Xiamen Mingfa Property Development Limited*	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司
Hong Kong Ming Fat International Holdings Company Limited	香港明發國際集團有限公司
Creative Industrial Estate (China) Development Limited	創業產業園(中國)發展有限公司
Mile Pacific (Hong Kong) Limited	邁泰(香港)有限公司
Mile Pacific Limited	邁泰有限公司
Sky Color Limited	天輝有限公司
Avail Wild Limited	博盈有限公司
Ocean Ample Limited	海溢投資有限公司
Hong Kong Ming Fa Investment Development Limited	香港明發投資發展有限公司
Tampell Limited	天普有限公司
Zone Ray Limited	崇亮有限公司

\* This company was a subsidiary of the Group before it was disposed.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 42 RELATED PARTY TRANSACTIONS (continued)

### b. Transactions with related parties

Other than those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest income from loan to Superb Land, a joint venture (Note 16)	6,865	7,286
Commission fee paid to a non-controlling interest	4,685	—
Interest expenses paid to a non-controlling interest	27,608	—

### c. Key management compensation

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	7,547	6,533
Retirement scheme contributions	84	72
	7,631	6,605





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 43 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2019 RMB'000	2018 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	—	71
Investments in subsidiaries	214	214
	<b>214</b>	<b>285</b>
<b>Current assets</b>		
Other receivables	13,438	13,143
Amounts due from subsidiaries	7,503,663	7,345,124
Amount due from related parties	11,510	—
Cash and cash equivalents	5,352	3,663
	<b>7,533,963</b>	<b>7,361,930</b>
<b>Total assets</b>	<b>7,534,177</b>	<b>7,362,215</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables	794,856	112,538
Amounts due to subsidiaries	3,887,085	4,144,622
Amounts due to related parties	1,080,660	945,849
Borrowings	3,314,666	1,705,535
	<b>9,077,267</b>	<b>6,908,544</b>
<b>Net current (liabilities)/assets</b>	<b>(1,543,304)</b>	<b>453,386</b>
<b>Total assets less current liabilities</b>	<b>(1,543,090)</b>	<b>453,671</b>
<b>Non-current liabilities</b>		
Borrowings	—	1,509,904
<b>Total liabilities</b>	<b>9,077,267</b>	<b>8,418,448</b>
<b>Net liabilities</b>	<b>(1,543,090)</b>	<b>(1,056,233)</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	536,281	536,281
Reserves (Note)	(2,079,371)	(1,592,514)
<b>Total deficit</b>	<b>(1,543,090)</b>	<b>(1,056,233)</b>

On behalf of the directors

**Wong Wun Ming**  
Director

**Huang Lianchun**  
Director



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 43 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (continued)

*Note:*

### Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018	631,266	(1,693,968)	(1,062,702)
Loss for the year	—	(529,812)	(529,812)
Balance at 31 December 2018	631,266	(2,223,780)	(1,592,514)
Loss for the year	—	(486,857)	(486,857)
Balance at 31 December 2019	<b>631,266</b>	<b>(2,710,637)</b>	<b>(2,079,371)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 44 NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Borrowings (Note 23) RMB'000	Amounts due to related parties, joint ventures and associated companies (Note 27) RMB'000	Net amounts due to non- controlling interests (Note 17) RMB'000	Restricted cash (Note 18) RMB'000	Advances from other parties (Note 26) RMB'000	Advances from shareholders of associated companies and joint ventures (Note 26) RMB'000	Lease liabilities (Note 28) RMB'000
As 1 January 2019	(10,839,498)	(6,932,656)	(457,508)	429,621	(313,164)	(1,011,178)	(158,752)
Changes from cash flows:							
Drawdown of borrowings	(2,065,240)	—	—	—	—	—	—
Repayment of borrowings	5,020,062	—	—	—	—	—	—
Advances received from related parties	—	(497,268)	—	—	—	—	—
Advances repaid to related parties	—	115,916	—	—	—	—	—
Advances received from joint ventures	—	(56,827)	—	—	—	—	—
Advances repaid to joint ventures	—	687,304	—	—	—	—	—
Advances received from associated companies	—	(41,443)	—	—	—	—	—
Advances repaid to associated companies	—	595,331	—	—	—	—	—
Advances received from non-controlling interests	—	—	(643,518)	—	—	—	—
Advances repaid to non-controlling interests	—	—	818,436	—	—	—	—
Decrease in restricted cash relating to financing activities	—	—	—	(267,811)	—	—	—
Advances received from other parties	—	—	—	—	(12,385)	—	—
Advances repaid to other parties	—	—	—	—	177,614	—	—
Advances received from shareholders of associated companies and joint ventures	—	—	—	—	—	(2,500)	—
Advances repaid to shareholders of associated companies and joint ventures	—	—	—	—	—	8,268	—
Repayment of principal and interest expenses of lease liabilities	—	—	—	—	—	—	56,682
Interest expenses on lease liabilities	—	—	—	—	—	—	(7,752)
<b>Total changes from financing cash flows:</b>	<b>2,954,822</b>	<b>803,013</b>	<b>174,918</b>	<b>(267,811)</b>	<b>165,229</b>	<b>5,768</b>	<b>48,930</b>
Exchange adjustments	(129,164)	—	—	—	—	—	(79)
Other changes:							
Interest paid	761,449	—	—	—	—	—	—
Addition of lease liabilities	—	—	—	—	—	—	(9,179)
Consideration payable for acquisition of subsidiary	—	—	(340,487)	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	(58,556)	—	—	—
Disposal of 51% of equity interest of a subsidiary	200,000	—	—	—	—	—	—
<b>Total other changes</b>	<b>961,449</b>	<b>—</b>	<b>(340,487)</b>	<b>(58,556)</b>	<b>—</b>	<b>—</b>	<b>(9,179)</b>
At 31 December 2019	(7,052,391)	(6,129,643)	(623,077)	103,254	(147,935)	(1,005,410)	(119,080)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 44 NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Borrowings (Note 23) RMB'000	Amounts due to related parties, joint ventures and associated companies (Note 27) RMB'000	Net amounts due to non- controlling interests (Note 17) RMB'000	Restricted cash (Note 18) RMB'000	Advances from other parties (Note 26) RMB'000	Advances from shareholders of associated companies and joint ventures (Note 26) RMB'000	Advance from group companies of non- controlling interests (Note 26) RMB'000
As 1 January 2018	(12,865,245)	(5,327,292)	(440,591)	366,363	(110,313)	(1,351,674)	(196,026)
Changes from cash flows:							
Drawdown of borrowings	(2,665,020)	—	—	—	—	—	—
Repayment of borrowings	3,491,591	—	—	—	—	—	—
Advances received from related parties	—	(814,713)	—	—	—	—	—
Advances repaid to related parties	—	121,827	—	—	—	—	—
Advances received from joint ventures	—	(1,656,232)	—	—	—	—	—
Advances repaid to joint ventures	—	1,022,191	—	—	—	—	—
Advances received from associated companies	—	(630,467)	—	—	—	—	—
Advances repaid to associated companies	—	352,030	—	—	—	—	—
Advances received from non-controlling interests	—	—	(1,264,905)	—	—	—	—
Advances repaid to non-controlling interests	—	—	1,247,988	—	—	—	—
Increase in restricted cash relating to financing activities	—	—	—	42,437	—	—	—
Advances received from other parties	—	—	—	—	(217,154)	—	—
Advances repaid to other parties	—	—	—	—	14,303	—	—
Advances received from shareholders of associated companies and joint ventures	—	—	—	—	—	(1,076,512)	—
Advances repaid to shareholders of associated companies and joint ventures	—	—	—	—	—	1,417,008	—
Advances received from group companies of non-controlling interests	—	—	—	—	—	—	196,026
<b>Total changes from financing cash flows:</b>	<b>826,571</b>	<b>(1,605,364)</b>	<b>(16,917)</b>	<b>42,437</b>	<b>(202,851)</b>	<b>340,496</b>	<b>196,026</b>
Exchange adjustments	188,004	—	—	—	—	—	—
Other changes:							
Interest expenses	1,011,172	—	—	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	20,821	—	—	—
<b>Total other changes</b>	<b>1,011,172</b>	<b>—</b>	<b>—</b>	<b>20,821</b>	<b>—</b>	<b>—</b>	<b>—</b>
At 31 December 2018	(10,839,498)	(6,932,656)	(457,508)	429,621	(313,164)	(1,011,178)	—



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 45 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

### (a) Bonds

(i) *Bonds with principal amount of US\$220,000,000, interest rate at 15 per cent and due date in 2021 ("2021 Bonds A")*

On 15 January 2020, the 2021 Bonds A were issued.

(ii) *Bonds with principal amount of US\$200,000,000, interest rate at 15 per cent and due date in 2020 ("2020 Bonds B")*

The 2020 Bonds B issued on 16 January 2019, were redeemed on 15 January 2020.

### (b) COVID-19

The outbreak of COVID-19 since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's business and operations. The Group's property presold activities in China have resumed but not yet returned to the normal level of operations due to ongoing quarantine enforcement measures and restrictions on movement of people and transportation. There is also disruption to the Group's properties construction and management is closely monitoring the situation and is taking appropriate measures to minimise any potential disruption to construction. As at the date of this report, COVID-19 has not resulted in material impact to the Group's financial position. Depending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report.

## 46 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 22 April 2020.



## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

### RESULTS

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000 (Restated)	2015 RMB'000
Revenue	<b>12,660,897</b>	11,641,880	10,071,416	5,089,696	3,039,665
Profit before income tax	<b>2,701,690</b>	2,575,394	1,898,816	824,647	742,883
Income tax (expense)/credit	<b>(1,565,765)</b>	(1,286,263)	(713,365)	349,510	(383,317)
Profit for the year	<b>1,135,925</b>	1,289,131	1,185,451	1,174,157	359,566
Attributable to:					
Equity holders of the Company	<b>952,112</b>	855,076	1,024,220	1,169,435	379,042
Non-controlling interests	<b>183,813</b>	434,055	161,231	4,722	(19,476)
	<b>1,135,925</b>	1,289,131	1,185,451	1,174,157	359,566

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000 (Restated)	2015 RMB'000
Total assets	<b>75,725,420</b>	75,373,285	67,192,831	60,904,508	51,886,873
Total liabilities	<b>(59,040,954)</b>	(60,085,472)	(52,776,561)	(47,641,759)	(39,309,297)
Non-controlling interests in equity	<b>(1,760,064)</b>	(1,328,650)	(947,041)	(820,232)	(1,103,242)
	<b>14,924,402</b>	13,959,163	13,469,229	12,442,517	11,474,334

