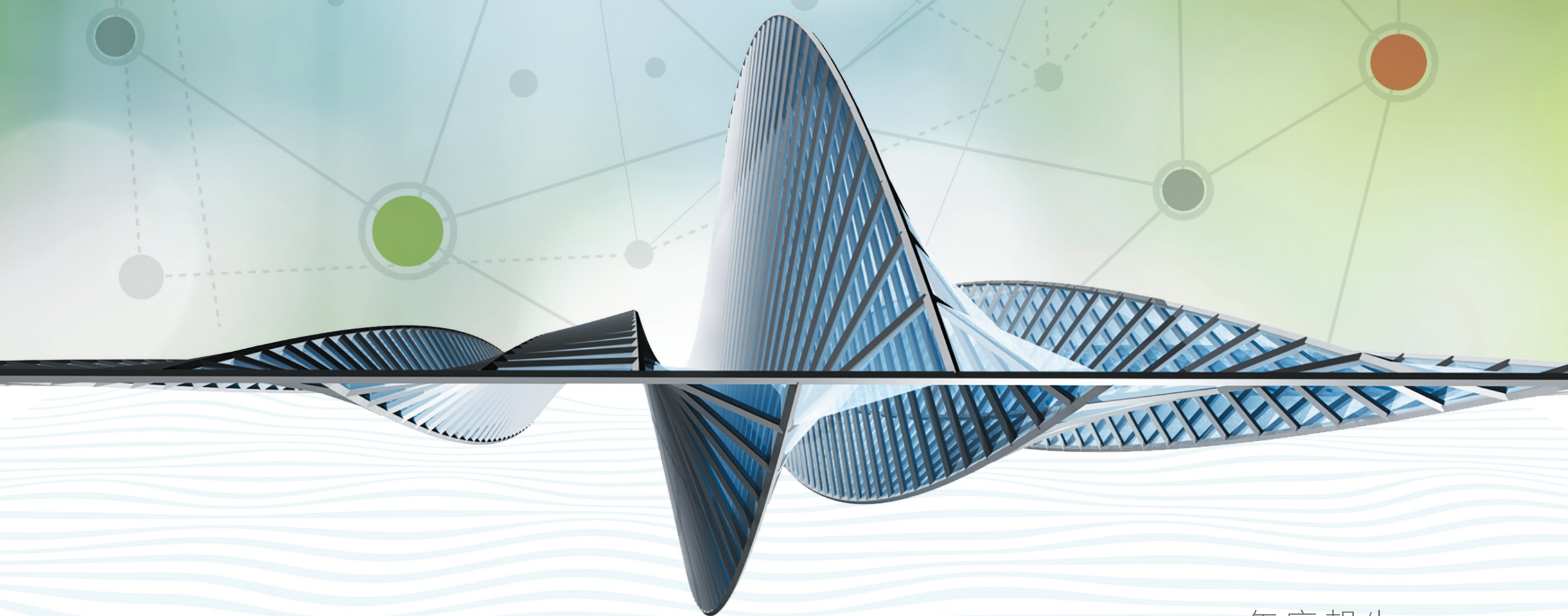
WEIYE HOLDINGS LIMITED
偉業控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Hong Kong Stock Code: 1570



年度報告

2019 Annual Report

行穩致遠 不負韶華

*For identification purpose only

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CORPORATE PROFILE

Weiye Group, which was founded in 1999, has become a leading green lifestyle provider and operator over more than 20 years of development. To carry on the mission of "building a dream house for a joyful residence experience", Weiye is committed to investing in and developing the green human habitation, which is a major focus driven by two engines, namely, financial capital and smart technology. Adhering to the corporate values of "righteous practices and innovation", the Group aims to build the value chain for the green and smart human habitation ecosystem and transform into an international and diversified industrial group.

For years, WEIYE HOLDINGS LIMITED (the "Company" or "Weiye") and its subsidiaries (collectively, the "Group" or "Weiye Group") has been specialising in developing large-scale and multi phased property projects. At the end of 2019, Weiye portfolio comprised 33 property development projects which were either completed or under various stages of development in various PRC cities. As of 31 December 2019, we had 22 completed property projects with a total GFA of approximately 2,572,353 sq.m., 9 property projects under development with a total completed and estimated GFA of approximately 861,941 sq.m. and 2 projects with planned GFA of approximately 173,204 sq.m. held for future development.

Besides developing properties on its own, Weiye Group has branched out into joint development projects, as well as providing project management services to third-party land owners.

Over the decade, Weiye has garnered numerous industry awards and accolades from local government agencies in recognition of its quality standards in construction and management. These awards are the "Henan Top 50 Real Estate Development Enterprise" (河南房地產開發企業綜合實力50強單位), "Zhengzhou City Leading Property Development Enterprises" (鄭州市房地產開發先進單位), "Zhengzhou City Real Estate Development Enterprise Excellence" (鄭州市房地產開發優秀企業), "Kaifeng City Best Residential Landscape" (開封市最佳人居景觀設計獎), "Economy Development Contribution Enterprise Excellence" (紅旗區經濟發展突出貢獻企業) and etc.

Weiye was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2011 and dual primary listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 April 2016. The Company voluntarily delisted from the SGX-ST on 24 August 2018.

In the future, by continuing to focus on high-quality and green human habitation products, Weiye aims to become a world-class and valued business group that pursues public trust, social responsibility, and leading technology in the green human habitation industry, which translate into a contributory force to increase human habitation values, advance urban and rural development, and promote social sustainability.

OUR BUSINESS MODEL

DIVERSIFIED REVENUE

INTEGRATED DEVELOPMENT

Direct acquisition of land bank through open bidding, funding, development, construction and marketing of project carried out by the Group.

JOINT DEVELOPMENT

Collaboration by the Group with third-party owners of land bank. The Group provides the funding of the operations and the share of attributable profits are contractually pre-determined. (The entire project operation and funding being carried out by the Group).

FAST-GROWING BRAND EQUITY

JOINT VENTURE

Collaboration by the Group with third party land owner where project funding and land being jointly invested by the respective parties and project returns being shared based on respective shareholding.

PROJECT MANAGEMENT

Third party provides both land and funding, the Group provides project development and management services and earns a fee in return.

OUR BUSINESS MODEL

BUILDING PRESENCE, FORGING PARTNERSHIPS

To stay ahead of the evolving landscape, we constantly seek to collaborate with likeminded partners who can reap mutual benefits through sharing knowledge and expertise. Through keeping abreast of market developments and reacting swiftly and appropriately tapping on our innovative strategies and strong team spirits, we are able to pursue stable and sustainable growth, while building on our core competencies and brand name synonymous to quality and value.

CHAIRMAN'S STATEMENT

ZHANG WEI
Executive Chairman and
Chief Executive Officer

DEAR SHAREHOLDERS,

In 2019, China's economy faced increasingly complicated external and internal market conditions, with noticeable contradictions in the domestic economic structure. As a result, mainstream initiatives, including stabilizing growth, stimulating consumption, and reducing taxes and fees, were introduced amidst a weakened economic growth. As regards the property sector, the commensurate policies continued to emphasize that "houses are reserved for dwelling rather than speculating", together with control measures aimed at "stabilizing land premium, housing price, and market expectation". Strict policies on the property market sustained, with increasingly tightened control measures, including restrictive measures against housing prices, home purchases, credit tightening, and contracting. Throughout the year, more than 100 announcements regarding control measures were made, including a steady introduction of "a specific policy by each specific city". As a result, the property market was subject to two-way control measures.

As far as local governments are concerned, with the theme where "houses are reserved for dwelling rather than speculating" remaining in play, as well as with the "city-differentiated" policies serving as the basic orientation, local control policies were successively introduced, leading to gradual emergence of efficient control mechanisms that underscore the major responsibilities of municipal governments, while strengthening the local discretion to initiate adjustments. As a result, policies on demographics, talent pool, public housing fund, and market regulation constituted the three major local control initiatives.

Throughout 2019, various volatilities in the property industry caused impacts on traditional property businesses. Amidst increasingly tightened policies for the traditional property market and the dynamics of industrial development, the Group made active responses to the changing market, as well as timely adjustments to its development direction. By pursuing the "Industry + Real Estate" development strategy to push forward with business transformation and upgrade, the Group shifted its focus from "traditional property" to "industrial real estate", simultaneously causing certain level of fluctuations in the performance indicators of traditional property.

CHAIRMAN'S STATEMENT

PROPERTY DEVELOPMENT BUSINESS REVIEW

During the year, the Group's total net saleable floor area ("NSFA") handed over to customers was approximately 80,285 square metres, a 59% decline as compared to total NSFA of approximately 197,012 square metres for the corresponding period in the previous year. However, the Group achieved revenue from property development sales amounting to approximately RMB706 million, a year-on-year decrease of 59%.

Revenue from property development for the year ended 31 December 2019 was mainly from the Weiye Central Park, Chuangshiji Plaza, and Weiye Shangcheng Yihaoyuan & Erhaoyuan.

Over the course of business development in 2019, our major business revenue and deliverable areas significantly declined due to a combination of factors, including our own business transformation and upgrade, as well as the sweeping control model adopted by the PRC government for environmental treatment. Against the current severe market conditions, all subsidiaries of Weiye in the PRC region continued to pursue the established development targets, while our traditional property projects proceeded in strict compliance with our development and operation model of "expeditious land acquisition, development, marketing, and money collection", with a particular focus on expansion projects in first-tier and second-tier cities.

As for industrial real estate, by consolidating premiere external and internal resources, as well as the top-down investment-operation model, the Group specifically continued to follow up the industrial real estate projects that are driven by policies, market demands, and livelihood protection. Furthermore, the Group plans to establish points of entry, including agricultural produce cold-chain smart parks, global healthcare and retirement resorts, smart city parking, SRI Industry Park, and facilitate the advancement of various work aspects to inject momentum to our business transformation.

EQUIPMENT MANUFACTURING BUSINESS REVIEW

The sales of equipment mainly comprised sales of clean room equipment, air purification, grilles & diffuser of heating ventilation air conditioning (HVAC) and marine and industrial damper products.

In 2019, major developed economies experienced a significant decline in the growth rate, and global trade also witnessed negative growth in 2019. Against challenging macroeconomic conditions and the escalating trade war, the total sales from the equipment manufacturing business in the current year was RMB57.0 million, a year-on-year increase of 11%. As compared to 2018, our major equipment sales performances varied from business to business, with sales of HVAC and clean room equipment in the Southeastern Asian market compensating for the poor sales performance of air purification equipment in China due to a recession in the property and building market. However, the increasingly fierce market competition, as well as market uncertainties, weighed on the gross profit margin in the short term, with a decrease in the overall gross profit margin from 32% to 26%.

Despite the ensuing downward pressure on the economy at the end of 2019, the development opportunities remained greater without any sign of economic deceleration. In actively expanding our footprint in the emerging Southeastern Asian market, we would conduct blanket research and development to enhance technologies of the existing products, recalibrate the sales model, and consolidate the supply chain. While consolidating our existing market, we further increased the market share of our major business operations in the Southeastern Asian market.

CLOSER COLLABORATIONS WITH STRATEGIC PARTNERS

In 2019, we established strategic partnerships with several well-known large-scale real estate developers to enhance the mutual performance in the expansion, development and operation of traditional real estate projects, and avoid the operation risks.

In terms of industrial real estate, we consolidated high-quality resources in various cooperation companies during the progress of industrial projects to support the implementation of industrial real estate projects and facilitate their development progress.

The Group will continue to seek comprehensive strategic cooperation with strategic partners in terms of joint development, industrial development, urban redevelopment, and infrastructure construction, so as to build our presence and extend our reach in the future.

CHAIRMAN'S STATEMENT

STRATEGY AND OUTLOOK

Under stern real estate policies, financial policies, and market conditions in the PRC, we will conduct in-depth analysis on national and industry policies and accurate analysis on the market development prospects, and accurately capture the industry development trends. In the spirit of "healthy development", "sustainable development" and "risk prevention", we will optimize our internal structure and attract external investments to promote the healthy and efficient business development of the Group.

In terms of operation details, the Group's development direction will focus on both the industrial real estate and traditional property. Taking into consideration the development features across various regions, the Group will pursue business transformation to achieve the three-pronged development of our project operations in the "short, medium, and long" aspects, and keep risks under control, which will in return render support to the health and sustainability of the Group.

In terms of financing, the Group will continue to explore innovative ways to diversify our financing channels, and strive to create new financing channels to support the future large-scale development of the Company.

In terms of cost control, we will further improve standardization of product design, cost management, and resource library development. With product configuration in line with project positioning, we will exercise product quality control and product cost optimization to maximize the Company's benefits.

In terms of project expansion, in making full use of the leverage of funds, we consider projects from multiple dimensions such as equity cooperation, independent development, project agent-construction, and equity transfer, and carry out project investment and extension for the purposes of maximizing benefits.

In terms of team building, by emphasizing on our corporate culture of team spirits, synergy, hardworking and diligence, we shall continue to strengthen the quality of our work force, acquire and retain talents, train and equip our staff with the right skills and knowledge in order to achieve and scale greater heights together.

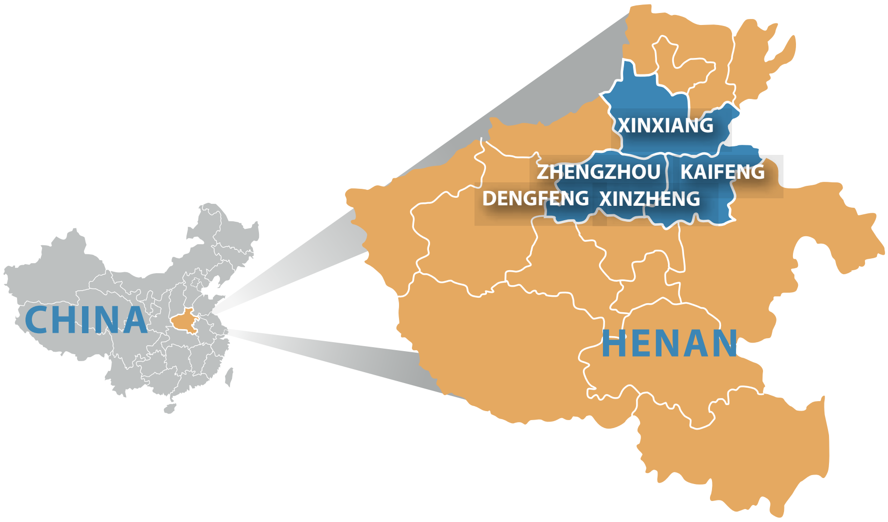
IN APPRECIATION

In closing, on behalf of the board (the "Board") of directors of the Company (the "Directors"), I would like to express my heartfelt appreciation to our management team and all employees for the dedication and value they bring to the Group. I would also like to constantly extend my heartfelt gratitude to all our shareholders and strategic partners for your unwavering trust and relentless support all these years. As we forge forward to our next growth phase, we will strive to constantly innovate and rise above the challenges ahead, to achieve sustainable growth.

ZHANG WEI
Executive Chairman and
Chief Executive Officer

OPERATIONS REVIEW

HENAN REGION



HENAN: STRATEGIC LOCATION, GROWING MOMENTUM

The Henan Province is strategically located at the heart of China, and is a major transportation hub vastly connected through highways and railways. Well-placed in the Central Plains Economic Region ("CPER"), the fast-growing capital of Henan Province, Zhengzhou, plays a crucial role in driving the economic growth in this region. In 2019, Zhengzhou officially joined the ranks of megacities due to its total resident population exceeding 10 million. In accordance with the Zhengzhou Action Plan Outline for National Core City Development (2017 to 2035), by 2035, Zhengzhou is expected to become the most influential city across the globe, as its urban population accounts for 85% with a total GDP of RMB3 trillion and GDP per capita of RMB220,000. With a total population amounting to approximately 13.5 million, Zhengzhou has become an influential city across the globe.

Driven by various favorable events in 2019, including the National Traditional Games of Ethnic Minorities, Finale of ITTF World Tour in Zhengzhou, Huawei Industry Park in Zhengzhou, and Chinese Spring Festival Gala (Zhengzhou Sub-venue), Zhengzhou embraced unprecedented development opportunities. With the asterisk shape high-speed train network established, Zhengzhou enjoys the combined advantages of common railway and high-speed train networks, turning itself into a hub that stretches southwards to northwards and extends eastwards to westwards.

PROPERTY MARKET REVIEW

Zhengzhou has always been the cornerstone of the Group's development strategy. In 2019, despite the introduction of control measures and the general theme where "houses are reserved for dwelling rather than speculating", the total accumulated saleable floor area of residential properties in Zhengzhou amounted to approximately 13.72 million square metres in 2019 due to the enormous market demand base, among which, the saleable floor area of residential property sales amounted to approximately 10.48 million square metres at an average selling price of RMB14,317 per square meter.

In line with its transformation into a national core city at an accelerated pace, Zhengzhou continues with its growing clout. In view of this, the government actively introduced policies to attract businesses and investments. Coupled with its ease of accessibility, we believe that the property markets in Zhengzhou and its neighbouring cities will continue to grow at a healthy and steady pace.

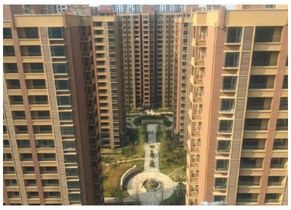
OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

In 2019, the Group continued to focus on the development of our existing projects, while gaining a stronger foothold in Zhengzhou and its surrounding cities within a one-hour travel. Besides constantly undertaking city urban redevelopment projects, quality property projects and land acquisitions, we continued with resource management to facilitate our business development. In addition, we actively explored new operating models, as well as innovative and strategic collaboration in various areas, so that the Group would achieve performance growth. As at 31 December 2019, we had a total of 18 development projects currently held for sales or investment with 16 projects fully completed, 2 projects under development. These projects are as follows:

COMPLETED PROJECTS


Weiye Ru Guo Ai


Weiye Tiandao Tianheshuian


Weiye Tiandao International


Weiye Paris Impression


Weiye Shangcheng Yihaoyuan & Erhaoyuan


Weiye Central Park


Hong Jing Jia Garden


Die Cui Garden


Cai Fu Centre


Cai Zhi Guang Chang


Qing Qing Mei Lu


Weiye Xi An


Weiye Zhi Hua Shi


Xingwei Resettlement House Phase I


Weiye Xiangdi Bay Phase I, II & III


Chuangshiji Plaza

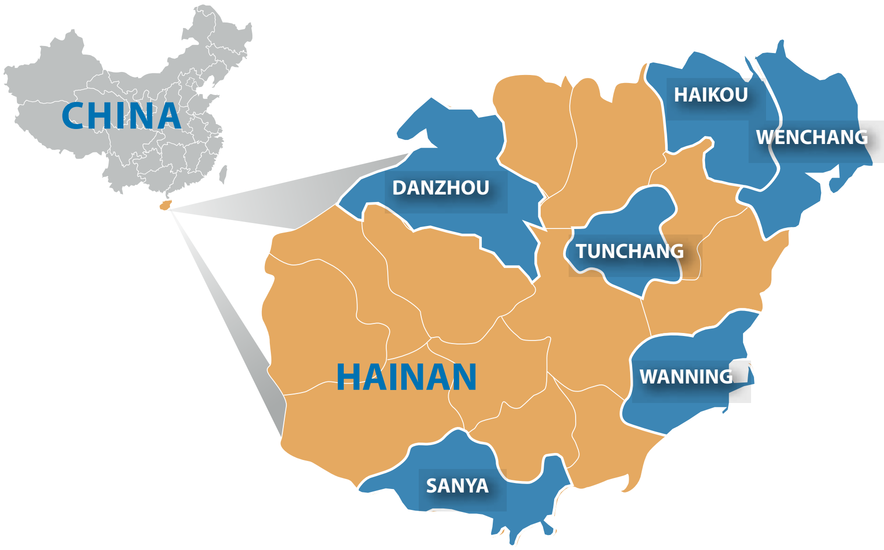
PROJECTS UNDER DEVELOPMENT


Weiye Shangcheng Sanhaoyuan


Chuangshiji Apartment

OPERATIONS REVIEW

HAINAN REGION



HAINAN: A PILOT FREE TRADE ZONE IN THE MAKING

In 2018, the Central Government clarified the establishment of Hainan Province as a pilot free trade zone. Since then, the entire island has been attracting tremendous investments. By GDP, the tertiary sector in Hainan accounts for 59.3% of the overall economic sectors, demonstrating an optimization effect in the overall economic sector. The tourism-driven industry provides impetus for various ancillary service businesses. In the statistical sense, total revenue from tourism in Hainan for 2019 grew by 11.3%, and the visiting tourists increased by 13.6%, 9 percentage points faster than the growth rate nationwide. In a broader sense, Hainan witnesses a steady economic development, as it is believed that Hainan will attract far more investments in the forthcoming year following the establishment and development of the pilot free trade zone.

PROPERTY MARKET REVIEW

In 2019, the Hainan government continued to implement the policy of "comprehensive restrictions on home purchase" for a second year. With the stabilized property market decelerating, local economy gradually reduced its reliance on the property market. In April 2018, the Hainan government introduced a series of control policies to demonstrate its resolute action to exercise strict control over the property market. Statistics suggests that the property market continued the downward trend in 2019 following a significant decline in 2018. To be specific, investments in the property development throughout the province decreased by 22.1% on a year-to-year basis in 2019, with both the saleable floor area and sales amount of residential properties decreasing by 42.1% and 38.8%, respectively. The average selling price basically remained stable at the level of approximately RMB15,000 per square meters. Looking into 2020, it is expected that the Hainan government will continue exercise strict control over the property market by persisting in the theme where "houses are reserved for dwelling rather than speculating".

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

Amid a declining property market, coupled with stringent control policies introduced by the government, our companies in Hainan region took an active stance to alter their strategy by shifting from traditional property projects to non-traditional property projects, such as industrial real estate projects and redevelopment projects. As at 31 December 2019, we had a total of 7 development projects in the Hainan Province currently held for sales or investment with 6 projects fully completed and 1 project held for future development.

COMPLETED PROJECTS


Weiye Costa Rhine


Weiye Rhine Coast


Weiye Oxygen Cube A


Weiye Oxygen Cube B


Weiye West International Plaza

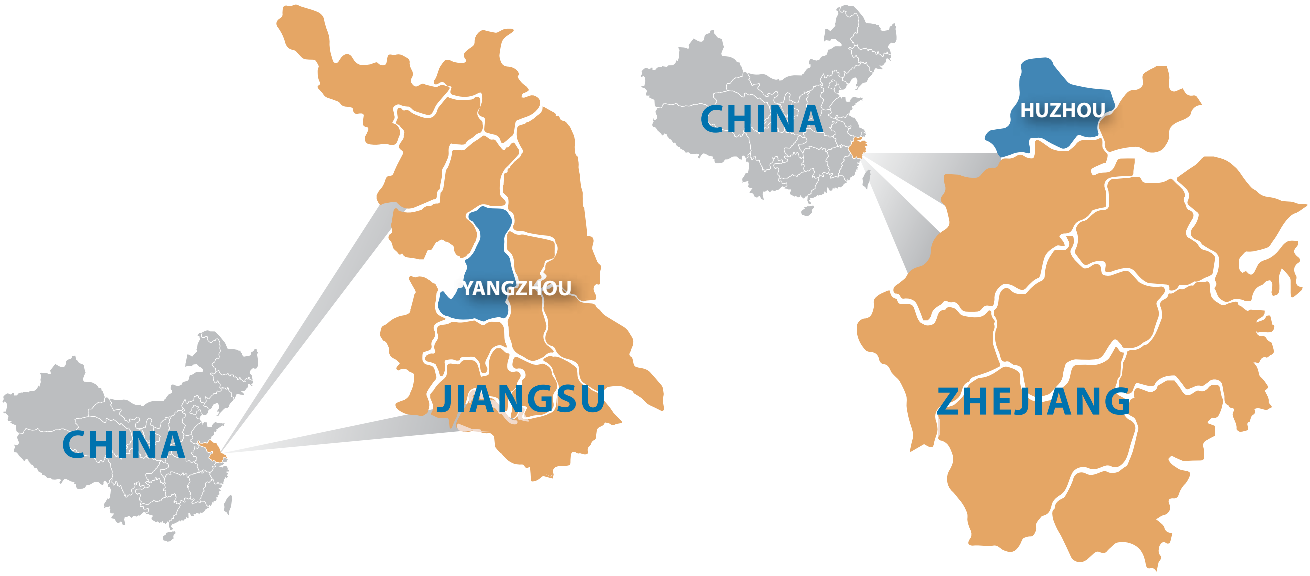

Weiye Yehai Shangcheng

PROJECT HELD FOR FUTURE DEVELOPMENT


Weiye Costa Rhine – Phase II

OPERATIONS REVIEW

YANGTZE RIVER DELTA REGION



YANGTZE RIVER DELTA: HIGH CAPABILITIES, DYNAMIC GROWTH

The Yangtze River Delta region consists of one city and three provinces, namely Shanghai city, Jiangsu Province, Zhejiang Province and Anhui Province. The Yangtze River Delta region is widely known as the economic hub of China. The Yangtze River Delta region represented the important hub for the Yangtze Economic Belt, due to its geographical location and economic might. Furthermore, it is China's fastest economic growth engine, as well as a most rapidly urbanized region. In May 2019, the State Council promulgated the "Development Plan for an Integrated Yangtze River Delta Region", pursuant to which, it is clearly stated that the Yangtze River Delta region is defined as the robust force of growth, a national exemplary region of economic development, and a leader of modernization. Furthermore, the region is a demonstrative zone for regional integration, and strategically positioned as the hinterland of reform in the new era. Owing to consistent government policies and favorable investment environments, the Yangtze River Delta region presented the market potential.

PROPERTY MARKET REVIEW

In 2019, the property market across the country experienced volatility in the midst of strict control measures. With the economic performance of city clusters and sales performance taken into consideration, city clusters in the Yangtze River Delta region witnessed fluctuating sales sizes due to increasingly tightened control measures adopted in some of these cities, except that sales volume remained stable. Putting investments into perspective, we believe that the investment scale in the Yangtze River Delta region narrowed down due to few land transactions at inception and mounting pressure on the floor area that newly commenced construction. In terms of commenced construction, the Yangtze River Delta region anticipated the market demand and purchasing power in the community despite some fluctuations in the sales scale over the last two years. In contrast with 2018, the supply and demand momentum weakened in the Yangtze River Delta region with overall fluctuations in the market size. Looking into 2020, we expect that the top-down design in the region will gradually lead to the integration of three provinces and one city upon the introduction of the "Development Plan for an Integrated Yangtze River Delta Region" in 2019. The favorable regional planning in conjunction with ongoing optimization of regional control policies will be conducive to further revitalizing the property market in the Yangtze River Delta region.

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

Looking into 2020, it is expected that companies in the Yangtze River Delta region will consider "Shanghai as the center of the 1-hour economic ring" for their investment and development strategy with well-defined investment areas. By strategically completing our business presence in Zhejiang, Shanghai, and Jiangsu, we will consider the short-term, low-cost, and quick-return established projects and premiere industrial real estate projects as our top priorities. Over the course of advancing these projects, we stress the importance of preliminary financing, and increase the efforts to attract a talent pool focused on finance. Furthermore, a variety of approaches will be adopted to achieve our operating objectives of "maintaining a high turnover rate at low costs". As at 31 December 2019, we had a total of 4 development projects in the Yangtze River Delta region currently held for sales or investment with 3 projects under development and 1 project held for future development.

PROJECTS UNDER DEVELOPMENT


Taihu Tiancuin


Yuejiangwan


Yuediwan

PROJECT HELD FOR FUTURE DEVELOPMENT


Yuhang Project

OPERATIONS REVIEW

PEARL RIVER DELTA REGION

PEARL RIVER DELTA: FULL-FLEDGED DEVELOPMENT IN GUANGDONG-HONG KONG-MACAU GREATER BAY AREA AND BINHAI XINCHENG IN FUJIAN

On 18 February 2019, the Central Committee of the Communist Party of China and the State Council promulgated the "Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area", pursuant to which the Guangdong-Hong Kong-Macau Greater Bay Area is aimed at becoming a high-quality development model, including the world-class dynamic city cluster, an international technology innovation center, an important pillar under the Belt and Road Initiative, a demonstration zone of in-depth integration among mainland China, Hong Kong, and Macau, as well as a premiere living circle that provides for excellent habitation, employment and tourism.

PROPERTY MARKET REVIEW

In 2019, the Central Government for many occasions reiterated that "houses are reserved for dwelling rather than speculating". In the context of each specific policy by each specific city, the saleable floor areas for the core residential properties in the Pearl River Delta region dropped by 0.3% on a year-to-year basis in 2019, with a growth of 11.8% in the property investments. In the foreseeable future, the Guangdong-Hong Kong-Macau Greater Bay Area will become a solid foundation for good property development given its unique geographic location advantages, well-established infrastructure, and the momentum driven by the development of the Guangdong-Hong Kong-Macau Greater Bay Area.

OPERATIONS REVIEW

DEVELOPMENT PROJECTS & STRATEGY

Following introduction of the "Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area", we closely tapped into the opportunities arising from the development of this greater bay area. By leveraging our own operation and professional team, we expedited our synchronization with the development strategy of the greater bay area, and strengthened the efforts to establish our market presence in core cities, in particular cities in neighborhood of Shenzhen. As at 31 December 2019, we had a total of 5 development projects in the Pearl River Delta region currently held for sales or investment with 4 projects under development and 1 potential project held for future development.

PROJECTS UNDER DEVELOPMENT


Weiye Meiyue Wan


Weiye Lanting Wan


Pangu – Fujian Tianjiao


Pangu – Fujian Tianzhi

POTENTIAL PROJECT HELD FOR FUTURE DEVELOPMENT


Jinlida Project

OPERATIONS REVIEW

Industry Development Project

Weiye has established its industry research facility, and plans and prepares for the development of an industry group. By developing the full value chain operation model, we will focus on various areas including "investments, development, construction, and operation", with an emphasis on three major industries, namely, "produce cold-chain smart parks, global healthcare and retirement resorts, and science innovation base". Currently, our controlled businesses in these three major industries are currently advancing forward.

As for science innovation, we build the Southeastern Pangu Tiandi Big Data Innovation Base in Fuzhou, Fujian Province, which occupies a site of 85,000 square meters.

As for healthcare, retirement and tourism, we currently have development projects in the pipeline in various regions, including Huaian (Jiangsu), Zhengzhou (Henan), Sanya and Zhanzhou (Hainan), Huizhou (Guangdong), and Wuxi (Jiangsu).

As for cold chain logistics, we currently have development projects in the pipeline in various regions, including Zhengzhou (Henan), Huaibei (Anhui), and Hengshui (Hebei).

Looking into 2020, Weiye will target six major regions, including the Yangtze River delta region, Pearl River Delta region, Beijing-Tianjin-Hebei region, Central China, Southwest China, and Central China. On top of our existing development projects, we will invest in new industry development projects with reference to geographical conditions and maximum investment values.

Southeast Asia Region

With the rapid development of China's Belt and Road Initiative, we have also set sight to venture into new markets in the Southeast Asian region, especially in Singapore, Malaysia, Thailand, Vietnam and Cambodia, as we foresee that the rapid economic growth of these countries will fuel the development of their respective property markets in the near term. We have built an overseas business unit for possible ventures into these emerging markets, so as to deepen our understanding of the socio-economic situation in the region and facilitate our expansion plans in the future.

FINANCIAL HIGHLIGHTS

(RMB' MIL)	2015	2016	2017	2018	2019
REVENUE					
Property Development	1,044.5	681.6	1,678.9	1,726.7	706.1
Housing Construction	113.3	0.2	–	–	–
Equipment Manufacturing	76.9	59.6	69.1	51.3	57.0
Total	1,234.7	741.4	1,748.0	1,778.0	763.1
GROSS PROFIT					
Property Development	292.4	191.9	206.6	549.3	152.8
Housing Construction	3.3	(0.3)	–	–	–
Equipment Manufacturing	30.5	20.8	21.3	16.6	14.8
Total	326.2	212.4	227.9	565.9	167.6
GROSS PROFIT MARGIN					
Property Development	28%	28%	12%	32%	22%
Housing Construction	3%	(150%)	0%	0%	0%
Equipment Manufacturing	40%	35%	31%	32%	26%
Total	26%	29%	13%	32%	22%

(RMB' MIL)	2015	2016	2017	2018	2019
Net Profit/(Loss)	106.6	79.1	134.5	160.3	(56.9)
Earnings Before Interest, Tax, Depreciation and Amortisation	223.2	141.8	215.5	423.1	33.6
Equity Attributable to Owners of the Company	1,140.0	1,201.3	1,324.1	1,486.7	1,452.6
Total Assets	5,129.9	6,210.7	6,279.3	6,923.9	8,881.1
Total Liabilities	3,851.6	4,831.5	4,754.6	5,174.7	7,114.2
Net Debts*	1,371.3	2,000.7	1,191.6	1,205.6	1,423.7
Interest Coverage Ratio (times)	1.8	0.7	1.3	2.3	0.1
Earnings/(Losses) per Share (RMB cents)	48.0	33.3	63.1	84.8	(15.8)
Net Asset Value per Share (RMB)	5.8	6.3	6.8	7.6	7.4
Net Debts to Total Equity Ratio (%)	107%	145%	78%	69%	81%

* Interest bearing debts (-) cash and cash equivalents

FINANCIAL REVIEW

During the year, there was a huge downward pressure on the economy of the PRC as a result of the Sino-American trade war and policies from the China Central Government, by adhering to the positioning of "houses are for living, not for speculating", continued to carry out city-differentiated regulation. Under such current condition, the Group has been adjusting its business development plan in response to the changing economic environment.

The total revenue for the year of approximately RMB763.1 million with 57% decrease as compared to 2018. Correspondingly, the Group also reported a loss attributable to owners of the Company of approximately RMB30.9 million during the year under review, representing a significant drop of 119%.

The Group recorded a loss for the year was mainly due to the decrease in revenue of property development segment of the Group as a result of fewer number of new property projects handover and recognised as revenue during the year. Despite the Group is suffering loss for the year, the overall operation and financial position of the Group remain healthy and sound with no liquidity problem.

In responding to the challenging business environment, the Group strictly enhance its strategic plans and more caution on investment selection process.

PROPERTY DEVELOPMENT BUSINESS

During the year, there was a significant drop in our total net saleable floor area ("NSFA") handed over to customers to approximately 80,285 square meters (2018: 197,012 square meters). This was mainly due to a delay on handover of Weiye Meiyue Wan project to customers.

Revenue from property development business for the year ended 31 December 2019 was mainly from the following projects, namely Chuangshiji Plaza, Weiye Central Park and Weiye Shangcheng Yihaoyuan & Erhaoyuan, which contributed approximately RMB391.5 million, RMB129.5 million and RMB59.3 million respectively.

The gross profit ("GP") of the property development business for the current year amounted to approximately RMB152.8 million, a decrease of approximately 72% from the same period in the previous year. The GP margin dropped by 10% as compared to 2018 mainly due to lower GP margin for Chuangshiji Plaza project.

EQUIPMENT MANUFACTURING BUSINESS

This segment recorded a revenue of approximately RMB57.0 million in the current year which represented 11% increase when compared with the last year. This was mainly due to increase in revenue for heating, ventilation and air conditioning products and cleanroom equipment, while it continuously heightening of the property control measures in China, as well as sluggish conditions in the Asia Pacific construction markets, resulting in a drop in the sales of air purification products during the year under review.

This in turn resulted in 11% decline in our gross profit to approximately RMB14.8 million, as compared to the last year. Despite an increase in the revenue, the GP margin for equipment manufacturing business was dropped from 32% to 26%, mainly due to increasing of operating cost.

OTHER INCOME

Other income decreased by approximately 39% in this year, primarily due to drop in the compensation income by approximately RMB68.6 million when compared with the last year. In 2018, there is a compensation income of RMB68.4 million received by Henan Meiyuan Co., Ltd ("Henan Meiyuan") for termination of a joint development project. It was being set off by a gain on bargain purchase arising from acquisition of a subsidiary with approximately RMB17.7 million and fair value changes of investment properties with RMB15.0 million recorded for the current year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses amounted to approximately RMB46.8 million in the current year, represented a decrease of 13%. This was mainly due

FINANCIAL REVIEW

to increase in salaries of new property projects, namely Taihu Tiancui and Yuediwan, with approximately RMB4.4 million and offset with the decrease in promotional and marketing related costs with RMB14.1 million as a result of decrease in revenue from property development for the current year.

ADMINISTRATIVE EXPENSES

Administrative expenses for the current year was approximately RMB145.9 million, which was 11% lower than the same period in the previous year. It was mainly due to higher professional fee incurred last year as a result of the Group's delisting action from the Mainboard of Singapore Exchange Securities Trading Limited in 2018.

NET FINANCE COSTS

Net finance costs was reported in 2019 at approximately RMB39.5 million, representing an increase of 120%, this was mainly increase in loans and borrowings during the year.

TAXATION

The significant drop in income tax expense for the current year was mainly due to lower provision of corporate income tax by approximately RMB50.7 million as a result of significant drop in profit during the year under review and lower provision of land appreciation tax by approximately RMB49.6 million as a result of significant drop in revenue from property development in current year.

REVIEW OF FINANCIAL POSITION

The decrease in joint ventures of approximately RMB293.1 million was mainly due the disposal of Zhengzhou Daimashi Enterprise Co., Ltd. ("Daimashi") during the year.

The increase in development properties and prepaid cost of approximately RMB1,402.0 million was mainly due to the acquisition of land of Weiye Shangcheng Sanhaoyuan and acquisition of Chuangshiji Plaza project during the year, and the progressive construction costs incurred on property development projects including Weiye Meiyue Wan, Weiye Lanting Wan, Taihu Tiancui, Yuejiangwan and Yuediwan.

The increase in trade and other receivables (current assets) of approximately RMB592.2 million was mainly due to prepayment for acquisition of property development project in Huizhou of approximately RMB350.0 million and prepayment for acquisition of parcel of land located in Hangzhou of approximately RMB244.7 million.

The decrease in the contract assets by approximately RMB103.2 million was mainly due to the partial collection of receivables from the Henan provincial government in relation to the resettlement house construction project.

The decrease in trade and other payables of approximately RMB283.6 million was mainly due to settlement of amount due to Daimashi during the year.

The increase in contract liabilities by approximately RMB1,724.2 million was mainly due to advance receipts for the pre-sale of development properties such as Taihu Tiancui, Yuejiangwan, Yuediwan and Weiye Meiyue Wan in the current year.

The net increase in loans and borrowings was mainly due to additional loans and borrowings obtained to finance the development of new property projects.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, the Group's net current assets amounted to approximately RMB2,069.6 million, an increase in 47.9% as compared to 2018, this was mainly due to increase in development properties and prepaid costs, trade and other receivables and prepaid tax of approximately RMB2,074.8 million, partially offset by increase in contract liabilities of approximately RMB1,724.2 million.

Our bank and other borrowings are denominated in Renminbi, Singapore Dollar and Malaysia Ringgit. As at 31 December 2019, our total outstanding loans and borrowings amounted to approximately RMB2,405.3 million. Particulars of loans and borrowings of the Group as at 31 December 2019 are set out in Note 24 to the consolidated financial statements.

TREASURY AND INVESTMENT MANAGEMENT

We prepare our monthly, quarterly and annual cash flow budgets in accordance with the Group's internal rules and regulations, to forecast and manage the working capital needs of the Group and its subsidiaries for business expansion and other investments, to ensure that there is sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Group's reputation.

In order to ensure the proper application of funds available to the Group investment, we have established policies and procedures on our investment management. Generally, our investment manager is responsible for managing and monitoring our investment portfolio on a daily basis.

Any fund transfer for trading purpose, acquisition and disposal of any investment shall be reviewed by our senior management and approved by our executive Chairman before execution. Our investment manager will prepare monthly trading summary report comprised of the detail balance of our investment portfolio, balance of our available fund and trading gain or loss as of the month end and report to our senior management and executive Chairman.

FINANCIAL REVIEW

EMPLOYEES AND REMUNERATION

As at 31 December 2019, there were 478 employees (2018: 403) in the Group.

Total employee benefits expenses of the Group (including Directors' fee) for the year ended 31 December 2019 were approximately RMB85.0 million (2018: RMB73.9 million). Staff remuneration packages are determined based on each employee's qualifications, experience, position and seniority.

The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and Group's results of operations.

CHARGE OF ASSETS

The loans and borrowings for the Group include banker's acceptance, lease liabilities, bank overdrafts, bank loans, loans from trust finance company and other loans. The borrowings are secured by investment properties, legal mortgages of the property development units, and corporate guarantee from the Company as well as guarantees from the third party companies. Particulars of charge of assets of the Group as at 31 December 2019 are set out in Notes 4, 7, 19 and 24 to the consolidated financial statements.

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

There was no purchase, redemption or sale of listed securities of the Company for the year ended 31 December 2019.

NET GEARING RATIO

Net Gearing ratio is calculated based on our total debt less cash and cash equivalents divided by total equity. Total debt includes interest bearing loans and borrowings. As at 31 December 2019, the Group had net gearing ratio of 81% (31 December 2018: 69%). Details of the gearing ratio are set out in Note 38 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group's property development and equipment manufacturing businesses are principally conducted in RMB and SGD, which are the functional currencies of the respective subsidiaries of the Group. Most of the Group's monetary assets and liabilities are denominated in RMB and SGD. Our business operations do not involve much of international transactions.

Accordingly, the Group considers that the Group's exposure to foreign currency risk is not significant and hence the Group does not employ any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 35 to the consolidated financial statements, which included the guarantees given to banks in connection with banking facilities granted to third party property customers.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, the Group acquired 37.5% equity interest in Hunan Jingke Property Co., Ltd. at the consideration of RMB30.0 million. Except for the above, there was no other material acquisition and disposal of subsidiaries by the Group during the year ended 31 December 2019.

OUTBREAK OF THE NOVEL CORONAVIRUS EPIDEMIC

Since the Spring Festival, the outbreak of the novel coronavirus epidemic ("Epidemic") across the world will have a certain impact on the global economy, including the PRC. The epidemic will also have a certain impact on the Group, specifically depending on the epidemic's duration and the development trend. In accordance with the current situation, as the first quarter of 2020 focused on the acquisition of land resources, there was no major project construction and sales, and the Group had sufficient working capital, the epidemic did not have any significant impact on the financial position of the Group in the first quarter of 2020. In addition, the Group will adopt a more proactive strategy of sales to adjust marketing plans and strategies in a timely manner, which accelerates marketing reform. Meanwhile, continuously strengthening the cash flow management, speeding up payment collection and destocking will increase capital turnover and ensure stable cash flow.

BOARD OF DIRECTORS

ZHANG WEI

Executive Chairman and Chief Executive Officer

Mr. Zhang Wei ("Mr. Zhang"), aged 50, is the chairman of the Board, an executive Director and chief executive officer of the Company. Mr. Zhang is responsible for the Group's strategic planning and the overall business development decision making.

Mr. Zhang has over 25 years of experience in the real estate industry. He joined Henan Weiye in June 2002 and has been the sole director of Great Spirit Management Limited since its establishment in 2009. Mr. Zhang has been the chairman of the Board since the Reverse Takeover in 2011. Mr. Zhang currently holds certain positions in the members of our Group, namely, director of Great Spirit Management Limited and Weiye Holdings (Hong Kong) Limited; and the legal representative, executive director and manager of Hainan Hongji Weiye Property Development Co., Ltd and Hongji Weiye (Hainan) Non-Movable Property Management Group Co., Ltd..

From July 1990 to July 1993, Mr. Zhang was the operation manager, responsible for the company's operations, in China Construction No. 7 Engineering Bureau Zhongyuan Property Development Company* (中國建設第七工程局中原房地產開發公司), which principally engaged the business of construction and property development. From July 1993 to March 1994, Mr. Zhang was the deputy manager of Henan Xinya Property Co., Ltd.* (河南新亞置業有限公司), a company engaged in the business of property development. From March 1994 to August 1998, Mr. Zhang was the general manager, and was later promoted to the managing director, responsible for the overall business operation of the company, in Henan Xinfeng Property Co., Ltd.* (河南新豐置業有限公司), which engaged in the business of property development.

Mr. Zhang was certified as an economist by Henan Province Science Committee* (河南省科技委員會) in November 1996. He obtained a Master's in Business Administration from Macau University of Science and Technology (澳門科技大學) in Macau Special Administrative Region of the PRC in September 2003. Mr. Zhang is the brother-in-law of Mr. Chen Zhiyong, an executive Director and chief operating officer of the Company.

CHEN ZHIYONG

Executive Director and Chief Operating Officer

Mr. Chen Zhiyong, aged 49, is our executive Director and chief operating officer of the Company. Mr. Chen is responsible for supervising Henan region group in determine their development plans and target and assist regional group in solving operational issues and project financing.

Mr. Chen has over 24 years of experience in the real estate industry. He joined Henan Weiye in July 2000, responsible for property development management, and was later promoted to the position of Chief Executive Officer of Henan Weiye in 2010. He has been an Executive Director and the Chief Executive Officer of our Company since the Reverse Takeover in August 2011. On 27 February 2014, he was re-designated as the Chief Operating Officer of our Company. Mr. Chen currently holds certain positions in the members of our Group, namely, the legal representative and Executive Director of Jinwei (Henan) and Xinxiang Weiye; the legal representative, Executive Director and General Manager of Hongji Weiye, Henan Weiye and Henan Tiandao; and the legal representative of Henan Xingwei, Hanwei Zhiye, Guangdong Leiding, Huizhou Dayawan and Huizhou Dayawan Pengrun.

From 1988 to 1993, Mr. Chen worked in the infrastructure department in Zhengzhou City Heavy Industry Management Authority (鄭州市重工業管理局). From 1993 to 1998, Mr. Chen was the manager of the project management department in the No. 2 engineering department of the Zhongjian No. 7 Bureau No.4 Construction Engineering Company* (中建七局第四建築工程公司), a company principally engaged in the business of construction where he was responsible for the management of the construction of the property.

Mr. Chen graduated from Naval University of Engineering, PLA (中國人民解放軍海軍工程大學) in Wuhan City, Hubei Province, the PRC, with a degree in project management in June 2006. Mr. Chen is the brother-in-law of Mr. Zhang Wei, the chairman of the Board, an executive Director and chief executive officer of the Company.

* *For identification purpose only*

BOARD OF DIRECTORS

LIU NING
Lead Independent Non-Executive Director

Mr. Liu Ning ("Mr. Liu"), aged 55, was appointed as the Lead Independent Non-Executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee on 19 December 2018.

Mr. Liu has extensive experience of investment and administration in land property and hotel industry, and he is good at corporate comprehensive management and investment and financing business. Mr. Liu obtained Bachelor's of Engineering from Tongji University (同濟大學) and obtained a master degree of Business Administration from Macau University of Science and Technology (澳門科技大學). Mr. Liu is an engineer and a senior economist.

From June 2000 to June 2003, Mr. Liu was the general manager of Shanghai Jinjiang International Hotels Development Co., Ltd. (formerly known as Shanghai New Asia (Group) Co., Ltd.), a company listed on Shanghai Stock Exchange (stock code: 600745). From July 2003 to April 2005, Mr. Liu was the president assistant, deputy managing director of property department and the general manager of Shanghai Jinjiang International Holdings Co., Ltd. From October 2009 to February 2014, Mr. Liu an executive director, president, vice president, chief operation officer and chief executive officer of Glorious Property Holdings Limited, a company listed on the Stock Exchange (stock code: 845). From March 2014 to December 2014, Mr. Liu was the executive president and the regional president (China) of Baoneng Group. Mr. Liu is currently the managing director of Shinovation Capital Corporation Co., Ltd..

DONG XINCHENG
Independent Non-Executive Director

Mr. Dong Xincheng ("Mr. Dong"), aged 53, was re-designated an Independent Non-Executive Director, appointed as the chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee on 19 December 2018.

Mr. Dong has approximately 17 years of experience in legal practice. Mr. Dong graduated from Zhengzhou University (鄭州大學) in Zhengzhou City, Henan Province, the PRC, with a Bachelor's degree in engineering. Mr. Dong obtained the Legal Professional Qualification Certificate in September 2002.

From 1990 to 1995, Mr. Dong was an officer in Road Administration Division of Henan Province Bureau of Transport* (河南省交通廳公路管理局). From 1996 to 2001, Mr. Dong was a deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd. (石家莊鑫麟房地產開發有限公司), where he was responsible for its business management. From 2002 to 2004, Mr. Dong practiced law at Henan Guanglei Law Firm (河南光磊律師事務所). From 2004 onwards, Mr. Dong has been practicing law at Henan Zhengfangyuan Law Firm (河南正方園律師事務所).

* *For identification purpose only*

BOARD OF DIRECTORS

LAM YING HUNG ANDY

Independent Non-Executive Director

Mr. Lam Ying Hung, Andy ("Mr. Lam"), aged 55, was appointed as an Independent Non-Executive Director, the chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee on 19 December 2018.

Mr. Lam has over 27 years of experience in accounting, banking and finance sectors. Mr. Lam is the managing consultant at Lontreprise Consulting Ltd. Mr. Lam obtained a master degree of Professional Accounting and a master degree in e-commerce from Hong Kong Polytechnic University. Mr. Lam is associate member of various professional organizations, namely The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries and The Hong Kong Institute of Bankers. Mr. Lam is also a member of the Association of Chartered Certified Accountants and a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants ("HKICPA").

Mr. Lam is currently an Independent Non-Executive Director of Synertone Communication Corporation (stock code: 1613), Brilliant Circle Holdings International Limited (stock code: 1008) and Xingfa Aluminium Holdings Limited (stock code: 98) on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

CHOI WAI HIN
Chief Financial Officer

Mr. Choi Wai Hin ("Mr. Choi"), aged 40, joined the Group in December 2019 and has been appointed as the Chief Financial Officer responsible for overseeing the Group's finance and accounting operations.

Prior to joining the Group, Mr. Choi was the Chief Financial Officer of Karrie International Holdings Limited (stock code: 1050) from August 2014 to December 2019 and also worked in KPMG for more than ten years. He has extensive experience in auditing, accounting, financial management and has been involved in a number of initial public offering transactions and capital market transactions.

Mr. Choi graduated from The Hong Kong Polytechnic University with a bachelor degree in accountancy. He is a Fellow of the Hong Kong Institute of Certified Public Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhang Wei
(Executive Director and Chief Executive Officer)
Chen Zhiyong
(Executive Director and Chief Operating Officer)
Liu Ning
(Lead Independent Non-Executive Director)
Dong Xincheng
(Independent Non-Executive Director)
Lam Ying Hung Andy
(Independent Non-Executive Director)

AUDIT COMMITTEE

Lam Ying Hung Andy (Chairman)
Dong Xincheng
Liu Ning

NOMINATING COMMITTEE

Dong Xincheng (Chairman)
Lam Ying Hung Andy
Liu Ning

REMUNERATION COMMITTEE

Liu Ning (Chairman)
Dong Xincheng
Lam Ying Hung Andy

COMPANY SECRETARIES

Shirley Tan Sey Liy (ACIS)
Man Yun Wah (HKICS)

REGISTERED OFFICE

100H Pasir Panjang Road #01-01
OC@Pasir Panjang
Singapore 118524

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

33th Floor, Building No. 1
Fangdacheng Longzhu Forth Road No. 2
Nanshan District, Shenzhen City
Guangdong Province, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 912, 9/F, Two Harbourfront
22 Tak Fung Street, Hunghom, Kowloon, Hong Kong

AUDITORS

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank (Henan Branch)
80 Garden Road, Zhengzhou City
Henan Province
The PRC 450003

China Construction Bank (Hainan Branch)
Jian Hang Building, Guo Mao Main Road,
Haikou City, Hainan Province
The PRC 570125

Shanghai Pudong Development Bank (Shenzhen Branch)
1st Floor, International Chamber of Commerce
168 Fuhua 3rd Road
Futian District, Shenzhen City
Guangdong Province
The PRC 518048

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza
Singapore 048624

CORPORATE GOVERNANCE REPORT

WEIYE HOLDINGS LIMITED ("Company") and its subsidiaries (collectively, "Group") are committed to maintaining high standards of Corporate Governance to advance its mission to create value for the Group's customers and shareholders.

This Corporate Governance Report states the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met. Throughout the financial year ended 31 December 2019, the Group has complied with the CG Code, except those appropriately justified and disclosed.

BOARD MATTERS

Board's Conduct of its Affairs

The board ("Board") of directors ("Directors") of the Company oversees the Group's overall policies, setting Company's values and standards, strategies and objectives, reviewing management performance, identifying key stakeholder groups, key operational initiatives, performance and measurement, internal controls and risk management, major funding and investment proposals, financial performance reviews, corporate governance practices and sustainability issues. Approval of the Board is required for matters such as corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, share issuance, dividend and other returns to shareholders, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year's results and interested person transactions of a material nature.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board delegate its decision-making authority to three supporting committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, "Board Committees"). These Board Committees operate within clearly defined Terms of Reference and they play an important role in ensuring good corporate governance in the Company and within the Group. These Terms of Reference will be reviewed on a regular basis to ensure their continued relevance and are available on the websites of the SEHK and the Company.

The Board conducts regular scheduled Board meetings at least four times a year to approve the interim and annual results announcement and to review the operations and performance of the Group. The schedule of all the regular Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance in accordance with the Terms of Reference and the Listing Rules. Board meetings may also be convened as and when they are deemed necessary in between the scheduled meetings to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and Board Committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all the Directors at least 3 days before each Board or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

The Constitution of the Company provides for the Board to convene meetings by ways of tele-conferencing, video conferencing, audio or other similar communications equipment. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means and the circulation of written resolutions for approval by the relevant members of the Board or Board Committees.

CORPORATE GOVERNANCE REPORT

The Directors in office for the year ended 31 December 2019 and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Wei (Chairman and Chief Executive Officer)
Mr. Chen Zhiyong

Independent Non-Executive Directors

Mr. Liu Ning
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The attendances of the Directors at the general meetings, Board meetings and Board Committees meetings held during 2019 are as follows:

	Attendance/Number of meetings				
	General meetings	**Board meetings**	**Audit Committee meetings**	**Nominating Committee meeting**	**Remuneration Committee meeting**
Mr. Zhang Wei	2/2	4/4	2/2*	1/1*	1/1*
Mr. Chen Zhiyong	2/2	4/4	2/2*	1/1*	1/1*
Mr. Dong Xincheng	2/2	4/4	2/2	1/1	1/1
Mr. Lam Ying Hung Andy	2/2	4/4	2/2	1/1	1/1
Mr. Liu Ning	2/2	4/4	2/2	1/1	1/1

* By invitation

The Board has adopted internal guideline setting forth matters that require Board's approval. The Board has identified the following areas for which the Board has direct responsibility for decision making within the Group: –

– Approval of the Group's major investments/divestments and funding decisions;

– Approval of the Group's quarterly financial updates, interim and annual financial result announcements for release to the SEHK;

– Approval of any agreement which is not in the ordinary course of business;

– Approval of any major borrowings or corporate guarantees in relation to borrowings;

– Entering into any profit-sharing arrangement;

– Entering into any foreign exchange hedging transactions;

– Appointment or removal of any key executive and legal representative;

– Incorporation or dissolution of any subsidiary;

– Issuance of shares or declaration of dividends;

– Approval of the annual report and audited financial statements;

– Convening of general meetings;

CORPORATE GOVERNANCE REPORT

– Approval of corporate strategies;

– Approval of material acquisition and disposal of assets; and

– Approval of announcements or press releases concerning the Group for release to the SEHK.

The Directors are also updated regularly with the changes to the Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SEHK which are relevant to the Directors are circulated to the Board. The Company Secretaries informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the External Auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Rules that affect the Company and/or the Directors in discharging their duties.

The shares of the Company have been listed on the Main Board of the SEHK. In order to comply with Rule A6.5 of Appendix 14 to the Listing Rules, the Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices. The Company may from time to time arrange the training for the Directors at the Company's costs.

Newly appointed Directors receive appropriate training such as accounting, legal and industry specific knowledge, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. A letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

There is presently a strong and independent element on the Board. Three Independent Non-Executive Directors make up over half of the Board and the independence of each Independent Non-Executive Director has been reviewed by the NC. The NC is of the view that all the Independent Non-Executive Directors are independent to the Company.

The criteria for independence are determined based on the definition as provided in the Listing Rules and the independence of each Independent Non-Executive Director is reviewed annually by the NC. The Board considers an Independent Non-Executive Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

There is no Independent Non-Executive Director who has served on the Board beyond nine years from the date of his first appointment.

The Board constantly examines its Board size with a view to determining the optimum size for effective decision-making. The Board taking into account the scope and nature of the operations of the Company, the requirement of the business and the need to avoid undue disruptions from the change in commotion of the Board and Board Committees. The Board is of the view that its current Board size is appropriate, which facilitates effective decision-making.

The Board and Board Committees provide an appropriate balance and diversity of skills. The Directors bring with them a wealth of expertise and experience in areas such as accounting, finance, legal, business or management experience and industry knowledge as well as knowledge of the Company and Group. Its composition enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board.

Independent Non-Executive Directors exercise no management functions in the Group. The role of the Independent Non- Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for the Independent Non-Executive Directors to meet on a need- basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer

The Executive Chairman and Chief Executive Officer, Mr. Zhang Wei undertakes the overall business operations and management of the Group and report to the Board of the Group. This deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers Mr. Zhang Wei is familiar with the culture and operations of the Company and has extensive experience in the real estate industry. The Directors consider the vesting 2 roles in the same individual will not impair the balance of power and authority between the Directors and the management of the Group. In addition, he is responsible for setting business strategies and managing the Group, which involves high-level decisions about policy and strategy, motivating employees, and driving change within the organization.

CORPORATE GOVERNANCE REPORT

The responsibilities of the Executive Chairman and Chief Executive Officer include:

(1) Leading the Board to ensure its effectiveness on all aspects of its role;

(2) Setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(3) Ensuring that all Board meetings are convened and held as and when required;

(4) Ensuring that Directors receive accurate, timely and clear information;

(5) Ensuring effective communication with shareholders;

(6) Promoting a culture of openness and debate at the Board level;

(7) Encouraging constructive relations within the Board and between the Board and Management;

(8) Facilitating the effective contribution of the Independent Non-Executive Directors;

(9) Ensuring that proper procedures are set to comply with the Code and promoting high standards of corporate governance; and

(10) Acting in the best interest of the Group and of the shareholders.

All major decisions are made in consultation with the Board, where over half of the Board comprises Independent Non- Executive Directors. The Board is of the opinion that the process of decision making by the Board has been independent and based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

The performance and appointment of the Executive Chairman and Chief Executive Officer to the Board are reviewed periodically by the NC and the remuneration package is reviewed periodically by the RC.

The composition of AC, NC and RC comprises Independent Non-Executive Directors only. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Nominating Committee

The NC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors, including the chairman who is not directly associated with any substantial shareholder of the Company.

Mr. Dong Xincheng (Chairman)
Mr. Lam Ying Hung Andy
Mr. Liu Ning

The principal functions of the NC are to:

– Review of board succession plans for directors, in particular the Chairman and Chief Executive Officer;

– Development of a process for evaluating the performance of the Board, its committees and directors;

– Reviewing training and professional development programs for the Board;

CORPORATE GOVERNANCE REPORT

- Review the background, academic and professional qualification and make recommendation to the Board on all the candidates nominated for appointment to the Board and Board Committees of the Company and of its subsidiaries;

- Review annually on the independence of the Independent Non-Executive Directors;

- Identify and recommend Directors who are retiring by rotation to be put forward for re-election;

- Review the ability of a Director to adequately carry out his duties as Director when the Director's has multiple Board representations; and

- Assess the effectiveness of the Board as a whole.

The NC makes recommendations to the Board on all Board appointments and is responsible for the re-nomination of Directors at regular intervals, through nomination process which take into consideration the Directors' contribution and performance at Board meetings, including attendance and participation.

The NC is responsible to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

Where a Director has multiple Board representations, the NC will evaluate whether the Director is able to and has adequately carried out his or her duties as Director of the Company by taking into consideration the contribution and the respective Directors' attendance at the Board meeting. The Board is satisfied that Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group. Their multiple board representations do not hinder their abilities to carry out their duties as Directors of the Company. Accordingly, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his or her duties to the Company. The NC would monitor and determine annually, on a case-by- case basis, whether Directors have given sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director of the Company.

The Board, based on the recommendations of the NC will conduct search and selection process to ensure that Directors appointed possess the background, experience and knowledge critical to the Group's business and each Director, through his or her unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decision to be made.

Each Executive Director has entered into a service contract with the Company for a term of 3 years, while each Independent Non-Executive Director has entered into a letter of appointment with the Company for a term of 3 years.

In accordance with the Company's Constitution, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors will have to retire at the next Annual General Meeting ("AGM") following their appointments. The retiring Directors are eligible to offer themselves for re-election. Pursuant to Regulation 117 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions in respect of his or her re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The NC recommended that Mr. Zhang Wei and Mr Chen Zhiyong (collectively, "Retiring Directors"), be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

For the financial year under review, the NC is of the view that the Independent Non-Executive Directors of the Company are independent (as defined in Listing Rules) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Although some of the Directors have other Board representation, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company and given sufficient time and attention to the Company's affairs.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on pages 21 to 23 of this annual report.

Access to Information

The Board is provided with adequate and timely information on Board affairs and issues that require the Board's decision. All Directors have separate and independent access to the Group's Senior Management and the Company Secretaries at all times. Requests for information from Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Group's performance. The Management also consults with Board members regularly whenever necessary and appropriate.

All the Directors are provided with complete and adequate information including board papers and related materials in relation to financial such as budgets, forecasts and financial statements, business and background or explanatory information relating to corporate matters of the Group prior to Board meetings and on an ongoing basis so as to enable the Directors to oversee the Group's operational and financial performance. The Directors are also informed of any material variance between projections and actual results or significant developments or events relating to the Group.

The Company Secretaries or their representative administers attend and prepare minutes of all Board and Board Committees meetings and assist the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and Board Committees function effectively. The Company Secretaries or their representatives' roles are to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with.

Each member of the Board or the Board as a whole may seek independent professional advice at the Company's expenses, subject to the approval of the Chairman, in furtherance of their duties and such costs will be borne by the Company. The appointment and removal of the Company Secretaries are subject to the consideration and approval of the Board as a whole.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The RC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors, majority of whom, including the chairman is independent.

The RC comprises three Independent Non-Executive Directors as follows:

Mr. Liu Ning (Chairman)
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The key functions of the RC include:

– Reviewing and recommending to the Board an appropriate and competitive framework for remuneration for the Directors and key management executives of the Group;

– Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs;

– Reviewing and approving the remuneration framework of the Directors and key management executives; and

– Reviewing and submitting its recommendations for endorsement by the Board, any option plans, stock plans and/or other equity based plans which may be set up from time to time.

The RC recommends to the Board a framework for the remuneration for the Directors and key management executives and determines specific remuneration packages for each Executive Director and key management executive. The RC's recommendations are made in consultation with the Chairman and are submitted for endorsement by the entire Board.

Each Director shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of his or her own remuneration. The payment of Directors' fees is subject to the approval of shareholders of the Company.

The RC has access to seek independent professional advice externally or within the Company with regards to remuneration matters where deem necessary and such cost shall be borne by the Company.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry as well the Group's relative performance and the performance of each of the Directors.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel are structured link to corporate and individual performance as well as commensurate with their respective job scope and the level of responsibilities after taking into account the risk polices of the Company. It comprises primarily a basic salary component and a variable component which is the bonuses and other benefits.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

CORPORATE GOVERNANCE REPORT

The Independent Non-Executive Directors are paid Directors' fees taking into account factors such as the effort and time spent and the scope of responsibilities of the Independent Non-Executive Directors. The Chairman of each Board Committees is compensated for his or her additional responsibilities. The Directors' fees are recommended by the Board for approval at the Company's AGM. The Board ensures that the Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

The Company currently does not have any scheme(s) to encourage Independent Non-Executive Directors to hold shares of the Company so as to better align the interests of such Independent Non-Executive Directors with the interests of shareholders. However, the Company will consider and review the feasibility for having such scheme, as and when is appropriate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Each of the Directors shall have the duties of care and skill and fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Directors in the event of such breach of fiduciary duties.

Immediate Family Members of Directors or Chief Executive Officer

Save as disclosed below, none of the Directors or Executive Officers are related by blood or marriage to one another nor are they related to any of the Substantial Shareholders of the Company.

The immediate family members of Directors are as follows:

(a) Mr. Chen Zhiyong is the brother-in-law of Mr. Zhang Wei; and

(b) Mr. Ma Wei, the vice president of Investment Operations Division, is the cousin of Mr. Zhang Wei.

Accountability and Audit

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual financial statements and announcements of financial results are to provide shareholders with a balanced and understandable assessment of the Company and Group's performance, position and prospects. The Board acknowledge their responsibilities for preparing the Group's accounts which gives a true and fair view of the financial position of the Group. The statement by the external auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 53 of this annual report.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis and when deemed appropriate by particular circumstances.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of management accounts on financial information and position of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board from time to time.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company's publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

The Group maintains a system of internal controls for all companies within the Group, but recognises that no cost-effective internal controls system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss after taking the Company's risk tolerance and risk polices into consideration. Annually the Board review the adequacy of the risk management and internal control system in place which address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable, but not absolute, assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information, shareholders' investments and the Group's assets are safeguarded.

As the Company does not have a risk management committee, the Board and Management assume the responsibility of overseeing the Company's risk management framework and function. The Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

Relying on the reports from the internal auditors, the AC reviews the effectiveness of the Group's internal controls systems. Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors to further improve the internal controls were reported to the AC directly. The AC will also follow up on the actions taken by the Management and on the recommendations made by the internal auditors against the material non-compliance or weaknesses in relation to internal controls.

The external auditors and internal auditors have not reported to AC any material internal controls weakness identified in the course of audit of the Group's consolidated financial statements for 2019.

Based on the discussions with the Management and the reports from the internal auditors and external auditors, periodic reviews by the Management and to the best knowledge and belief of the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems are effective and adequate in addressing material financial, operational, compliance and information technology risks of the Group during the year in meeting the current needs of the Group's business operations and provide reasonable, but not absolute, assurance against material financial misstatements or material loss and to safeguarding the Group's assets.

CORPORATE GOVERNANCE REPORT

Audit Committee

The AC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors as follows:

Mr. Lam Ying Hung Andy (Chairman)
Mr. Dong Xincheng
Mr. Liu Ning

The AC performs the following functions:

1. review with the external auditors the audit plan, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits conducted by the Group's internal and external auditors;

2. review the annual and interim, financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory or regulatory requirements;

3. review the risk profile of the Group, effectiveness and adequacies of its internal controls and risk management procedures, including financial, operational, compliance and information technology controls and procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

4. ensure co-ordination between the external and internal auditors and the management, and review the assistance given by the management to the external and internal auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the external and internal auditors may wish to discuss (in the absence of the management where necessary);

5. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

6. consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

7. review the appointments of persons (upon appointment and upon renewal of their respective service contracts), occupying managerial positions who are related to the Directors, Chief Executive Officer or the Controlling Shareholders of the Group, including their remuneration;

8. evaluate the independence of the external auditors;

9. review the adequacy of the internal audit function and ensure that a clear reporting structure is in place between the Audit Committee and the internal auditors;

10. review any potential conflicts of interests;

11. review the adequacy of potential business risk management processes;

12. review and approve all hedging policies and instruments (if any) to be implemented by the Group;

13. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

CORPORATE GOVERNANCE REPORT

14. review and sight all resignation letters of the legal representatives of the Group's People's Republic of China ("PRC") Subsidiaries, which have been signed in advance, and such letters shall be held in custody by the Company's Company Secretaries;

15. review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

16. generally undertake such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

The Group has adopted the following procedures in respect of any change of legal representative(s) of the Group's PRC Subsidiaries: –

(a) Each of the Group's PRC Subsidiaries' Constitution has been amended to allow the shareholders of each of the Group's PRC Subsidiaries to have the power to remove the respective legal representative(s), and the legal representative(s) shall not be able to object to such removal;

(b) A resignation letter signed in advance by the current legal representative(s) of each of the Group's PRC Subsidiaries. All subsequent appointments of the legal representative will also have resignation letters signed in advance. The Company's Company Secretaries shall have custody of these resignation letters; and

(c) It is part of the AC's responsibilities to sight and review at least quarterly all resignation letters of the legal representatives of the Group's PRC Subsidiaries which have been signed in advance.

The AC has full access to and co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions. The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations (and of any other jurisdictions that imposed upon the Group as and when applicable) which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from reviewing any particular transaction or voting on such resolution in respect of which he or she is or may be interested in.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has recommended to the Board that Messrs BDO Limited ("BDO") be nominated for re-appointment as external auditors of the Group at the forthcoming AGM of the Company. The Company confirmed that Rule 13.88 of the Listing Rules had been complied with.

The AC meets with the external auditors and internal auditors without the presence of the Executive Directors and the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. The AC, having reviewed the non-audit services provided by the external auditors, is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For 2019, the total amount of audit fees paid to BDO, the auditors of the Company, was approximately RMB2.03 million of which all related to audit fees.

CORPORATE GOVERNANCE REPORT

The Company has developed a whistle blowing policy. This policy provides well-defined and accessible channels in the Group through which employees are able to raise concerns about improper conduct within the Group free of stress and restrictions by post or email to the AC Chairman or the Company Secretaries. As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors to keep abreast of changes to accounting standards and issues which have direct impact on financial statements. No former partner or director of the Company's existing auditing firm or auditing corporation, within a period of 2 years from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation, has acted as a member of the AC.

Internal Audit

The Board recognises the importance of the internal audit function which being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. The Company outsources its internal audit function to an external consultant. The Internal Auditor has unfettered access to all Company's documents, record properties and personnel including access to the AC.

The Internal Auditor has conducted parts of its audit plan and put forward its findings and recommendations to the AC for review. The Internal Auditor has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation of improvements required on internal control weakness identified. The AC has reviewed the annual internal audit plan for 2019 and is satisfied that the internal audit functions have been adequately resourced and having appropriate standing within the Company.

The AC is satisfied that the internal audit function is staffed by appropriate qualified and experienced professionals with the relevant experience. The AC would annually review the adequacy and effectiveness of the internal audit functions of the Company.

COMMUNICATIONS WITH THE SHAREHOLDERS

Shareholder Rights

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Rules and the Companies Act, Chapter 50 of the Laws of Singapore, the Board's policy is to facilitate the exercise of ownership rights by all shareholders to ensure that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The company also informed of the rules, including voting procedures, which govern general meetings of shareholders. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance as prescribed by the Company and in accordance with the requirements of the Listing Rules from time to time. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

CORPORATE GOVERNANCE REPORT

The Directors may, whenever they think fit, convene an Extraordinary General Meeting ("EGM") and EGM shall also be convened on such requisition or, in default, may be convened by such requisitionists, including Members holding a minority stake in the Company which have shareholdings not higher than 10.0%. The requisitionists shall deposit a written notice with detailed contact information and items to be considered at such EGM to the Company's Singapore registered office.

The Company is committed to disclose to its shareholders the information in a timely, fair and transparent manner via the HKEXnews. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

– annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Listing Rules and International Financial Reporting Standards and/or any other requirements that the Company and the Group are required to comply with from time to time;

– interim and annual financial results announcements containing a summary of the financial information and affairs of the Group for that period; and

– notices of explanatory memorandum for AGMs and EGMs. The notice of AGMs and EGMs are also published on the websites of the Company and the SEHK, and circulated to the shareholders who are entitled to attend and vote at the AGMs and EGMs.

The Company's website is at http://www.weiyeholdings.com where our shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group. Contact details and channels of communications with shareholders and public remain open and relevant information is duly updated and conveyed via the Company's websites and email channels.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through the HKEXnews, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report enclosing notice of AGM by post within the mandatory period, which is held within six months after the close of the financial year.

The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For enquiries about the Company's information, Shareholders may contact Ms. Shirley Tan Sey Liy or Mr. Man Yun Wah, the Company Secretaries, whose contacts are as follows:

Ms. Shirley Tan Sey Liy
Email address: **shirley.tan@rhtcorporate.com**

Mr. Man Yun Wah
Email address: **guy.man@rhtcorporate.com**

or send enquiries in writing to the Company's registered office in Singapore at 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524; the principal place of business in the PRC at 33th Floor, Building No. 1, Fangdacheng, Longzhu Forth Road No. 2, Nanshan District, Shenzhen City, Guangdong Province, the PRC; or the principal place of business in Hong Kong at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The Constitution of the Company has been published on the websites of the HKEXnews and the Company respectively.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meeting

The Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. The Company's Constitution made appropriate provisions in to allow for absentia voting at general meetings of shareholders. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least i) 21 clear business days' notice for any AGM and any EGM at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company; and ii) 14 clear business days' notice for all other EGMs.

The Board establish and maintain regular dialogue with shareholders to gather views or inputs and welcomes questions from shareholders who wish to raise issues or concerns, either informally or formally before or during the general meetings. Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All Directors of the Company include the Chairman of the Board are normally present at the general meeting of shareholders. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company will make available minutes of general meetings to shareholders that include substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings, and responses from the Board and Management, upon their request.

The Company adheres to the requirements of the Listing Rules, all resolutions at the Company's general meetings held are put to vote by poll. For cost effectiveness, the voting for resolutions at the general meetings is conducted by manual polling. The detailed results showing the number of votes cast for and against each resolution are announced via the HKEXnews after the general meetings.

DEALINGS IN COMPANY'S SECURITIES

In compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, the Company has adopted its own internal compliance code pursuant to the Model Code's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout 2019.

The Company and its Officers are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's interim results and 60 days immediately before the announcement of the Company's annual results, and ending on the date of the announcement of the relevant results.

The Directors, Management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTION

The Group has established procedures to ensure that all transactions with connected person (as defined under the Listing Rules) are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The Board and the AC will review all connected transactions to be entered into to ensure that the relevant rules under Chapter 14A of the Hong Kong Listing Rules is complied with.

During the year ended 31 December 2019, the Group entered into the following connected transaction with connected person as defined in the Listing Rules.

On 10 May 2019, Henan Xingwei Property Company Limited ("Henan Xingwei"), an indirect 100% wholly-owned subsidiary of the Company, and/or Henan Xingwei Zhuolian Property Company Limited ("Project Company") as borrower and Chang'an International Trust Company Limited ("CITC"), an independent third party of the Company, as lender entered into the Trust Financing Agreements, pursuant to which CITC conditionally agrees to finance the Project Company in the principal sum of not exceeding RMB830.0 million for a period of 24 months at an interest rate of 16% per annum for the funding of the Real Estate Development Project.

The Zhuolian Trust Financing is secured by (1) a pledge by Henan Xingwei of its equity interest in the Project Company in favour of CITC; (2) a charge by the Project Company over the land use right of two pieces of project lands located in Zhengzhou City, Henan Province, the PRC in favour of CITC; and (3) the guarantees to be given by each of (i) the Company and its subsidiaries holding 100% equity interest in the Project Company (namely Hongji Weiye (Hainan) Non Movable Property Management Group Company Limited, Henan Weiye Construction Development Group Company Limited and Henan Xingwei), (ii) Mr. Zhang Wei (as the controlling shareholder of the Company), and (iii) Mr. Chen Zhiyong (as the Legal Representative and the substantial shareholder of the Company) together with his spouse.

Upon completion of the Zhuolian Trust Financing, CITC will become a connected person of the Company at subsidiary level and the provision of financial assistance with security by CITC to the Group under the Zhuolian Trust Financing shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CONTINUING CONNECTED TRANSACTIONS

There are no transactions with connected persons which constitute continuing connected transactions within the meaning under the Listing Rules for the year ended 31 December 2019.

RELATED PARTY TRANSACTIONS

The Group entered into certain related party transactions with its related parties during the year ended 31 December 2019.

Details of the significant related party transactions are set out in Note 36 of the consolidated financial statements.

MATERIAL CONTRACTS

Save as disclosed in this annual report, no controlling shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2020.

Save as disclosed in this annual report, none of the Directors or senior management had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020.

CORPORATE GOVERNANCE FUNCTIONS

The Board is performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which, among other things, are as follows:

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

ii. To review and monitor the training and continuous professional development of Directors and senior management of the Company;

iii. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv. To develop, review and monitor the code of conduct and compliance; and

v. To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy and Mr. Man Yun Wah have been nominated by RHT Corporate Advisory Pte. Ltd. and RHT Corporate Advisory (HK) Limited, respectively, to act as the Company Secretaries.

Mr. Man Yun Wah is one of the Company Secretaries and has complied with the requirements of the Listing Rules respectively. They have been contacting with the Board and the chief financial officer of the Company directly in respect of company secretarial matters.

DIRECTORS' STATEMENT

Year ended 31 December 2019

The directors of the Company ("Directors") are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

The Board of Directors is of the opinion that:

(a) consolidated financial statements set out on pages 54 to 155 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the International Financial Reporting Standards and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. There were no significant changes in the nature of the Group's principal activities during the year.

OPERATIONS REVIEW

Details of the operations review and the financial review of the Group are set out in the annual report under section headed "Operations Review" on pages 8 to 16 of this annual report and the section headed "Financial Review" pages 18 to 20 of this annual report, respectively.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 54 to 56.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2019.

INVESTMENT PROPERTIES

Investment properties increased by approximately RMB13.9 million (2018: decreased by RMB6.1 million) for the year ended 31 December 2019 mainly due to changes in fair value of investment properties.

Details of movements in the investment properties of the Group during the year are set out in Note 7 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 4 to the consolidated financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in Note 24 to the consolidated financial statements.

DIRECTORS' STATEMENT

Year ended 31 December 2019

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in Note 21 to the consolidated financial statements. There were no movements in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Constitution of the Company or laws of Singapore where the Company is incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings of the Company's shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale of listed securities of the Company in the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company has no reserve available for distribution as it is in an accumulated loss position.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
	%	%
The largest customer	0.58	–
Five largest customers in aggregate	2.49	–
The largest supplier	–	13.24
Five largest suppliers in aggregate	–	28.95

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of the issued shares of the Company, had any interest in these major customers and suppliers.

DIRECTORS' STATEMENT

Year ended 31 December 2019

DIRECTORS

The Directors in office for the year ended 31 December 2019 and at the date of this statement are as follows:

Executive Directors

Zhang Wei (Chairman and Chief Executive Officer)
Chen Zhiyong

Independent Non-Executive Directors

Liu Ning
Dong Xincheng
Lam Ying Hung Andy

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three (3) Independent Non-Executive directors with at least one Independent Non-Executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the Independent Non-Executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the annual report under the section headed "Board of Directors" on pages 21 to 23 of this annual report and section headed "Senior Management" on page 24 of this annual report, respectively.

DIRECTORS' SERVICE CONTRACTS

Each Executive Director and Independent Non-Executive Director has entered into a service contract or letter of appointment with the Company for a term of three (3) years.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year.

The remuneration and other emoluments are determined by the Board by recommendation of the Remuneration Committee with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in Note 30 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 478 (2018: 403) full-time staff.

The Group by reference to performance, contributions and experience determines the remuneration of its staff. The Group depending on necessity may provide internal and external training programme to its staff for enabling them to achieve the high performance standard and self-development.

DIRECTORS' STATEMENT

Year ended 31 December 2019

PERMITTED INDEMNITY PROVISION

Every Director, Chief Executive Officer/Managing Director, auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her;

(i) in the execution and discharge of his/her duties as an officer or auditor of the Company, unless the same arises through his/her own negligence, wilful default, breach of duty or breach of trust; or

(ii) in defending any proceedings whether civil or criminal (relating to the affairs of the Company) in which judgment is given in his/her favour or in which he/she is acquitted or in connection with any application under the Act in which relief is granted to him/her by the Court unless such proceedings arise through his/her own negligence, wilful default, breach of duty or breach of trust.

Without prejudice to the generality of the foregoing, no Director, Chief Executive Officer/Managing Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence, wilful default, breach of duty or breach of trust.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests or short positions of our Directors and chief executive of our Company in the Shares or underlying shares of or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the SEHK pursuant to the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Capacity/ Nature of Interest	Number and class of securities	Approximate percentage of interest
Zhang Wei (Note)	Beneficial Interest	91,029,648 (L)*	46.41%
	Controlled corporation (Note)	15,792,290 (L)*	8.05%
Chen Zhiyong	Beneficial Interest	40,240,256 (L)*	20.52%

Note: Zhang Wei is deemed to be interested in 15,792,290 Ordinary Shares held by Fine Skill Holdings Limited, a company wholly- owned by Zhang Wei.

(L)*: denotes Long position

Save as disclosed above, as at 31 December 2019, none of the Directors or Chief Executive Officer of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' STATEMENT

Year ended 31 December 2019

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

As at 31 December 2019, the persons or entities who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate percentage of interest
Fine Skill Holdings Limited	Beneficial interest	15,792,290 (L)*	8.05%

(L)*: denotes Long position

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other persons or entities other than our Directors and chief executive of our Company who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than disclosed above and in Note 36 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. Our Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, our Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

DONATIONS

During the year, the Group did not make any material charitable donations.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 29 March 2016 (the "Prospectus") pursuant to the non-competition undertakings set out in the deed of non-competition dated 10 March 2016, each of our controlling Shareholders, namely Mr. Zhang Wei and Mr. Chen Zhiyong (collectively referred to as the "Controlling Shareholders"), have undertaken to the Company (for itself and on behalf of its subsidiaries) that, amongst other things, each of them is not or will not, and will procure each of their respective close associates not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or similar to or is likely to be in competition with the business of the Group upon the Listing of the Company. Particulars of which are set out in the section headed "Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Non-Competition Undertaking" of the Prospectus.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the Controlling Shareholders had complied with their undertakings given under the deed of non-competition for the year ended 31 December 2019.

DIRECTORS' STATEMENT

Year ended 31 December 2019

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed minimum public float as required under Listing Rules.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTIONS

The Group had no share option scheme as at the date of this statement.

AUDITORS

The auditors, BDO Limited, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Zhang Wei
Director

Chen Zhiyong
Director

25 March 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF WEIYE HOLDINGS LIMITED
(incorporated in the Republic of Singapore with limited liability)

OPINION

We have audited the consolidated financial statements of Weiye Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 54 to 155, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flow for the year ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Assessment of net realisable value of completed properties held for sale and properties under development	
(Refer to Note 19 to the consolidated financial statements)	
The Group has significant completed properties held for sale and properties under development of RMB4,755.3 million in the People's Republic of China (the "PRC"). It represents approximately 54% of the total assets on the consolidated statement of financial position as at 31 December 2019. Completed properties held for sale and properties under development are stated at the lower of their costs and their net realisable values. The determination of the estimated net realisable value of these completed properties held for sale and properties under development is critically dependent upon the Group's estimation of future selling prices and construction costs to complete their projects.	**Our response** Our audit procedures included: – assessing the calculations of net realisable values of completed properties held for sale and properties under development, and challenging the reasonableness and consistency of the assumptions used by management; – assessing the appropriateness of the Group's estimated selling prices, on a sample basis, by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the development projects; and – assessing the construction costs and interest expenses estimated by the management based on underlying documentation and reasonableness.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties	
(Refer to Note 7 to the consolidated financial statements)	
The Group owns a portfolio of investment properties comprising retail units, office units, apartment units and apartment hotel, located in the PRC. Investment properties of RMB481.0 million is significant to the Group as it represents approximately 5% of the total assets on the consolidated statement of financial position as at 31 December 2019. These investment properties are stated at their fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.	**Our response** Our audit procedures included: – evaluating the competence, capabilities and objectivity of external valuer; – assessing the methodologies used and the appropriateness of the key assumptions adopted for the valuations; – checking, on a sample basis, the accuracy and relevance of the input data used; and – assessing the adequacy of related disclosures in the notes to the consolidated financial statements.
Valuation of properties in respect of the acquisition of a subsidiary	
(Refer to Note 34 to the consolidated financial statements)	
In December 2019, the Group completed the acquisition of 37.5% equity interest in Hunan Jingke Property Co., Ltd.* (湖南精科置業有限公司) ("Hunan Jingke") at a consideration of approximately RMB30.0 million (the "Acquisition"). A gain on bargain purchase of approximately RMB17.7 million was recognised to profit or loss during the current financial year. Management of the Company accounted for the Acquisition as a business combination using the acquisition method under IFRS 3 (Revised) Business Combinations and has engaged an independent external valuer (the "Management Expert") to perform the valuation of the fair value of the identifiable assets and liabilities of Hunan Jingke as at the date of acquisition. We focused on the valuation of the completed properties held for sale and properties under development (the "Properties") as at the date of acquisition due to significant judgements involved in the valuation and the significance of the fair value of Properties to the fair value of identifiable assets acquired and liabilities assumed. The fair value of the Properties of RMB859.9 million as at the date of acquisition was determined by the Management Expert. 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 Properties.	**Our response** Our audit procedures included: – understanding the management's identification process of assets acquired and liabilities assumed of Hunan Jingke as at the date of acquisition; – assessing the appropriateness of the methodologies applied and the reasonableness of the key assumptions and estimation used by the management; and – assessing the independence, competence and objectivity of the Management Expert.

* *For identification purpose only*

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

In preparing these consolidated financial statements, management is 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 has no realistic alternative but to do so.

The directors are 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

- 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 controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15 April 2019.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 25 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	4	80,788	54,535
Intangible assets	5	1,476	676
Investment properties	7	481,000	467,059
Joint ventures	9	110,000	403,144
Trade and other receivables	11	123,160	99,160
Deferred tax assets	17	58,398	29,489
		854,822	1,054,063
Current assets			
Inventories	18	20,592	29,653
Development properties and prepaid costs	19	4,755,327	3,353,320
Contract costs	27	77,259	39,357
Trade and other receivables	11	1,370,221	778,003
Contract assets	27	663,585	766,825
Other investments	10	19,571	12,079
Prepaid tax		138,131	57,594
Cash and cash equivalents	20	981,584	832,984
		8,026,270	5,869,815
Total assets		8,881,092	6,923,878
Equity attributable to owners of the Company			
Share capital	21	359,700	359,700
Reserves	23	1,092,877	1,126,987
		1,452,577	1,486,687
Non-controlling interests	26	314,292	262,446
Total equity		1,766,869	1,749,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Loans and borrowings	24	787,369	420,196
Deferred tax liabilities	17	370,188	284,322
		1,157,557	704,518
Current liabilities			
Loans and borrowings	24	1,617,903	1,618,361
Trade and other payables	25	1,304,010	1,587,625
Contract liabilities	27	2,741,307	1,017,136
Income tax payable		293,446	247,105
		5,956,666	4,470,227
Total liabilities		7,114,223	5,174,745
Total equity and liabilities		8,881,092	6,923,878

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	27	763,062	1,778,009
Cost of sales		(595,446)	(1,212,151)
Gross profit		167,616	565,858
Other income	28	47,630	77,687
Selling and distribution expenses		(46,765)	(53,459)
Administrative expenses		(145,929)	(164,336)
Other operating expenses		(1,730)	(9,276)
Results from operating activities		20,822	416,474
Net finance costs	29	(39,505)	(17,958)
(Loss)/profit before taxation	30	(18,683)	398,516
Income tax expense	31	(38,183)	(238,185)
(Loss)/profit for the year		(56,866)	160,331
(Loss)/profit attributable to:			
Owners of the Company		(30,890)	166,378
Non-controlling interests	26	(25,976)	(6,047)
(Loss)/profit for the year		(56,866)	160,331
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(4,975)	(1,426)
Total other comprehensive loss for the year, net of income tax		(4,975)	(1,426)
Total comprehensive (loss)/income for the year		(61,841)	158,905
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(34,110)	164,952
Non-controlling interests	26	(27,731)	(6,047)
Total comprehensive (loss)/income for the year, net of income tax		(61,841)	158,905
(Losses)/earnings per share:			
Basic (losses)/earnings per share (RMB cents)	32	(15.75)	84.83
Diluted (losses)/earnings per share (RMB cents)	32	(15.75)	84.83

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	359,700	(59,669)	(550)	(18,631)	119,063	1,086,774	1,486,687	262,446	1,749,133
Total comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(30,890)	(30,890)	(25,976)	(56,866)
Other comprehensive loss									
Foreign currency translation differences for foreign operations	–	–	–	(3,220)	–	–	(3,220)	(1,755)	(4,975)
Total other comprehensive loss	–	–	–	(3,220)	–	–	(3,220)	(1,755)	(4,975)
Total comprehensive loss for the year	–	–	–	(3,220)	–	(30,890)	(34,110)	(27,731)	(61,841)
Transactions with owners, recorded directly in equity									
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	79,577	79,577
Total transactions with owners	–	–	–	–	–	–	–	79,577	79,577
Transfer from retained earnings to statutory reserves	–	–	–	–	6,437	(6,437)	–	–	–
At 31 December 2019	359,700	(59,669)	(550)	(21,851)	125,500	1,049,447	1,452,577	314,292	1,766,869

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017	359,700	(59,669)	(550)	(17,205)	98,826	942,976	1,324,078	200,628	1,524,706
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	(2,343)	(2,343)	(135)	(2,478)
Adjusted balance at 1 January 2018	359,700	(59,669)	(550)	(17,205)	98,826	940,633	1,321,735	200,493	1,522,228
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	166,378	166,378	(6,047)	160,331
Other comprehensive loss									
Foreign currency translation differences for foreign operations	–	–	–	(1,426)	–	–	(1,426)	–	(1,426)
Total other comprehensive loss	–	–	–	(1,426)	–	–	(1,426)	–	(1,426)
Total comprehensive income for the year	–	–	–	(1,426)	–	166,378	164,952	(6,047)	158,905
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	68,000	68,000
Total transactions with owners	–	–	–	–	–	–	–	68,000	68,000
Transfer from retained earnings to statutory reserves	–	–	–	–	20,237	(20,237)	–	–	–
At 31 December 2018	359,700	(59,669)	(550)	(18,631)	119,063	1,086,774	1,486,687	262,446	1,749,133

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
(Loss)/profit before taxation		(18,683)	398,516
Adjustments for:			
Amortisation of intangible assets	30	200	763
Changes in fair value of investment properties	30	(15,000)	–
Depreciation of property, plant and equipment	30	12,609	5,896
Gain on disposal of property, plant and equipment	28	(525)	(35)
Gain on disposal of other investments	28	(13)	(22)
Impairment loss on intangible assets	30	–	3,543
(Gain)/loss on disposal of investment properties	30	(24)	331
Gain on bargain purchase arising from acquisition of a subsidiary	34	(17,745)	–
Gain on disposal of a joint venture	28	(4,172)	–
Finance costs	29	53,804	32,309
Interest income	29	(14,299)	(14,351)
Allowance for impairment loss reversed on trade and other receivables, net	30	(16)	(4,153)
Allowance for impairment loss (reversed)/made on contract assets	30	(2,755)	1,469
Net changes in fair value of other investments	28	247	2,701
Property, plant and equipment written off	30	764	113
Effects of exchange rate changes		(3,261)	(1,375)
		(8,869)	425,705
Changes in:			
Inventories		9,061	(12,024)
Development properties and prepaid costs		(308,215)	(538,384)
Contract costs		(37,902)	(29,337)
Trade and other receivables		(401,440)	(85,188)
Contract assets		105,995	3,566
Trade and other payables		226,799	93,902
Contract liabilities		1,242,566	(162,894)
Cash generated from/(used in) operating activities		827,995	(304,654)
Income taxes paid		(243,815)	(94,342)
Net cash from/(used in) operating activities		584,180	(398,996)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Acquisition of intangible assets	5	(980)	(1,584)
Interest received		3,283	30,823
Net cash inflow from acquisition of a subsidiary	34	70,065	–
Proceeds from disposal of investment properties		1,083	5,810
Repayment from a joint venture partner		17,574	128,700
Amounts due from non-controlling interests (non-trade)		(81,140)	–
Proceeds from disposal of property, plant and equipment		654	784
Proceeds from disposal of other investments		57,873	3,022
Purchase of property, plant and equipment		(2,644)	(4,786)
Purchase of other investments		(65,599)	(11,260)
Net cash from investing activities		169	151,509
Cash flows from financing activities			
Capital contribution from non-controlling interests		–	68,000
Increase in restricted cash		(292,326)	(154,586)
Interest paid		(286,968)	(192,620)
Repayment of principal portion of the lease liabilities		(5,379)	–
Repayment of finance lease obligations		–	(197)
Repayment of loans and borrowings		(893,110)	(689,600)
Proceeds from loans from third parties		–	37,000
Amounts due to non-controlling interests (non-trade)		(378,913)	321,961
Proceeds from loans and borrowings		1,127,489	732,850
Net cash (used in)/from financing activities		(729,207)	122,808
Net decrease in cash and cash equivalents		(144,858)	(124,679)
Cash and cash equivalents at 1 January		529,153	654,052
Effect of exchange rate fluctuations on cash held		(254)	(220)
Cash and cash equivalents at 31 December	20	384,041	529,153

Non-cash transaction:

During the year ended 31 December 2019, the Group acquired right-of-use assets and plant and equipment with an aggregate cost of RMB30,944,000 (2018: plant and machinery of RMB5,463,000) of which RMB2,641,000 (2018: RMB677,000) was acquired under finance leases and RMB26,039,000 (2018: RMB Nil) was addition under leasing arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

These notes form an integral part of the consolidated financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2020.

1. DOMICILE AND ACTIVITIES

Weiye Holdings Limited (the "Company") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since 6 April 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interests in joint ventures.

The principal activities of the Company is investment holding and its subsidiaries are those of property developers for residential and commercial properties in the People's Republic of China (the "PRC"), and the manufacture and trading of heating, ventilation, air-conditioning, air purification and clean room equipment.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

The Company's functional currency is the Singapore dollar. As the Group's operations are principally conducted in the PRC, the consolidated financial statements have been presented in the Chinese Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 39.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values (if applicable), and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between the levels for the years ended 31 December 2019 and 31 December 2018.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Investment properties; and
- Note 38 – Fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisition

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of Consolidation (continued)

Business combinations (continued)

Acquisition (continued)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Interests in joint ventures (equity accounted investees)

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with its joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and joint ventures in the separate financial statements

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates approximating the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability 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.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4 Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land is measured at cost less accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, Plant and Equipment (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	50 years
Leasehold building	20 to 34 years (or lease term, if shorter)
Factory equipment	5 to 20 years
Building and factory improvements	5 years
Plant and machinery	5 to 12 years
Motor vehicles	5 to 10 years
Furniture and fittings and office equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible Assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible Assets (continued)

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Software	–	3 years
Development costs	–	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories, Development Properties and Prepaid Costs and Contract Costs

(i) Inventories – Equipment manufacturing

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is based on the first-in first-out principle and expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Development properties and Prepaid Costs

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

In accordance with IAS 23 Borrowing costs, the borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the company, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories, Development Properties and Prepaid Costs and Contract Costs (continued)

(iii) Contract costs

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

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 e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

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

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

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3.12.

3.8 Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECLs") in accordance with the policy set out in Note 3.9 and are reclassified to receivables when the right to the consideration has become unconditional. Contract assets is transferred to trade receivables when the entitlement to payment becomes unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Contract assets and contract liabilities are classified on the consolidated statement of financial position on a contract by contract basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- contract assets (as defined in IFRS 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to 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 and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- 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
- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic, and industry conditions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Joint ventures

An impairment loss in respect of joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (continued)

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for purposes of goodwill impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.10 Non-Current Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to investment properties, development properties, inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of joint ventures ceases once classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.12 Revenue

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, 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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. 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. The Group applies the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

Development properties for sale

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. 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.

When the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23 (see Note 3.7(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (continued)

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a PO by transferring control of a promised good or completing a service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.13 Other Income

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Commission income

Commission income is recognised upon completion of the rendering of services.

3.14 Government Grants

Grant income is received from the local government in the PRC at a discretionary amount as determined by the government. It is recognised initially as deferred income at fair value where there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as “other income” on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15A Leasing (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 consolidated 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) 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. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

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-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold buildings, plant and machinery and motor vehicles which are held for own use under IAS 16 and are carried at cost less accumulated depreciation.

Lease liabilities

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

Accounting as a lessor

The Group has leased out its investment properties 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15B Leasing (accounting policies applied until 31 December 2018)

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

3.16 Finance Income And Finance Costs

Finance income comprising interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expenses on loans and borrowings and interest expenses on lease liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Tax (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interests may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences may have an impact on the LAT expenses and the related provision in the period in which the difference realises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 (Losses)/Earnings Per Share

The Group presents basic and diluted (losses)/earnings per share data for its ordinary shares. Basic (losses)/earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted (losses)/earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20 New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 41.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Freehold building RMB'000	Leasehold building RMB'000	Properties RMB'000	Factory equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Building and factory improvements RMB'000	Total RMB'000
Cost										
At 1 January 2018	5,778	25,682	13,305	–	2,723	11,347	25,090	5,719	4,404	94,048
Additions	–	593	–	–	38	1,268	2,066	1,039	459	5,463
Disposals	–	–	–	–	–	–	(677)	(209)	–	(886)
Written off	–	–	–	–	(77)	(185)	–	(176)	(30)	(468)
Effects of movements in exchange rates	206	462	–	–	96	258	91	128	99	1,340
At 31 December 2018	5,984	26,737	13,305	–	2,780	12,688	26,570	6,501	4,932	99,497
At 31 December 2018	5,984	26,737	13,305	–	2,780	12,688	26,570	6,501	4,932	99,497
Application of IFRS 16 (note 40)	–	–	–	7,934	–	–	–	–	–	7,934
At 1 January 2019	5,984	26,737	13,305	7,934	2,780	12,688	26,570	6,501	4,932	107,431
Additions	–	75	–	26,039	41	3,386	545	592	266	30,944
Acquired through business combination (note 34)	–	–	–	–	–	617	696	67	–	1,380
Disposals	–	–	–	–	–	(11)	(1,411)	(11)	–	(1,433)
Written off	–	–	–	–	(91)	(72)	(732)	(158)	(20)	(1,073)
Effects of movements in exchange rates	153	266	–	245	71	282	73	33	92	1,215
At 31 December 2019	6,137	27,078	13,305	34,218	2,801	16,890	25,741	7,024	5,270	138,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RMB'000	Freehold building RMB'000	Leasehold building RMB'000	Properties RMB'000	Factory equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Building and factory improvements RMB'000	Total RMB'000
Accumulated depreciation										
At 1 January 2018	–	3,602	632	–	2,383	9,331	17,742	3,720	1,259	38,669
Depreciation charge	–	271	632	–	87	60	2,452	1,273	1,121	5,896
Disposals	–	–	–	–	–	–	–	(137)	–	(137)
Written off	–	–	–	–	(67)	(139)	–	(144)	(5)	(355)
Effects of movements in exchange rates	–	382	–	–	83	233	71	94	26	889
At 31 December 2018	–	4,255	1,264	–	2,486	9,485	20,265	4,806	2,401	44,962
At 1 January 2019	–	4,255	1,264	–	2,486	9,485	20,265	4,806	2,401	44,962
Acquired through business combination (note 34)	–	–	–	–	–	446	661	39	–	1,146
Depreciation charge	–	285	632	7,927	86	994	1,207	711	767	12,609
Disposals	–	–	–	–	–	(6)	(1,298)	–	–	(1,304)
Written off	–	–	–	–	(85)	(64)	(4)	(137)	(19)	(309)
Effects of movements in exchange rates	–	11	–	194	66	184	51	29	37	572
At 31 December 2019	–	4,551	1,896	8,121	2,553	11,039	20,882	5,448	3,186	57,676
Carrying amounts										
At 31 December 2018	5,984	22,482	12,041	–	294	3,203	6,305	1,695	2,531	54,535
At 31 December 2019	6,137	22,527	11,409	26,097	248	5,851	4,859	1,576	2,084	80,788

Right-of-use assets (2018: Assets held under finance leases)

As at 31 December 2019, right-of-use assets of RMB40,854,000 (see Note 6) were included in the carrying amount of property, plant and equipment.

Included within additions in 2019 are additions under leasing arrangements amounting to RMB28,680,000 as disclosed in Note 6 to the consolidated financial statements.

The carrying amount of plant and machinery and motor vehicles of the Group held under finance leases as at 31 December 2018 was RMB813,000.

Security

As at 31 December 2019, the Group's property, plant and equipment with a total carrying value of RMB28,912,000 (2018: RMB28,760,000), are subject to a legal charge to secure a subsidiary's bank borrowings with a bank (see Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. INTANGIBLE ASSETS

	Software RMB'000	Development costs RMB'000	Total RMB'000
Cost			
At 1 January 2018	1,141	5,615	6,756
Additions	637	947	1,584
Written off	(944)	–	(944)
Effects of movements in exchange rates	–	(63)	(63)
At 31 December 2018 and 1 January 2019	834	6,499	7,333
Additions	980	–	980
Effects of movements in exchange rates	20	317	337
At 31 December 2019	1,834	6,816	8,650
Accumulated amortisation and impairment losses			
At 1 January 2018	931	2,099	3,030
Amortisation charge	171	592	763
Written off	(944)	–	(944)
Impairment loss	–	3,543	3,543
Effects of movements in exchange rates	–	265	265
At 31 December 2018 and 1 January 2019	158	6,499	6,657
Amortisation charge	200	–	200
Effects of movements in exchange rates	–	317	317
At 31 December 2019	358	6,816	7,174
Carrying amounts			
At 31 December 2018	676	–	676
At 31 December 2019	1,476	–	1,476

Intangible assets comprise software purchased from vendors and development costs. Development costs relate to expenditures capitalised in relation to the development of new products by a subsidiary. The amortisation of intangible assets is included in administrative expenses in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. INTANGIBLE ASSETS (CONTINUED)

Impairment Loss

No impairment loss was recognised by the Group for the year ended 31 December 2019.

During 2018, impairment loss was recognised in relation to the manufacturing of a new product in the Equipment manufacturing segment.

During 2018, due to continued operating losses and tighter market conditions, management assessed that there were indicators of impairment on the recoverable amount of a CGU in the Equipment manufacturing segment that included these development expenditure capitalised.

During the year ended 31 December 2018, the Group assessed that the cash flows projection for the next three years to be negative and that there is no reliable source to estimate the fair value less cost to sell of the intangible assets. The recoverable amount of the CGU is RMB Nil and accordingly, the Group recorded an impairment loss of RMB3,543,000 to the consolidated statement of profit or loss and other comprehensive income, included in other operating expenses in the year ended 31 December 2018.

The recoverable amount of the CGU was estimated based on the present value of the future cash flows expected to be derived (i.e. value-in-use). The key assumptions applied in the value-in-use computation are as follows:

	2018 **%**
3 years compounded sales growth rate	65.6
Average gross profit margin	27.5
Discount rate	12.2

6. LEASES

IFRS 16 was adopted on 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 40. The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 3.15A.

Nature of Leasing Activities (in the capacity as lessee)

The Group entered into various lease agreements for office premises and employees' accommodation and finance lease of plant and machinery and motor vehicles. These leases have remaining non-cancellable lease terms of between 1 to 5 years. All leases held by the Group comprise fixed payments over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. LEASES (CONTINUED)

Right-of-use Assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Properties leased for own use, carried at depreciated cost	26,097	7,934
Leasehold building, carried at depreciated cost	11,409	12,041
Plant and machinery, carried at depreciated cost	3,232	653
Motor vehicles, carried at depreciated cost	116	160

	Properties RMB'000	Leasehold building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000
At 1 January 2019	7,934	12,041	653	160
Additions	26,039	–	2,641	–
Depreciation	(7,927)	(632)	(136)	(47)
Effects of movements in exchange rates	51	–	74	3
At 31 December 2019	26,097	11,409	3,232	116

The Group elected to include the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Lease Liabilities

31 December 2019	Properties RMB'000	Leasehold building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000
At 1 January 2019	7,934	–	484	141
Additions	26,039	–	2,261	–
Interest expenses	249	–	78	8
Lease payments	(5,135)	–	(533)	(46)
Effects of movements in exchange rates	40	–	53	2
At 31 December 2019	29,127	–	2,343	105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. LEASES (CONTINUED)

Lease Liabilities (continued)

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	8,432	1,226	7,206
Later than one year and not later than two years	9,329	944	8,385
Later than two years and not later than five years	16,856	872	15,984
	34,617	3,042	31,575

	Minimum lease payments 1 January 2019 RMB'000	Interest 1 January 2019 RMB'000	Present value 1 January 2019 RMB'000
Not later than one year	5,151	362	4,789
Later than one year and not later than two years	2,093	82	2,011
Later than two years and not later than five years	1,795	36	1,759
	9,039	480	8,559

	Minimum lease payments 31 December 2018 RMB'000	Interest 31 December 2018 RMB'000	Present value 31 December 2018 RMB'000
Not later than one year	252	8	244
Later than one year and not later than two years	407	26	381
	659	34	625

Note: The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases, included in loans and borrowings (Note 24). See Note 40 for further details about transition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. LEASES (CONTINUED)

Lease Liabilities (continued)

The present value of future lease payments are analysed as:

	2019 RMB'000	2018 RMB'000
Current liabilities	7,206	244
Non-current liabilities	24,369	381
	31,575	625

Operating leases – lessee

The Group entered into various lease agreements for office premises and employees' accommodation. These leases have remaining non-cancellable lease terms of between 1 to 5 years. Minimum lease payments recognised as an expense in profit or loss for the year ended 31 December 2018 amounted to RMB1,661,000.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at 31 December 2018 are as follows:

	2018 RMB'000
Not later than one year	4,899
Later than one year but not later than five years	3,481
	8,380

Operating leases – lessor

The Group leases out its investment properties (see Note 7). The future minimum lease payments under non-cancellable leases were receivable as follows:

	2019 RMB'000	2018 RMB'000
Not later than one year	3,539	4,016
Later than one year and not later than five years	6,597	10,245
Later than five years	9,419	5,623
	19,555	19,884

During the current year, rental income from investment properties of RMB4,010,000 (2018: RMB4,418,000) was included in 'other income'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	467,059	473,200
Disposal	(1,059)	(6,141)
	466,000	467,059
Changes in fair value	15,000	–
At 31 December	481,000	467,059

Determination of Fair Value

Investment properties are stated at fair value based on valuations as at 31 December 2019 by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., an independent professional valuer, who has the appropriate recognised professional qualification and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties.

In determining the fair value, the valuers have used valuation methods which involve estimates. Management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

The independent professional valuers have considered valuation techniques including direct comparison method, and/or capitalisation approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation rates, estimated unit selling price and expected rental rates.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to those reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using capitalisation rates.

Changes in fair value are recognised as net (loss)/gain in profit or loss and included in "Other operating expenses/other income' as applicable. All net gain are unrealised.

Similar to that disclosed in the circular to shareholders dated 20 June 2018, the management had obtained property valuation reports as at 31 December 2019 and 31 December 2018 for one of the investment properties with an aggregate carrying amount of RMB237,000,000 and RMB236,000,000 respectively, but the report has ascribed no commercial value to this property as the building ownership certificate has not been obtained. The valuer noted that the market value of the property in its existing state would be equivalent to its carrying amount as at 31 December 2019 of RMB237,000,000 (2018: RMB236,000,000) had the building ownership certificate been obtained. Management is currently following up closely on the application process of building ownership certificate. Management is of the view that as the consideration of the property has been fully paid, the risks and rewards of ownership of the property has been transferred to the Group.

Fair value hierarchy

The fair values for investment properties of RMB481,000,000 (2018: RMB467,059,000) have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. INVESTMENT PROPERTIES (CONTINUED)

Valuation Technique and Significant Unobservable Inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation approach	– Expected rental of RMB10 per square metre ("psm") to RMB93 psm (2018: RMB10 psm to RMB93 psm) – Capitalisation rates for the year ended 31 December 2019 was from 3% to 5.75% (2018: 3% to 5.75%)	A significant increase/(decrease) in expected rental rates and a significant decrease/(increase) in capitalisation rate would result in a higher/(lower) fair value measurement.
Direct comparison method	– Expected unit selling price of RMB12,600 psm to RMB36,000 psm (2018: RMB5,200 psm to RMB22,616 psm)	A significant increase/(decrease) in expected unit price would result in a higher/(lower) fair value measurement.

Security

At 31 December 2019, investment properties with carrying values of RMB148,000,000 (2018: RMB231,000,000) have been mortgaged as security for loan facilities granted by financial institutions to the Group (see Note 24).

8. SUBSIDIARIES

	Company 2019 RMB'000	Company 2018 RMB'000
Unquoted equity shares, at cost	1,676,437	1,670,422
Less: Allowance for impairment loss	(361,031)	(447)
	1,315,406	1,669,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. SUBSIDIARIES (CONTINUED)

Details of the significant subsidiaries at the end of the financial year are as follows:

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2019 %	Equity interest 2018 %
+	Great Spirit Management Limited 精誠管理有限公司	24 April 2009	British Virgin Islands	USD27,950,000	Investment holding	100	100
+&	Weiye (Singapore) Investment Pte. Ltd. 偉業（新加坡）投資管理私人有限公司	5 April 2019	Singapore	SGD2,000,000	Investment holding	100	–
	Xie Tong International Pte. Ltd. 協同國際私人有限公司	7 March 2014	Singapore	SGD853,001	Investment holding	–	100
*	Eindec Corporation Limited 英德集團有限公司	2 April 2015	Singapore	SGD14,917,262	Investment holding	66.8***	66.8***
	Held through Eindec Corporation Limited						
*	Eindec Holdings Pte. Ltd. 英德集團私人有限公司	13 May 2015	Singapore	SGD9,300,001	Investment holding	100	100
	Held through Eindec Holdings Pte. Ltd.						
*	Eindec Singapore Pte. Ltd. 英德新加坡私人有限公司	19 May 2015	Singapore	SGD2,930,001	Manufacturers and traders in air-conditioning, air purification and clean room equipment	100	100
▲	Eindec Technology (Malaysia) Sdn. Bhd.	21 August 1989	Malaysia	RM1,000,000	Manufacturers and traders in air-conditioning and clean room equipment	100	100
+&2	Eindec (Shanghai) Co., Ltd. 優多商貿（上海）有限公司	23 November 2005	PRC	USD 300,000	Clean room equipment and ventilation equipment wholesale, agency, import and export of industrial products and related supporting businesses	100	100
+&2	Eindec (Shenzhen) Environment Technology Co., Ltd. 英德（深圳）保科技有限公司	9 July 2015	PRC	RMB20,000,000/ RMB8,000,000	Industrial clean room equipment, air purification filter equipment and its part and components, the transfer of technology of its own research and development, technology consultation, technology services and after-sales service	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2019 %	Equity interest 2018 %
	Held through Xie Tong International Pte. Ltd.						
	Xie Tong Technology Pte. Ltd. 協同科技私人有限公司	18 March 1998	Singapore	SGD 50,000	Traders in air-conditioning and clean room equipment and those of commission agents	–	100
	Held through Great Spirit Management Limited						
+&	Weiye Holdings (Hong Kong) Limited 偉業控股(香港)有限公司	17 September 2009	Hong Kong	HKD 10,000	Investment holding	100	100
	Held through Weiye Holdings (Hong Kong) Limited						
+&2	Jinwei (Henan) Trading Limited Company 金偉(河南)商貿有限公司	6 January 2012	PRC	RMB300,000,000	Trader in building construction materials	100	100
+&2	Hongji Weiye (Shenzhen) Trading Limited Company 宏基偉業(深圳)商貿物流有限公司	15 October 2014	PRC	RMB300,000,000/ RMB50,000,000	Trader of construction material and logistics management	100	100
+&2	Hainan Hongji Weiye Property Development Co., Ltd. 海南宏基偉業房地產開發有限公司	12 February 2004	PRC	RMB10,000,000	Investment holding	100	100
	Held through Hainan Hongji Weiye Property Development Co., Ltd.						
+&1	Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd 宏基偉業(海南)不動產管理集團有限公司	28 April 2010	PRC	RMB500,000,000/ RMB30,000,000	Investment holding	100	100

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For the year ended 31 December 2019

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2019 %	Equity interest 2018 %
	Held through Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd						
+&1	Henan Weiye Construction Development Group Co., Ltd. 河南偉業建設開發集團有限公司	30 October 1999	PRC	RMB200,000,000	Property development and management and ancillary services	100	100
+&1	Weiye Holdings Hainan Real Estate Co., Ltd 偉業控股海南地產有限公司	16 December 2008	PRC	RMB50,000,000/ RMB20,000,000	Investment holding	49**	49**
+&1	Weiye Property Holdings (Shenzhen) Co., Ltd ("Weiye Shenzhen") 煒業地產控股（深圳）有限公司	3 August 2016	PRC	RMB100,000,000	Investment holding	49	100
+&1	Weiye Property (Tianjin) Co., Ltd 偉業地產（天津）有限公司	9 October 2016	PRC	RMB100,000,000	Property development	100	100
+&1	Huzhou Ganghong Zhiye Co., Ltd ("Huzhou Ganghong") 湖州港宏置業有限公司	19 October 2017	PRC	RMB20,000,000	Property development	40^	40^
+&1	Shanghai Yuebo Property Developer Co., Ltd. 上海悅博房地產有限公司	20 April 2018	PRC	RMB100,000,000	Property development	50	100
	Held through Shanghai Yuebo Property Developer Co., Ltd						
+&1	Yizheng Hongrui Property Developmer Co., Ltd. ("Yizheng Hongrui") 儀征鴻瑞房地產開發有限公司	13 September 2018	PRC	RMB40,000,000	Property development	30^	30^
+&1	Yizheng Honglin Zhiye Co., Ltd. ("Yizheng Honglin") 儀征弘麟置業有限公司	13 September 2018	PRC	RMB40,000,000	Property development	30^	30^

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2019 %	Equity interest 2018 %
	Held through Henan Weiye Construction Development Group Co., Ltd						
+&1	Xinxiang Weiye Property Co., Ltd. 新鄉偉業置地有限公司	3 April 2007	PRC	RMB75,000,000	Property development	100	100
+&1	Henan Xingwei Property Co., Ltd. 河南興偉置業有限公司	15 November 2012	PRC	RMB390,000,000/ RMB241,830,000	Property development	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC	RMB10,000,000	Property development	10	10
+&1	Henan Tiandao Assets Management Co., Ltd. ("Henan Tiandao") 河南天道資產管理有限公司	19 March 2010	PRC	RMB10,000,000	Property development	51	51
+&1	Weiye Holdings Hainan Real Estate Co., Ltd 偉業控股海南地產有限公司	16 December 2008	PRC	RMB50,000,000/ RMB20,000,000	Investment holding	51**	51**
+&1	Hunan Jingke Property Co., Ltd. ("Hunan Jingke") 湖南精科置業有限公司	15 September 2010	PRC	RMB80,000,000/ RMB75,000,000	Property development	37.5^	–
+&1	Henan Xingwei Zhuolian Property Co., Ltd. 河南興偉卓聯置業有限公司	2 January 2019	PRC	RMB10,000,000	Property development	100	–
+&1	Shanghai Yuebo Property Developer Co., Ltd. 上海悅博房地產有限公司	20 April 2018	PRC	RMB100,000,000	Property development	50	–
+&1	Weiye Property Holdings (Shenzhen) Co., Ltd ("Weiye Shenzhen") 煒業地產控股（深圳）有限公司	3 August 2016	PRC	RMB100,000,000	Investment holding	51	–

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8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest	
						2019 %	2018 %
	Held through Weiye Holdings Hainan Real Estate Co., Ltd						
+&1	Wenchang Maoyuan Tourism Co., Ltd. 文昌市茂源旅業有限公司	5 June 1995	PRC	RMB10,000,000	Property development	100	100
+&1	Wanning Yingde Property Co., Ltd 萬寧英德置業有限公司	17 November 2009	PRC	RMB20,000,000	Property development	100	100
+&1	Hainan Zhongfang Investment Holdings Limited Company 海南中方投資有限公司	22 June 2009	PRC	RMB10,000,000	Property development	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC	RMB10,000,000	Property development	90	90
+&1	Tunchang Yajing Property Co., Ltd. 屯昌雅境置業有限公司	13 April 2010	PRC	RMB10,000,000	Property development	100	100
	Held through Weiye Property Holdings (Shenzhen) Co., Ltd						
+&1	Huizhoushi Dajinzhou Property Co., Ltd. 惠州市大金洲房地產開發有限公司	9 May 2007	PRC	RMB10,000,000	Property development	100	100
+&1	Guangdong Leiding Property Co., Ltd 廣東磊鼎房地產開發有限公司	2 April 2014	PRC	RMB10,000,000	Property development	100	100
+&1	Huizhou Dayawan Pengrun Property Co., Ltd. 惠州大亞灣鵬潤實業發展有限公司	15 April 2005	PRC	RMB10,000,000	Property development	100	100
+&1	Shenzhen City Pangu Weiye Property Development Co., Ltd ("Shenzhen Pangu") 深圳市盤古緯業產業發展有限公司	7 November 2018	PRC	RMB30,000,000	Property development	60	60

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For the year ended 31 December 2019

8. SUBSIDIARIES (CONTINUED)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/issued and fully paid up share capital	Principal activities	Equity interest 2019 %	Equity interest 2018 %
	Held through Shenzhen Pangu Weiye Property Development Co., Ltd						
+&1	Fujian Tianjiao Corporation Management Co., Ltd ("Fujian Tianjiao") 福建天角企業管理有限公司	7 August 2017	PRC	RMB70,800,000/ RMB15,000,000	Property development	100	100
+&1	Fujian Tianzhi Corporation Management Co., Ltd ("Fujian Tianzhi") 福建天徵企業管理有限公司	7 August 2017	PRC	RMB78,600,000/ RMB15,000,000	Property development	100	100

* Audited by Moore Stephens LLP.

▲ Audited by member firm of Moore Global Network Limited.

\+ Audited for the purpose of group consolidation by BDO Limited.

& Audited by other firms of certified public accountants for statutory purposes.

1 Registered in a form of local enterprise under the PRC laws.

2 Registered in a form of wholly-owned foreign enterprise under the PRC laws.

** In 2016, the Group reviewed its Group structure and transferred 51% equity interest in Weiye Holdings Hainan Real Estate Co., Ltd from Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd to Henan Weiye Construction Development Group Co., Ltd. The Group continues to hold the entire equity interest in Weiye Holdings Hainan Real Estate Co., Ltd. at 31 December 2018 and 31 December 2019.

*** On 16 January 2016, the Group successfully completed the listing of Eindec Corporation Limited ("Eindec Corporation") on the Catalist of the SGX-ST. As part of the listing exercise, Eindec Corporation issued 35.8 million new ordinary shares to third party subscribers. As a result of the new ordinary shares issued, the Group's equity interest in Eindec Corporation was diluted from 100% to 66.8%.

^ Although the Group holds effective interest of less than 50% in Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui and Yizheng Honglin, it is exposed to and has rights to variable returns from its involvement with Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui and Yizheng Honglin and has the ability to affect those returns through its power over Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui and Yizheng Honglin. Consequently, Hunan Jingke, Huzhou Ganghong, Yizheng Hongrui and Yizheng Honglin have been consolidated as subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Investments in joint ventures	110,000	403,144

Details of the joint ventures are as follows:

Name of entity	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group	
			2019 %	2018 %
Zhengzhou Daimashi Enterprise Co., Ltd ("Daimashi") 鄭州黛瑪仕實業有限公司	Property development	PRC	–	65
Henan Hanfang Yaoye Co., Ltd ("Hanfang Yaoye") 河南漢方藥業有限責任公司	Property development	PRC	51	51

The unaudited financial information of the joint ventures, based on its financial statements prepared in accordance with IFRS, modified for differences in the Group's accounting policies:

	2019			2018		
	Daimashi RMB'000	Hanfang Yaoye RMB'000	Total RMB'000	Daimashi RMB'000	Hanfang Yaoye RMB'000	Total RMB'000
Revenue for the year	–	–	–	–	–	–
Group's interest in net assets of investees						
At 1 January	293,144	110,000	403,144	293,144	110,000	403,144
Disposal	(293,144)	–	(293,144)	–	–	–
At 31 December	–	110,000	110,000	293,144	110,000	403,144

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9. JOINT VENTURES (CONTINUED)

Daimashi

The Group's share of assets and liabilities, including its share of profit or loss in Daimashi is not in proportion to its equity interests pursuant to the collaboration agreement dated 23 October 2014 entered into between the shareholders of Daimashi.

In 2017, the Group and the joint venture partner entered into an agreement to dispose of the Group's rights in relation to the remaining unsold property units to an independent third party. Subsequent to the disposal, the Group ceased to recognise its share of profits or loss arising from the joint venture as the Group had relinquished its rights in relation to the future sales of the remaining unsold property units of the joint venture.

As at 31 December 2018, the Group holds its shares of Daimashi at a carrying amount of RMB293,144,000.

During the year ended 31 December 2019, the Group has disposed all the shares of Daimashi. Gain on disposal of a joint venture is included in other income (Note 28).

Hanfang Yaoye

In prior year, the Group acquired 51% equity interest in Hanfang Yaoye for a consideration of RMB110 million.

The Group's economic interest in Hanfang Yaoye is limited to its rights over the land use rights held by Hanfang Yaoye, the disclosure of its interest in Hanfang Yaoye is limited to its share of the economic interest in the land use rights.

10. OTHER INVESTMENTS

	2019 RMB'000	2018 RMB'000
Current		
Debt investments – at FVTPL	17,500	7,960
Debt investment – at amortised cost	1,500	3,300
Quoted equity investment – at FVTPL	571	819
	19,571	12,079

In 2019, debt investment classified at amortised cost have fixed interest rate of 2.9% (2018: 2.8%) per annum and mature within 3 months.

In 2019, debt investments at FVTPL have variable returns of 2.5% to 3.6% (2018: 2.5% to 4.0%) per annum.

On 25 March 2020, the Group recovered the proceeds (i.e. principal and investment returns) of the debt investment at amortised cost and a debt investments at FVTPL, with carrying amount of RMB15,765,000 upon the redemption of those instruments.

The Group's exposures to credit and market risks related to the other investments and fair value information related to other investments are disclosed in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. TRADE AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Non-current			
Amounts due from non-controlling interests (non-trade)	12	123,160	99,160
Current			
Trade receivables		22,853	38,860
Impairment losses		(1,200)	(1,412)
	14	21,653	37,448
Amount due from a joint venture partner (non-trade)	13	6,000	23,574
Amounts due from non-controlling interests (non-trade)	12	57,140	–
Other receivables and deposits		716,390	374,693
Impairment losses		(562)	(366)
	15	715,828	374,327
Staff loans		1,029	171
Trade and receivables, current		801,650	435,520
Prepaid VAT		191,196	83,284
Prepayments	16	377,375	259,199
		1,370,221	778,003
Total trade and other receivables		1,493,381	877,163

The staff loans and non-trade amount due from a joint venture partner are unsecured, interest-free, and are repayable on demand.

The Group's exposure to credit and currency risks for trade and other receivables are disclosed in Note 38.

12. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS (NON-TRADE)

In the non-current portion, the balance included the amounts due from non-controlling interests of RMB99,160,000 (2018: RMB99,160,000), representing purchase consideration paid by the Group on behalf of non-controlling shareholders of a subsidiary, Henan Tiandao, in connection with the acquisition of 49% equity interest in the subsidiary and an advance of RMB24,000,000 (2018: RMB Nil) granted to a non-controlling shareholder of a subsidiary. These amounts are unsecured and interest free. They are expected to be settled by setting off the amounts against future dividends, the portion attributable to the non-controlling interests, to be declared by the respective subsidiaries.

In the current portion, the balance included an amount due from non-controlling interest of RMB14,000,000 (2018: RMB Nil), representing a loan advance to non-controlling interest which is secured, bears interest at 18.3% per annum and repayable within 90 days. The shares held by the non-controlling interest were pledged to the Group as collateral of the loan.

The remaining balances of amounts due from non-controlling interests of RMB43,140,000 (2018: RMB Nil) are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. AMOUNT DUE FROM A JOINT VENTURE PARTNER (NON-TRADE)

In 2019, the amount due from a joint venture partner represent an interest free loan of RMB6,000,000 extended to a property development partner pursuant to the collaboration agreement entered between the Group and the joint venture partner to jointly develop the land use rights under Hanfang Yaoye.

In 2018, the amounts due from a joint venture partner represent an interest-bearing loan of RMB10,000,000, interest free loan of RMB6,000,000 and related interest charges accrued extended to a property development partner pursuant to the collaboration agreement entered between the Group and the joint venture partner to jointly develop the land use rights under Hanfang Yaoye.

The interest-bearing amounts due from the joint venture partner are secured and bear interest at rates ranging from 10% to 17% per annum. It was extended to the joint venture partner for development works to be incurred by the joint venture partner on a land parcel in the PRC which the Group and the joint venture partner agreed was to be transferred to Hanwei Zhiye Co., Ltd subsequently (see Note 8 for additional details).

In 2019, the loan amount of RMB17,574,000 (2018: RMB128,700,000) has been repaid. The Group assessed that the remaining amount of RMB6,000,000 (2018: RMB23,574,000) to be collectible.

14. TRADE RECEIVABLES

Trade receivables of the Group are non-interest bearing and are normally settled between 30 and 180 days.

The following is an analysis of trade receivables by age, presented based on invoices date:

	2019 RMB'000	2018 RMB'000
0–30 days	7,700	11,496
31– 90 days	6,591	3,875
91–180days	4,089	4,112
181–365days	2,076	144
Over 365 days	2,397	19,233
	22,853	38,860

15. OTHER RECEIVABLES AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Advances to contractors	15,627	7,239
Deposits paid for acquisition of property development projects	560,817	168,000
Other deposits	70,458	165,166
Other receivables	41,194	15,354
Interest receivables	23,395	12,379
Others	4,337	6,189
	715,828	374,327

Included in other receivables and deposits of the Group is allowance for impairment losses on other receivables of RMB562,000 (2018: RMB366,000).

Advances to Contractors

The advances to contractors are unsecured, interest-free, and are expected to be utilised against future purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

Deposits Paid for Acquisition of Property Development Projects

The deposits paid for acquisition of property development projects as at 31 December 2019 of RMB65,000,000 (2018: RMB18,000,000) relate to deposits paid to Henan Tianlong Transportation Equipment Co., Ltd. (河南天隆輸送裝備有限公司) as security deposit for the acquisition of Xinxiang Weirun Industrial Co., Ltd. (新鄉偉潤實業有限公司), RMB350,000,000 (2018: RMB150,000,000) relate to deposits paid to Shenzhen Huibang Holdings Co., Ltd. (深圳薈邦控股有限公司) as security deposit for the acquisition of Huiyang Jinlida Property Management Co., Ltd. (惠陽金利達物業管理有限公司).

RMB144,736,000 (2018: RMB Nil) relate to deposits paid to Yuhang Branch of Hangzhou Planning and Natural Resources Bureau (杭州市規劃和自然資源局餘杭分局) and RMB1,081,000 (2018: RMB Nil) relate to deposits paid to Danzhou Zhongfang Property Development Co., Ltd (儋州中方房地產開發有限公司) as a security deposit for acquisition of land use rights.

Other Deposits

Included in other deposits as at 31 December 2019 are:

(i) RMB Nil (2018: RMB91,610,000) paid to Zhengzhou City Tendering Bureau (鄭州市招標局) for the successful tender of a plot of land in Zhengzhou, PRC, at a tender price of RMB183,210,000. The remaining balance of the tender price of RMB91,600,000 was settled upon signing of the official land agreement with the relevant government authority.

(ii) RMB20,952,000 (2018: RMB30,000,000) paid to Zhengzhou Land Resource Bureau (鄭州市國土資源局) for the participation of a land tender in Zhengzhou city. The deposit will be used to partially offset the purchase price of land awarded.

(iii) RMB20,000,000 (2018: RMB20,000,000) paid to Zhengzhou Jinshui Science and Education Zone Management Committee (鄭州金水科教園區管理委員會) represents 5% of the construction sum that are retained by Zhengzhou Jinshui Science and Education Zone Management Committee and is refundable to the Group after the completion of the resettlement house project.

16. PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Construction costs and construction material costs	59,094	67,502
Prepayment for land use right	100,000	–
Prepayment for resettlement housing project	184,458	184,458
Others	33,823	7,239
	377,375	259,199

Construction Costs and Construction Material Costs

Included in construction costs and construction material costs is an amount of RMB59,094,000 (2018: RMB67,502,000) for the purchase of construction materials which have not been delivered to the Group as at 31 December 2019.

Prepayment for Land Use Right

Included in prepayment for land use right is an amount of RMB100,000,000 (2018: RMB Nil) for the grant of a new land use right during the year. As the legal title to the land use right have not been obtained by the Group as at 31 December 2019, this amount was classified as prepayment.

Prepayment for Resettlement Housing Project

Included in prepayment for resettlement housing project as at 31 December 2019 is an amount of RMB184,458,000 (2018: RMB184,458,000) held in trust by a local government agency in relation to a resettlement housing project (see Note 24). The amount will be accrued in development properties and prepaid costs progressively when the Group obtain lists of payment to villagers from the local government agency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. DEFERRED TAXATION

Unrecognised Deferred Tax Assets

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

	2019 RMB'000	2018 RMB'000
Tax losses	308,488	305,518

Tax Losses Carried Forward

The Group's tax losses carried forward mainly comprise tax losses arising from its operations in Singapore and the PRC. Under the applicable PRC tax legislation, tax losses as at 31 December 2019 and 2018 with expiry dates are as follows:

	2019 RMB'000	2018 RMB'000
Expiry dates:		
– Within 1 to 5 years	276,072	277,077

The remaining tax losses of RMB32,416,000 (2018: RMB28,441,000) mainly relating to tax losses arising from the Group's Singapore operations are not expected to expire under the current applicable tax legislation subject to continuity of shareholders.

Deferred tax assets have not been recognised in respect of these items because of the uncertainties over the availability of future taxable profits against which the subsidiaries can utilise the tax benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. DEFERRED TAXATION (CONTINUED)

Movements in temporary differences during the year are as follows:

	Balance as at 1 January 2018 RMB'000	Recognised in profit or loss (Note 31) RMB'000	Adjustment of initial adoption of IFRS 9 RMB'000	Balance as at 31 December 2018 RMB'000	Acquisition of a subsidiary (Note 34) RMB'000	Recognised in profit or loss (Note 31) RMB'000	Balance as at 31 December 2019 RMB'000
Deferred tax liabilities							
Property, plant and equipment	1,746	(832)	–	914	–	(17)	897
Investment properties	64,206	(444)	–	63,762	–	3,689	67,451
Development properties and contract assets	70,264	(2,447)	(785)	67,032	173,988	(111,639)	129,381
Contract costs	2,505	6,660	–	9,165	–	10,150	19,315
Withholding tax on the profits of the Group's PRC subsidiaries	119,338	24,111	–	143,449	–	9,695	153,144
	258,059	27,048	(785)	284,322	173,988	(88,122)	370,188
Deferred tax assets							
Land appreciation tax	7,665	19,705	–	27,370	25,129	2,222	54,721
Accrued interest on financing component	–	2,119	–	2,119	–	1,558	3,677
Others	2,806	(2,806)	–	–	–	–	–
	10,471	19,018	–	29,489	25,129	3,780	58,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	3,653	5,052
Work in progress	2,724	2,480
Raw materials	14,215	22,121
	20,592	29,653

During the current year, inventories of RMB42,149,000 (2018: RMB34,750,000) were recognised as an expense during the year and included in 'cost of sales'.

The Group recognised a net reversal of RMB Nil (2018: RMB20,000) from provision for stock obsolescence upon the sale of inventory items. Inventories have been reduced by RMB309,000 (2018: RMB Nil) as a result of write-down to net realisable value.

19. DEVELOPMENT PROPERTIES AND PREPAID COSTS

	2019 RMB'000	2018 RMB'000
Properties under development:		
Land costs	1,826,339	1,611,568
Development costs incurred to-date	2,253,781	1,524,235
	4,080,120	3,135,803
Completed properties held for sale	675,207	217,517
	4,755,327	3,353,320

Properties under development of the Group are all located in the PRC. The relevant lands on leases are of 32 to 70 years.

During the current year, development properties sold and recognised in cost of sales amounted to RMB553,297,000 (2018: RMB1,177,401,000).

During the current year, borrowing costs of RMB233,853,000 (2018: RMB168,788,000) arising from loans and borrowings obtained specifically for the development properties were capitalised. Borrowing costs have been capitalised at rates ranging from 5.23% to 18% (2018: 6.18% to 13%) per annum.

Certain development properties with carrying amounts of RMB998,668,000 (2018: RMB372,861,000) have been mortgaged to banks and trust finance company as securities for borrowings granted to the Group, the details of which are set out in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Fixed deposits with financial institutions	230,000	234,952
Cash at bank and on hand	751,584	598,032
Cash and bank balances	981,584	832,984
Less: restricted cash	(593,058)	(300,732)
Less: bank overdraft	(4,485)	(3,099)
Total cash and cash equivalents in consolidated statement of cash flows	384,041	529,153

The Group's effective interest rate relating to fixed deposits with financial institutions, at the reporting date, is 3.58% (2018: 1.70% to 3.58%) per annum.

Included in cash and cash equivalents are cash and bank balances of Group entities that are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Certain subsidiaries are required to set aside approximately 5% of the customers' bank loan amounts as restricted cash. The restricted cash held in the designated bank accounts of the Group are pledged to the banks until the customers' building ownership certificate of the respective properties have been obtained and transferred to the banks. The restricted cash earns interest at floating rates based on the prevailing monthly bank deposit rates.

21. SHARE CAPITAL

	Company			
	2019		2018	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	196,133	1,737,554	196,133	1,737,554

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

At 31 December 2019, there were no share options issued by the Company (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		11	28
Subsidiaries	8	1,315,406	1,669,975
		1,315,417	1,670,003
Current assets			
Trade and other receivables		195,034	204,244
Cash and cash equivalents		2,645	16,124
		197,679	220,368
Total assets		1,513,096	1,890,371
Equity attributable to owners of the Company			
Share capital	21	1,737,554	1,737,554
Reserves	23	(460,465)	(75,501)
Total equity		1,277,089	1,662,053
Liabilities			
Non-current liabilities			
Loans and borrowings		–	226,815
Current liabilities			
Trade and other payables		2,967	1,503
Loans and borrowings		233,040	–
		236,007	1,503
Total liabilities		236,007	228,318
Total equity and liabilities		1,513,096	1,890,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. RESERVES

	Company	
	2019 RMB'000	2018 RMB'000
Foreign currency translation reserve	742	6,407
Employee share option reserve	582	582
Accumulated losses	(461,789)	(82,490)
	(460,465)	(75,501)

The following describes the nature and purpose of each reserve within owners' equity.

Statutory Reserves

In accordance with the Foreign Enterprise Law applicable to entities in the PRC, the Company's PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the PRC entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the PRC entity. The SRF is not available for dividend distribution to shareholders.

Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger Reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

Capital Reserve

This represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid that is recognised directly in equity and attributed to the parent as a result of changes in the Company's ownership interest in a subsidiary. Such changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Employee Share Option Reserve

This represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options in past years. The share option scheme had expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risks, see Note 38.

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Current liabilities			
Secured bank loans		671,036	468,958
Secured loans from trust finance company		800,711	1,146,060
Lease liabilities (2018: Finance lease liabilities)	6	7,206	244
Bank overdraft	20	4,485	3,099
Other loans		134,465	–
		1,617,903	1,618,361
Non-current liabilities			
Secured bank loans		313,000	419,815
Secured loans from trust finance company		450,000	–
Lease liabilities (2018: Finance lease liabilities)	6	24,369	381
		787,369	420,196
Total loans and borrowings		2,405,272	2,038,557

	2019 RMB'000	2018 RMB'000
Carrying amount of loans and borrowings analysed between:		
– within one year	1,617,903	1,618,361
– more than one year but not exceeding two years	408,387	295,059
– more than two years but not exceeding five years	378,982	125,137
	2,405,272	2,038,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. LOANS AND BORROWINGS (CONTINUED)

The Group has interest bearing bank loans, loans from trust finance company, other loans and lease liabilities which carry interest ranging from 3.0% to 16.0% (2018: 3.3% to 13.0%).

The currencies of the Group's loans and borrowings are set out below:

	2019 RMB'000	2018 RMB'000
RMB	2,018,934	1,806,691
MYR	18,833	5,051
SGD	233,040	226,815
HKD	134,465	–
	2,405,272	2,038,557

The secured loans for the Group are served by a pledge of property, plant and equipment, investment properties and development properties of certain Group entities (see Notes 4, 7 and 19) and guarantees provided by third parties.

The secured loan of the Company is secured by a new standby letter of credit issued by a bank in China.

Secured loans from a trust finance company are used to fund a resettlement housing project performed for the local government. As at 31 December 2019, secured loan of RMB772,120,000 (2018: RM882,660,000) from the trust finance company was held by a local government agency who is responsible for the funding of works on the resettlement housing project (see Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. LOANS AND BORROWINGS (CONTINUED)

Reconciliation of Movements of Liabilities to Cash Flows Arising From Financing Activities

	Asset	Liabilities									Equity	
	Restricted cash RMB'000	Secured loans RMB'000	Finance lease liabilities RMB'000	Bank overdraft RMB'000	Other loans RMB'000	Contract liabilities RMB'000	Lease liabilities RMB'000	Interest payables RMB'000	Other payables RMB'000	Amounts due to non-controlling interests RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2018	(300,732)	2,034,833	625	3,099	–	1,017,136	–	2,234	37,000	506,080	262,446	3,562,721
Adjustment on initial application of IFRS 16	–	–	(625)	–	–	–	8,559	–	–	–	–	7,934
Balance at 1 January 2019	(300,732)	2,034,833	–	3,099	–	1,017,136	8,559	2,234	37,000	506,080	262,446	3,570,655
Changes from financing cash flows												
Increase in restricted cash	(292,326)	–	–	–	–	–	–	–	–	–	–	(292,326)
Repayment of loans and borrowings	–	(893,110)	–	–	–	–	–	–	–	–	–	(893,110)
Proceeds from loans and borrowings	–	993,024	–	–	134,465	–	–	–	–	–	–	1,127,489
Amounts due to non-controlling interests (non-trade)	–	–	–	–	–	–	–	–	–	(378,913)	–	(378,913)
Repayment of principal portion of lease liabilities	–	–	–	–	–	–	(5,379)	–	–	–	–	(5,379)
Interest paid	–	–	–	–	–	–	(335)	(286,633)	–	–	–	(286,968)
Total changes from financing cash flows	(292,326)	99,914	–	–	134,465	–	(5,714)	(286,633)	–	(378,913)	–	(729,207)
The effect of change in foreign exchange rates	–	–	–	–	–	–	95	–	–	–	–	95
Liability-related other changes												
Acquisition of a subsidiary	–	100,000	–	–	–	481,605	–	–	–	–	79,577	661,182
Increase in bank overdraft	–	–	–	1,386	–	–	–	–	–	–	–	1,386
Finance costs capitalised in development properties	–	–	–	–	–	–	–	233,853	–	–	–	233,853
Finance expenses	–	–	–	–	–	–	335	53,469	–	–	–	53,804
Changes from operating activities	–	–	–	–	–	1,242,566	28,300	–	–	–	–	1,270,866
Total liability-related other changes	–	100,000	–	1,386	–	1,724,171	28,635	287,322	–	–	79,577	2,221,091
Total equity-related other changes	–	–	–	–	–	–	–	–	–	–	(27,731)	(27,731)
Balance at 31 December 2019	(593,058)	2,234,747	–	4,485	134,465	2,741,307	31,575	2,923	37,000	127,167	314,292	5,034,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. LOANS AND BORROWINGS (CONTINUED)

Reconciliation of Movements of Liabilities to Cash Flows Arising From Financing Activities (continued)

	Asset	Liabilities							Equity	
	Restricted cash RMB'000	Secured loans RMB'000	Finance lease liabilities RMB'000	Bank overdraft RMB'000	Contract liabilities RMB'000	Interest payables RMB'000	Other payables RMB'000	Amounts due to non-controlling interests RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017	(146,146)	1,991,583	191	3,706	1,171,553	2,234	–	184,119	200,628	3,407,868
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	–	–	–	(135)	(135)
Balance of 1 January 2018	(146,146)	1,991,583	191	3,706	1,171,553	2,234	–	184,119	200,493	3,407,733
Changes from financing cash flows										
Increase in restricted cash	(154,586)	–	–	–	–	–	–	–	–	(154,586)
Repayment of finance lease obligations	–	–	(197)	–	–	–	–	–	–	(197)
Repayment of loans and borrowings	–	(689,600)	–	–	–	–	–	–	–	(689,600)
Proceeds of loans from third parties	–	–	–	–	–	–	37,000	–	–	37,000
Proceeds from loans and borrowings	–	732,850	–	–	–	–	–	–	–	732,850
Amount due to non-controlling interests (non-trade)	–	–	–	–	–	–	–	321,961	–	321,961
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	68,000	68,000
Interest paid	–	–	–	–	–	(192,620)	–	–	–	(192,620)
Total changes from financing cash flows	(154,586)	43,250	(197)	–	–	(192,620)	37,000	321,961	68,000	122,808
The effect of change in foreign exchange rates	–	–	(46)	–	–	–	–	–	–	(46)
Liability-related other changes										
Decrease in bank overdraft	–	–	–	(607)	–	–	–	–	–	(607)
New finance leases	–	–	677	–	–	–	–	–	–	677
Finance costs capitalised in development properties	–	–	–	–	–	168,788	–	–	–	168,788
Finance expenses	–	–	–	–	8,477	23,832	–	–	–	32,309
Changes from operating activities	–	–	–	–	(162,894)	–	–	–	–	(162,894)
Total liability-related other changes	–	–	677	(607)	(154,417)	192,620	–	–	–	38,273
Total equity-related other changes	–	–	–	–	–	–	–	–	(6,047)	(6,047)
Balance at 31 December 2018	(300,732)	2,034,833	625	3,099	1,017,136	2,234	37,000	506,080	262,446	3,562,721

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For the year ended 31 December 2019

25. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	529,290	539,821
Amounts due to:		
– a joint venture (non-trade)	–	309,393
– non-controlling interests (non-trade)	127,167	506,080
Accrued operating expenses	7,261	10,812
Interest payables	2,923	2,234
Retention deposits payable to contractors	41,994	31,700
Other payables	595,375	187,585
	1,304,010	1,587,625

The Group's exposure to currency and liquidity risk related to trade and other payables are disclosed in Note 38.

The non-trade amounts due to non-controlling interests of RMB Nil (2018: RMB438,728,000) are unsecured, repayable on demand and bear interest at Nil (2018: 4.75%) based on People's Bank of China loan benchmark interest rate. The remaining non-trade amounts due to a joint venture and a non-controlling interest of RMB127,167,000 (2018: RMB376,745,000) are unsecured, interest-free and repayable on demand.

In 2019 included in other payables are amounts of RMB37,000,000 (2018: RMB37,000,000) due to third parties which bear fixed interests ranging from 7.2% to 9.72% per annum (2018:7.2% to 9.72% per annum). The amounts due to third parties are secured and repayable on demand.

Ageing Profile

The ageing profile of trade payables of the Group at the reporting date, based on invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Not past due	504,854	443,648
Past due 1 – 30 days	2,185	2,054
Past due 31 – 60 days	8,583	522
Past due 61 – 90 days	28	70,159
Past due more than 90 days	13,640	23,438
	529,290	539,821

Retention Deposits Payable to Contractors

The retention deposits payable to contractors are ranging from 3% to 6% of the construction sum that are retained by the Group and are payable to the contractors in one year after the completion of the development projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS

The following summarises the financial information the Group's subsidiaries with material non-controlling interests ("NCI"), based on the subsidiaries' financial statements prepared in accordance with IFRS.

	Henan Tiandao	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	49%	49%
Revenue	34,610	78,783
Profit for the year	7,181	12,806
Other comprehensive income	–	–
Total comprehensive income	7,181	12,806
Attributable to NCI:		
– Profit for the year	3,519	6,275
– Other comprehensive income	–	–
– Total comprehensive income	3,519	6,275
Non-current assets	15,660	44,088
Current assets	439,526	428,642
Non-current liabilities	(1,068)	(478)
Current liabilities	(92,828)	(118,144)
Net assets	361,290	354,108
Net assets attributable to NCI	177,032	173,513
Cash flows used in operating activities	(2,513)	(12,458)
Cash flows used in investing activities	–	(9)
Cash flows generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	–	13,951
Net (decrease)/increase in cash and cash equivalents	(2,513)	1,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Eindec Corporation	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	33.2%	33.2%
Revenue	56,953	51,356
Loss for the year	(8,006)	(12,408)
Other comprehensive loss	(5,289)	–
Total comprehensive loss	(13,295)	(12,408)
Attributable to NCI:		
– Loss for the year	(2,658)	(4,119)
– Other comprehensive loss	(1,755)	–
– Total comprehensive loss	(4,413)	(4,119)
Non-current assets	24,978	27,687
Current assets	59,121	66,002
Non-current liabilities	(2,420)	(1,295)
Current liabilities	(42,404)	(39,828)
Net assets	39,275	52,566
Net assets attributable to NCI	13,040	17,452
Cash flows (used in)/generated from operating activities	(7,074)	9,088
Cash flows generated from/(used in) investing activities	901	(14,017)
Cash flows used in financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	(1,600)	(958)
Net decrease in cash and cash equivalents	(7,773)	(5,887)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Huzhou Ganghong	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	60%	60%
Revenue	–	–
Loss for the year	(8,661)	(12,829)
Other comprehensive income	–	–
Total comprehensive loss	(8,661)	(12,829)
Attributable to NCI:		
– Loss for the year	(5,197)	(7,697)
– Other comprehensive income	–	–
– Total comprehensive loss	(5,197)	(7,697)
Non-current assets	27,467	880
Current assets	831,970	547,996
Non-current liabilities	–	–
Current liabilities	(861,454)	(542,232)
Net (liabilities)/assets	(2,017)	6,644
Net (liabilities)/assets attributable to NCI	(1,210)	3,986
Cash flows generated from/(used in) operating activities	372,494	(138,409)
Cash flows used in investing activities	(23,978)	(1,098)
Cash flows (used in)/generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	(263,400)	146,633
Net increase in cash and cash equivalents	85,116	7,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Shenzhen Pangu	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(4,545)	(1)
Other comprehensive income	–	–
Total comprehensive loss	(4,545)	(1)
Attributable to NCI:		
– Loss for the year	(1,818)	–*
– Other comprehensive income	–	–
– Total comprehensive loss	(1,818)	–*
Non-current assets	–	–
Current assets	66,448	490
Non-current liabilities	–	–
Current liabilities	(70,994)	(491)
Net liabilities	(4,546)	(1)
Net liabilities attributable to NCI	(1,818)	–*
Cash flows generated from operating activities	698	–
Cash flows generated from/(used in) investing activities	6	(30,000)
Cash flows generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	–	30,490
Net increase in cash and cash equivalents	704	490

* Less than RMB1,000

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26. NON-CONTROLLING INTERESTS (CONTINUED)

	Fujian Tianzhi	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(784)	(41)
Other comprehensive income	–	–
Total comprehensive loss	(784)	(41)
Attributable to NCI:		
– Loss for the year	(314)	(16)
– Other comprehensive income	–	–
– Total comprehensive loss	(314)	(16)
Non-current assets	313	–
Current assets	59,020	15,155
Non-current liabilities	–	–
Current liabilities	(45,158)	(196)
Net assets	14,175	14,959
Net assets attributable to NCI	5,670	5,984
Cash flows used in operating activities	(1,946)	(11,695)
Cash flows used in investing activities	(62)	–
Cash flows (used in)/generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	(118)	15,000
Net (decrease)/increase in cash and cash equivalents	(2,126)	3,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Fujian Tianjiao	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	40%	40%
Revenue	–	–
Loss for the year	(1,433)	(52)
Other comprehensive income	–	–
Total comprehensive loss	(1,433)	(52)
Attributable to NCI:		
– Loss for the year	(573)	(21)
– Other comprehensive income	–	–
– Total comprehensive loss	(573)	(21)
Non-current assets	544	–
Current assets	58,449	14,961
Non-current liabilities	–	–
Current liabilities	(45,478)	(13)
Net assets	13,515	14,948
Net assets attributable to NCI	5,406	5,979
Cash flows used in operating activities	(3,009)	(11,170)
Cash flows used in investing activities	(80)	–
Cash flows (used in)/generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	(107)	15,000
Net (decrease)/increase in cash and cash equivalents	(3,196)	3,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Yizheng Hongrui	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	70%	70%
Revenue	–	–
Loss for the year	(8,823)	(265)
Other comprehensive income	–	–
Total comprehensive loss	(8,823)	(265)
Attributable to NCI:		
– Loss for the year	(6,176)	(186)
– Other comprehensive income	–	–
– Total comprehensive loss	(6,176)	(186)
Non-current assets	2,997	18
Current assets	578,701	361,665
Non-current liabilities	–	–
Current liabilities	(550,786)	(321,948)
Net assets	30,912	39,735
Net assets attributable to NCI	21,638	27,815
Cash flows generated from/(used in) operating activities	111,252	(257,093)
Cash flows used in investing activities	(44,951)	(18)
Cash flows generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	–	263,774
Net increase in cash and cash equivalents	66,301	6,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Yizheng Honglin	
	2019	**2018**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	70%	70%
Revenue	–	–
Loss for the year	(10,833)	(404)
Other comprehensive income	–	–
Total comprehensive loss	(10,833)	(404)
Attributable to NCI:		
– Loss for the year	(7,583)	(283)
– Other comprehensive income	–	–
– Total comprehensive loss	(7,583)	(283)
Non-current assets	3,716	–
Current assets	747,532	348,359
Non-current liabilities	–	–
Current liabilities	(722,485)	(308,763)
Net assets	28,763	39,596
Net assets attributable to NCI	20,134	27,717
Cash flows generated from/(used in) operating activities	192,223	(251,073)
Cash flows used in investing activities	(111,562)	–
Cash flows generated from financing activities (dividends to NCI: 2019: Nil; 2018: Nil)	–	254,954
Net increase in cash and cash equivalents	80,661	3,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. NON-CONTROLLING INTERESTS (CONTINUED)

	Hunan Jingke 2019 RMB'000
Percentage of ownership of NCI	62.5%
Revenue	391,426
Loss for the year	(8,282)
Other comprehensive income	–
Total comprehensive loss	(8,282)
Attributable to NCI:	
– Loss for the year	(5,176)
– Other comprehensive income	–
– Total comprehensive loss	(5,176)
Non-current assets	26,060
Current assets	590,553
Non-current liabilities	(172,239)
Current liabilities	(325,334)
Net assets	119,040
Net assets attributable to NCI	74,400
Cash flows used in operating activities	(4,496)
Cash flows used in investing activities	(30)
Cash flows used in financing activities (dividends to NCI: Nil)	(10,000)
Net decrease in cash and cash equivalents	(14,526)

The total net assets attributable to NCI of RMB314,292,000 (2018: RMB262,446,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. REVENUE

	2019 RMB'000	2018 RMB'000
Sales of development properties	706,109	1,726,653
Sales of goods and installation services	56,953	51,356
	763,062	1,778,009

The following table provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sales of Development Properties

Nature of development properties	The Group develops residential and commercial properties for sale to end customers in the PRC.
When revenue is recognised	Revenue is recognised at a point in time being when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property (i.e. when control of the property has been transferred to the customer). The transfer of control is typically evidenced at the earlier of: (i) the transfer of legal title or (ii) equitable interest in the property transfers to the buyer upon signing the property handover notice. Deposits, instalments or advances received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under 'Contract liabilities'.
Significant payment terms	Payment is typically made in advance. In certain instances, payment is agreed based on an instalment schedule at the point of sale.
Obligations for warranties	The Group does not provide any form of warranty to end customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. REVENUE (CONTINUED)

Sales of Goods and Installation Services

Nature of goods or services	The Group manufactures clean air environmental technology solutions equipment and clean room equipment based on the customer's specification. There is no significant customisation of the clean room equipment. In addition, the Group also installs certain equipment for their customers at the delivery of the equipment.
When revenue is recognised	For sales of goods, revenue is recognised at a point in time when goods are delivered to the customer and criteria for acceptance have been satisfied. For installation service, revenue is recognised at the completion of the installation service. The installation service is typically completed shortly after delivery of goods. The lead time between the delivery of goods and installation of the delivered goods is insignificant.
Significant payment terms	Invoices are issued upon delivery of goods or the completion of service and are payable within 30-60 days. In cases where, the Group received cash paid in advance of goods delivered and to the extent that they remain undelivered at balance sheet date, the Group defers recognition of revenue and recognise such amounts in the consolidated statement of financial position as 'Contract liabilities'.
Obligations for warranties	In certain cases, sales of equipment includes a standard warranty of one year, under which customers are able to return and replace any defective products. The standard warranty is consistent with market practice. There is no right to return the goods. There are no variable considerations such as volume discounts or sales rebates provided to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. REVENUE (CONTINUED)

Disaggregation of Revenue from Contracts with Customer

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 37).

	Reportable segment					
	Property development		Equipment manufacturing		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Primary geographical markets						
PRC	706,109	1,726,653	3,707	6,073	709,816	1,732,726
Singapore	–	–	53,082	32,901	53,082	32,901
Others	–	–	164	12,382	164	12,382
	706,109	1,726,653	56,953	51,356	763,062	1,778,009
Major products/service lines						
Sales of development properties	706,109	1,726,653	–	–	706,109	1,726,653
Sales of goods and installation services	–	–	56,953	51,356	56,953	51,356
	706,109	1,726,653	56,953	51,356	763,062	1,778,009
Timing of revenue recognition						
At a point in time	706,109	1,726,653	56,953	51,356	763,062	1,778,009

Contract Balances

The following table provides information about trade receivables, contract costs, contract assets and contract liabilities from contracts with customers.

	Note	2019 RMB'000	2018 RMB'000
Trade receivables	14	21,653	37,448
Contract costs		77,259	39,357
Contract assets		663,585	766,825
Contract liabilities		(2,741,307)	(1,017,136)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

27. REVENUE (CONTINUED)

Contract Balances (continued)

The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract assets relate to the Group's rights to consideration for work completed or goods delivered but not billed at the reporting date.

Contract liabilities primarily relate to advances from customer for sales of development properties and sales of equipment before the criteria for revenue recognition have been met.

Success-based sales commissions

The Group pays sales commissions to property sales agents for securing property sales contracts for the Group on a success basis. Upon adoption of IFRS 15, the Group capitalises these incremental costs as contract costs.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows.

	Contract assets		**Contract liabilities**	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	–	232,908	995,813
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(1,950,848)	(828,540)
Decrease due to work billed	(105,995)	–	–	–
Accrued interest on financing component	–	–	(6,231)	(12,856)
Reclassification to trade receivables	–	3,566	–	–
Impairment loss reversed/(made) on contract assets	2,755	(3,745)	–	–

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of engineering department to determine the progress of the revenue contract and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less.

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28. OTHER INCOME

	Note	2019 RMB'000	2018 RMB'000
Changes in fair value of investment properties		15,000	–
Gain on bargain purchase arising from acquisition of a subsidiary	34	17,745	–
Gain on disposal of property, plant and equipment		525	35
Gain on disposal of investment properties		24	–
Gain on disposal of a joint venture	9	4,172	–
Gain on disposal of other investments		13	22
Government grants		1,213	–
Net changes in fair value on other investments		(247)	(2,701)
Compensation income	(a)	878	69,526
Rental income		4,010	4,418
Others		4,297	6,387
		47,630	77,687

(a) For the year ended 31 December 2018, RMB68,432,000 arising from the settlement agreement between the Group and a business partner, Henan Meiyuan Co., Ltd., was included in the compensation income. The amount was received to settle the advances, previously extended by the Group for the acquisition of land use rights, and the associated interest and compensation charges. The compensation income represents the settlement sum in excess of the advances previously extended and associated interests.

29. NET FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest income	14,299	14,351
Interest expenses on loans and borrowings	(286,865)	(199,232)
Interest expenses on lease liabilities	(335)	–
Others	(457)	(1,865)
Finance expenses, net	(273,358)	(186,746)
Finance cost capitalised in development properties	233,853	168,788
Net finance costs recognised in profit or loss	(39,505)	(17,958)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting) the followings:

	Note	2019 RMB'000	2018 RMB'000
Audit fees paid/payable		2,025	3,871
Non-audit fees paid/payable		–	211
Amortisation of intangible assets	5	200	763
Impairment loss on intangible assets	5	–	3,543
Allowance for impairment loss reversed on trade and other receivables		(16)	(4,153)
Allowance for impairment loss (reversed)/made on contract assets		(2,755)	1,469
Depreciation of property, plant and equipment	4	12,609	5,896
(Gain)/loss on disposal of investment properties		(24)	331
Changes in fair value of investment properties	7	(15,000)	–
Raw materials, changes in finished goods and work-in-progress recognised	18	42,149	34,750
Operating lease expenses		–	1,661
Property, plant and equipment written off		764	113
Inventories written off	18	195	1,748

	2019 RMB'000	2018 RMB'000
Employee benefits expenses		
Directors' fees	660	1,065
Salaries, bonuses and other costs	73,186	60,451
PRC statutory welfare fund	296	177
Contributions to defined contribution plan	10,812	12,243
	84,954	73,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

Directors' Remuneration

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2019					
Chairman					
Zhang Wei	–	3,090	–	145	3,235
Executive director					
Chen Zhiyong	–	380	–	93	473
Independent non-executive directors					
Dong Xincheng*	200	–	–	–	200
Lam Ying Hung Andy^	200	–	–	–	200
Liu Ning#	260	–	–	–	260
	660	3,470	–	238	4,368

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2018					
Chairman					
Zhang Wei	–	2,758	–	132	2,890
Executive director					
Chen Zhiyong	–	1,091	–	122	1,213
Independent non-executive directors					
Dong Xincheng*	226	–	–	–	226
Ong Kian Guan**	289	–	–	–	289
Siu Man Ho Simon**	285	–	–	–	285
Oh Eng Bin**	265	–	–	–	265
Lam Ying Hung Andy^	7	–	–	–	7
Liu Ning#	9	–	–	–	9
	1,081	3,849	–	254	5,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

Directors' Remuneration (continued)

* Mr. Dong Xincheng has been re-designated as independent non-executive director with effect from 19 December 2018.

** Mr. Ong Kian Guan, Mr Siu Man Ho Simon and Mr. Oh Eng Bin have resigned from the Board from 19 December 2018.

^ Mr. Lam Ying Hung Andy has been appointed as independent non-executive director with effect from 19 December 2018.

\# Mr. Liu Ning has been appointed as lead independent non-executive director with effect from 19 December 2018.

No directors of the Company waived or agreed to waive any remuneration during the current and previous financial years. During the current and previous financial years, there were also no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out below as an inducement to join or upon joining the Group or as compensation for loss of office.

Individuals with highest emoluments

Of the five (2018: five) individuals with the highest emoluments, there is one director (2018: two directors) of the Group for the year ended 31 December 2019, whose emoluments are reflected in the analysis presented above. The aggregate of the emoluments paid and/or payable to the remaining four (2018: three) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	3,640	4,227
Retirement scheme contributions	268	234
	3,908	4,461

An analysis of the emoluments of remaining individuals with the highest emoluments are within the following bands:

	2019 RMB'000	2018 RMB'000
Less than HKD1,000,000	1	–
HKD1,000,001 – HKD1,500,000	2	–
HKD1,500,001 – HKD2,000,000	1	3
HKD2,000,001 – HKD2,500,000	–	–
	4	3

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For the year ended 31 December 2019

31. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax expense		
Current year income tax	71,351	122,057
Overprovision of income tax in respect of prior years	–	(206)
	71,351	121,851
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(101,597)	(16,081)
Withholding tax on the profits of the Group's PRC subsidiaries	9,695	24,111
	(91,902)	8,030
Land appreciation tax expense		
LAT	58,734	108,304
Total tax expense	38,183	238,185
Reconciliation of effective tax rate		
(Loss)/profit before taxation	(18,683)	398,516
Tax using PRC tax rate of 25% (2018: 25%)	(4,671)	99,629
Tax effects of:		
– difference in tax rate in different jurisdictions	5,060	2,746
– application of difference tax basis	–	(482)
– expenses not deductible for tax purposes	7,376	5,149
– deferred tax asset not recognised	31,895	33,634
– withholding tax at 10% on the profits of the Group's PRC subsidiaries	9,695	24,111
– overprovision of income tax in respect of prior years	–	(206)
– income not subject to tax	(56,009)	(10,571)
– LAT	58,734	108,304
– effect of tax deduction for LAT	(14,683)	(27,076)
– others	786	2,947
	38,183	238,185

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31. INCOME TAX EXPENSE (CONTINUED)

Singapore and PRC income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulations in Singapore and the PRC.

Pursuant to a PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises have been unified at 25% effective from 1 January 2008.

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

Certain subsidiaries within the Group are paying corporate income tax on a deemed tax basis as agreed with the local tax authorities. The tax obligations are determined by applying the corporate income tax rate on the deemed profit generated. The deemed profit generated is calculated based on a deemed profit rate on the revenue generated by the subsidiaries.

LAT is levied on properties in the PRC developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from the sale of properties less deductible expenditures which include lease charges of land use rights, borrowing costs and all property development expenditures. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the difference realises.

32. (LOSSES)/EARNINGS PER SHARE

The following tables reflect the profit or loss and share data used in the computation of basic and diluted (losses)/earnings per share for the years ended 31 December:

	2019	2018
(Losses)/earnings per share is based on		
(Loss)/profit for the year attributable to owners of the Company (RMB'000)	(30,890)	166,378
Weighted average number of ordinary shares ('000)	196,133	196,133
Basic and diluted (losses)/earnings per share (RMB cents)	(15.75)	84.83

Basic (losses)/earnings per share is calculated on the Group's (loss)/profit for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted (losses)/earnings per share is calculated on the same basis as basic (losses)/earnings per share as the Group did not issue dilutive instruments.

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33. CAPITAL COMMITMENTS

Capital commitments contracted for as at the end of the reporting period but not recognised in the consolidated financial statements are as follows:

	2019 RMB'000	2018 RMB'000
Development expenditures authorised and contracted for	1,127,373	621,610

34. BUSINESS ACQUISITION DURING THE YEAR

On 9 December 2019, the Group subscribed 37.5% of the voting capital of Hunan Jingke a company whose principal activity is property development. The acquisition was made with the aims to further expand into central China and enhance the Group's position in the PRC real property market.

The provisional fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	9 December 2019 RMB'000
Property, plant and equipment	234
Trade and other receivables	32,268
Cash and cash equivalents	100,065
Development properties	859,939
Prepaid tax	28,405
Deferred tax assets recognised upon fair value adjustments	25,129
Trade and other payables	(163,125)
Contract liabilities	(481,605)
Loans and borrowings	(100,000)
Deferred tax liabilities recognised upon fair value adjustments	(173,988)
Total identifiable net assets at fair value	127,322
Non-controlling interest	(79,577)
Gain on bargain purchase	17,745
Satisfied by:	
Cash	(30,000)
Net cash inflow arising from acquisition	70,065

The amount of the non-controlling interest at the acquisition date amounted to RMB79,577,000.

Since the acquisition date, Hunan Jingke has contributed RMB391,426,000 and RMB8,282,000 to Group's revenue and loss for the year respectively. If the acquisition had occurred on 1 January 2019, Group revenue and loss for the year would have been RMB763,062,000 and RMB72,712,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

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35. CONTINGENT LIABILITIES

At the respective reporting dates, the contingent liabilities of the Group were as follows:

	2019 RMB'000	2018 RMB'000
Guarantees granted to financial institutions on behalf of purchasers of property units	2,387,549	1,868,212

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. The Group is required to maintain certain amounts of cash in designated bank accounts which are pledged to the banks (see Note 20). If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account.

These guarantees provided by the Group to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the bank from the customers when it is issued by the relevant authorities.

36. RELATED PARTIES

Key Management Personnel Compensation Comprises:

	2019 RMB'000	2018 RMB'000
Directors' fees paid to directors of the Company	660	1,081
Salaries paid to key management personnel	4,999	5,233
PRC statutory welfare fund	135	105
Contributions to defined contribution plans	193	228
	5,987	6,647

	2019 RMB'000	2018 RMB'000
Comprises amounts paid/payable to:		
– directors of the Company	4,368	5,184
– other key management personnel	1,619	1,463
	5,987	6,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. RELATED PARTIES (CONTINUED)

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

Sale and Purchase of Goods and Services

A number of key management personnel, or their related parties, hold positions and/or interests in other entities that result in them having control or significant influence over the financial or operating decisions of those entities.

The Group transacted with these entities in prior years. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably to be available, or similar to third party entities and were on an arm's length basis.

Loan from a Controlling Shareholder

During the year ended 31 December 2019, the Group obtained a loan from a connected entity controlled by a controlling shareholder which was amounted to HKD150,000,000 (equivalent to RMB134,465,000), interest bearing at 16% per annum and repayable on demand.

37. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into business units based on the products and services offered, and has two reportable operating segments as follows:

I. Property Development

Property development includes the development and sales of both commercial and residential property units, construction of resettlement houses in the PRC and the leasing of investment properties to generate rental income and to derive capital gains from the investment properties in the long term.

II. Equipment Manufacturing

A clean room provides an environment where the humidity, temperature and particles in the air are precisely controlled. Clean room equipment includes fan filter units, air showers, clean booths, pass boxes, clean hand dryers and clean benches, amongst others. Heat ventilation and air-conditioning products are essentially deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure an even distribution of air within the confined space. Air purifiers (also referred to as air cleaners) are electrical devices that remove solid and gaseous pollutants from the air such as formaldehyde and PM2.5 which may pose adverse health risks that include breathing difficulties, asthma and allergies. Through the function of air filters or sterilising systems built into each air purifier, the concentration of dust, contaminants, fine particles and volatile organic compounds in the air are reduced to the benefit of individuals within the immediate vicinity.

The Group's Executive Chairman ("Chief Operating Decision Maker") 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.

Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Reconciliations of Reportable Revenues, Profit or Loss, Assets and Liabilities:

	Property development		Equipment manufacturing		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue:						
External customers	706,109	1,726,653	56,953	51,356	763,062	1,778,009
Inter-segment revenue	–	–	–	477	–	477
Segments results from operating activities	40,058	441,029	(19,236)	(24,555)	20,822	416,474
Interest income	14,028	14,031	271	320	14,299	14,351
Finance costs	(43,695)	(24,365)	(10,109)	(7,944)	(53,804)	(32,309)
Reportable segment (loss)/profit before income tax					(18,683)	398,516
Income tax expense					(38,183)	(238,185)
Non-controlling interests					25,976	6,047
(Loss)/profit attributable to owners of the Company					(30,890)	166,378
Reportable segment assets	8,794,222	6,819,560	86,870	104,318	8,881,092	6,923,878
Reportable segment liabilities	(4,681,659)	(3,108,862)	(27,292)	(27,326)	(4,708,951)	(3,136,188)
Loans and borrowings	(2,161,574)	(1,806,691)	(243,698)	(231,866)	(2,405,272)	(2,038,557)
Total liabilities					(7,114,223)	(5,174,745)
Other segment information						
Capital expenditure	905	3,759	2,719	2,611	3,624	6,370
Allowance for impairment loss (reversed)/made on trade and other receivables (excluding prepayments) and contract assets	(2,559)	(2,772)	(212)	88	(2,771)	(2,684)
Depreciation of property, plant and equipment	8,470	3,822	4,139	2,074	12,609	5,896
Impairment loss on intangible assets	–	–	–	3,543	–	3,543
Amortisation of intangible assets	200	171	–	592	200	763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical Segment

The Group's geographical segments are based on the location of the Group's assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue and certain non-current assets information regarding the Group's geographical segments as at and for the years ended 31 December 2019 and 31 December 2018.

	PRC RMB'000	Singapore RMB'000	Other countries RMB'000	Total RMB'000
31 December 2019				
Revenue	709,816	53,082	164	763,062
Non-current assets*	645,654	5,699	21,911	673,264
31 December 2018				
Revenue	1,732,726	32,901	12,382	1,778,009
Non-current assets*	903,539	2,747	19,128	925,414

* Excludes trade and other receivables and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and contract assets from customers.

The carrying amount of financial assets and contract assets represent the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group does not require any collateral in respect of their financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	2019 RMB'000	2018 RMB'000
Allowance for impairment loss (reversed)/made on:		
Trade receivables	(212)	8
Other receivables	196	(4,161)
Contract assets arising from contract with customers	(2,755)	1,469

Trade receivables and other receivables and contract assets

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is kept to the minimal.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

As at 31 December 2019, the Group held amounts due from its non-controlling interests of RMB180,300,000 (2018: RMB99,160,000) and an amount due from a joint venture partner of RMB6,000,000 (2018: RMB23,574,000), respectively, which represents 12% (2018: 14%) of trade and other receivables.

Except for these amounts, there were no other concentrations of credit risk at the Group level.

In addition, the Group is exposed to credit risk in connection with financial guarantees that it has issued. The credit risk represents the loss that would be recognised upon a default by the party for which the guarantee was issued on behalf of the subsidiaries. At the reporting date, the Group does not consider it is probable that a claim will be made against the Group entities.

A summary of the Group's exposure to credit risk for trade and other receivables (excluding prepayments) and contract assets is as follows:

	2019		2018	
	Non credit-impaired RMB'000	Credit-impaired RMB'000	Non credit-impaired RMB'000	Credit-impaired RMB'000
Trade receivables of customers within:				
– two or more years trading history with the Group*	669,469	–	797,502	–
– less than two years trading history with the Group*	17,959	–	11,928	–
Other receivables and deposits	903,719	–	497,598	–
Total gross carrying amount	1,591,147	–	1,307,028	–
Loss allowance	(2,752)	–	(5,523)	–
	1,588,395	–	1,301,505	–

* Excluding 'other receivables'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Expected credit loss assessment

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different geographic region.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 December 2019 and 31 December 2018:

2019	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Credit impaired
Current (not past due)	0.41	7,760	(32)	No
1 – 30 days past due	0.58	3,276	(19)	No
31 – 60 days past due	0.93	2,377	(22)	No
61 – 90 days past due	1.66	2,644	(44)	No
More than 91 days past due	15.94	6,796	(1,083)	No
		22,853	(1,200)	

2018	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Credit impaired
Current (not past due)	0.09	23,229	(20)	No
1 – 30 days past due	1.33	3,760	(50)	No
31 – 60 days past due	2.17	2,075	(45)	No
61 – 90 days past due	4.30	1,394	(60)	No
More than 91 days past due	14.72	8,402	(1,237)	No
		38,860	(1,412)	

Loss rates are based on actual credit loss experience over the past two years. In calculating the ECL rates, the Group considers historical loss of their customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables over the expected life of the receivables.

Impairment losses of RMB990,000 (2018: RMB3,745,000) and RMB562,000 (2018: RMB366,000) was recognised for contract assets and other receivables, respectively. Loss rates for contract assets and other receivables are calculated based on the probability of default and recovery rate of comparable PRC companies from Bloomberg.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Trade receivables that are not past due

As at 31 December 2019, included in the trade receivables attributed to the Group's property development operations are amounts of RMB Nil and RMB Nil (2018: RMB14,140,000 and RMB5,841,000) arising from instalment sales and sales pending release of financing by banks, respectively.

The trade receivables arising from instalment sales are due between periods ranging from three months to twelve months from the reporting date.

Trade receivables that are past due

As at 31 December 2019, the Group had trade receivables amounting to RMB13,925,000 (2018: RMB14,239,000) that are past due. Included in these trade receivables are amounts of RMB11,521,000 and RMB2,404,000 (2018: RMB10,108,000 and RMB4,131,000) attributed primarily to the clean room and air diffusion products operations, and property development operations, respectively.

Movements in allowance for impairment loss in respect of trade and other receivables (excluding prepayments) and contract assets

The movement in the allowance for impairment loss in respect of trade and other receivables (excluding prepayments) and contract assets during the year were as follows:

	Lifetime ECL RMB'000
At 1 January 2018 per FRS 39	4,944
Adjustment on initial application of IFRS 9	3,263
At 1 January 2018 per IFRS 9	8,207
Reversal of impairment loss	(2,684)
At 31 December 2018 and 1 January 2019 per IFRS 9	5,523
Reversal of impairment loss	(2,771)
At 31 December 2019 per IFRS 9	2,752

Non-trade amounts due from non-controlling interests

Amounts due from NCI are assumed to have low credit risk. The Group has considered qualitative and quantitative factors that are indicative of the risk of default. This includes factors such as the progress and expected performance of the development projects in the relevant subsidiaries and the financial ability of relevant subsidiaries.

Non-trade amount due from a joint venture partner

The Group assessed that the non-trade amount due from the joint venture partner to have low credit risk. The Group considered the latest payment history of the joint venture partner and also took into account the Group's ability to exercise its rights to take over the underlying land of Hanfang Yaoye, which has an estimated value higher than the balance outstanding.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Debt Investment at Amortised Cost

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least Baa3 from Moody's.

Impairment on debt investments are measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group assessed that the risk of impairment allowance on the debt investment at amortised cost is insignificant. The Group had received the proceeds (i.e. principal plus related returns) for investment amounting to RMB15,765,000 on 25 March 2020.

Cash and Cash Equivalents

The Group held cash and cash equivalents of RMB981,584,000 as at 31 December 2019 (2018: RMB832,984,000). The cash and cash equivalents are held with bank and financial institution counter parties with sound credit ratings.

Impairment on cash and cash equivalents have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents is negligible.

Guarantees

The Group's policy is to provide financial guarantees only to liabilities arising from wholly-owned subsidiaries.

The maximum exposure of the Group in respect of the intra-group financial guarantee at the reporting date is if the bank facility is drawn down by the subsidiaries in the total amounts of RMB990,862,000 (2018: RMB657,445,000). At the reporting date, the Group does not consider it probable that a claim will be made against the Group entity under the intra-group financial guarantee.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Approximately 67% (2018: 79%) of the Group's loans and borrowings will mature in less than one year.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

		Cash flows		
	Carrying amount RMB'000	**Contractual cash flows RMB'000**	**Within 1 year RMB'000**	**Between 2 to 5 years RMB'000**
31 December 2019				
Non-derivative financial liabilities				
Trade and other payables	(1,057,378)	(1,060,508)	(1,060,508)	–
Loans and borrowings	(2,405,272)	(2,669,625)	(1,902,923)	(766,702)
	(3,462,650)	(3,730,133)	(2,963,431)	(766,702)
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	(1,587,625)	(1,611,557)	(1,611,557)	–
Loans and borrowings	(2,038,557)	(2,173,744)	(1,633,390)	(540,354)
	(3,626,182)	(3,785,301)	(3,244,947)	(540,354)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign Currency Risk

Foreign currency risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Group is also exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenue and expenses. The Group is mainly exposed to the United States Dollar ("US Dollar").

The Group does not hedge its exposures to these foreign currency risks but the management considers that a natural hedge exists between the assets and liabilities in each of its subsidiaries.

The Group manages its transactional exposure by a policy of matching, as far as possible, receipts and payments in each individual currency.

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For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (continued)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	2019 RMB'000	2018 RMB'000
US Dollar		
Trade and other receivables	518	399
Cash and cash equivalents	373	341
Trade and other payables	(766)	(476)
	125	264

Sensitivity analysis for foreign currency risk

A strengthening of the RMB, as indicated below, against the US dollar at the reporting date would have decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018, as indicated below:

	Profit or loss RMB'000
2019	
US dollar (5%)	(6)
2018	
US dollar (5%)	(13)

A 5% weakening of the RMB against the US dollar would have had an equal but opposite effect on the US dollar to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its interest-bearing loans and receivables, and loans and borrowings. The Group's policy is to obtain the most favourable interest rates available.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (continued)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Carrying amount	
	2019	**2018**
	RMB'000	**RMB'000**
Fixed rate instruments		
Amount due from a joint venture partner	–	10,000
Amount due from non-controlling interest	14,000	–
Fixed deposits	230,000	234,952
Lease liabilities (2018: finance lease liabilities)	(31,575)	(625)
Bank overdraft	(4,485)	(3,099)
Other payables	–	(438,728)
Other loan	(134,465)	–
	73,475	(197,500)
Variable rate instruments		
Secured loans	(2,234,747)	(2,034,833)
Other payables	(37,000)	(37,000)
	(2,271,747)	(2,071,833)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit or loss by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2018.

	Profit or loss	
	100 bp increase RMB'000	**100 bp decrease RMB'000**
31 December 2019		
Variable rate instruments	(22,717)	22,717
31 December 2018		
Variable rate instruments	(20,718)	20,718

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Company's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund for which the utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2019 and 2018.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt (loans and borrowings less cash and cash equivalents) divided by total equity.

	Note	2019 RMB'000	2018 RMB'000
Loans and borrowings	24	2,405,272	2,038,557
Less: Cash and cash equivalents	20	(981,584)	(832,984)
Net debt		1,423,688	1,205,573
Total equity		1,766,869	1,749,133
Gearing ratio		81%	69%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting Classifications and Fair Values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

		Carrying amount						Fair value			
	Note	Debt investment at amortised cost RMB'000	Equity investment at FVTPL RMB'000	Debt investments at FVTPL RMB'000	Amortised cost RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2019											
Financial assets measured at fair value											
Other investments	10	–	571	17,500	–	–	18,071	571	17,500	–	18,071
Financial assets not measured at fair value											
Other investments	10	1,500	–	–	–	–	1,500				
Trade and other receivables*	11	–	–	–	924,810	–	924,810				
Cash and cash equivalents	20	–	–	–	981,584	–	981,584				
		1,500	–	–	1,906,394	–	1,907,894				
Financial liabilities not measured at fair value											
Loans and borrowings	24	–	–	–	–	(2,405,272)	(2,405,272)	–	(2,405,272)	–	(2,405,272)
Trade and other payables	25	–	–	–	–	(1,057,378)	(1,057,378)	–	(1,057,378)	–	(1,057,378)
		–	–	–	–	(3,462,650)	(3,462,650)				

* Excludes prepayment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting Classifications and Fair Values (continued)

		Carrying amount						Fair value			
	Note	Debt investment at amortised cost RMB'000	Equity investment at FVTPL RMB'000	Debt investments at FVTPL RMB'000	Amortised cost RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2018											
Financial assets measured at fair value											
Other investments	10	–	819	7,960	–	–	8,779	819	7,960	–	8,779
Financial assets not measured at fair value											
Other investments	10	3,300	–	–	–	–	3,300				
Trade and other receivables*	11	–	–	–	534,680	–	534,680				
Cash and cash equivalents	20	–	–	–	832,984	–	832,984				
		3,300	–	–	1,367,664	–	1,370,964				
Financial liabilities not measured at fair value											
Loans and borrowings	24	–	–	–	–	(2,038,557)	(2,038,557)	–	(2,038,557)	–	(2,038,557)
Trade and other payables	25	–	–	–	–	(1,587,625)	(1,587,625)	–	(1,587,625)	–	(1,587,625)
		–	–	–	–	(3,626,182)	(3,626,182)				

* Excludes prepayment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Measurement of Fair Values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Debt investment	The fair value is determined by using the present value of expected future cash flows, discounted using a market discount rate.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* Other financial liabilities relate to loans and borrowings and certain other payables.

There were no transfers between Level 1 and 2 in 2019 and 2018.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including debt investment at amortised cost, trade and other receivables, cash and cash equivalents, and certain trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involve significant judgements and estimates used in the preparation of the consolidated financial statements.

Key Sources of Estimation Uncertainty

Valuation of development properties

The Group evaluates whether there is any objective evidence that the net realisable value of the development properties fall short of their carrying values. The Group estimates the net realisable value based on the Group's expectation of future selling prices, through valuation reports obtained from reputable independent third party valuers or recent market transactions involving comparable properties and the estimated total project costs for each project.

The net realisable value could change significantly as a result of changes in market conditions or government property control measures.

Valuation of investment properties

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining fair value, the valuer used the direct comparison income and capitalisation approaches, all of which involve the use of estimates. Management examined its judgment of the valuation methods adopted and the estimates used which included their assessment of the reasonableness of the estimation used taking into account the market conditions at the time. The key assumptions used to estimate the fair value of investment properties include market corroborated capitalisation rates, estimated unit selling price and expected rental rates.

Income taxes

Significant judgement is required in determining the tax allowances, taxability of certain income and deductibility of certain expenses during the estimate of the provision of taxes and deferred taxes.

The Group exercises significant judgement to determine the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The Group also exercises significant judgement to determine the land appreciation tax rates to be applied to the different types of properties sold and the deductibility of expenditures due to differences in the implementation of the legislation across the respective provincial government (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical Judgments Made in Applying Accounting Policies

Classification of investments in subsidiaries and joint ventures

The Group assessed the terms and conditions of relevant shareholder's agreement, collaboration agreement or other cooperative agreement entered into for its investment in subsidiaries and joint ventures. The Group made critical judgments over its ability to exercise control or joint control over its investees. The Group's judgment included consideration of control or joint control exercised at the board of the respective investees, and their rights and obligations arising from board resolved matters as agreed with other shareholders.

In the Group's assessment of its ability of control over its investee companies, management considered the:

(a) ability to exercise power over its investees;

(b) exposure or rights to variable returns for its investments with those investees; and

(c) ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve matters as agreed with the other shareholders.

40. ADOPTION OF NEW/REVISED IFRSS

The Group has adopted all the new and amended IFRSs which are effective for the Group's accounting periods beginning on or after 1 January 2019 and throughout the year ended 31 December 2019.

- IFRS 16 *Leases* ("IFRS 16"); and
- IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23").

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year consolidated financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. ADOPTION OF NEW/REVISED IFRSS (CONTINUED)

IFRS 16 Leases (continued)

Summary of new accounting policies

As a result of the adoption of IFRS 16, the new accounting policies of the Group which have been applied from the date of initial application are set out below:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. 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 payments).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for office premises, warehouses and residentials. As a lessee, the Group previously classified these leases as operating leases. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and short term leases (elected by class of underlying assets). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Accordingly, the Group recognises the lease payments in relation to lease liability are allocated into a principal and an interest portion which are presented as financing cash flows in the consolidated statement of cash flows by the Group.

Right-of-use assets relating to operating leases and prepaid lease payments in respect of the land use right in PRC is currently recognised as right-of-use assets upon application of IFRS 16 and are included in the same line item as property, plant and equipment as that within which the corresponding assets.

Right-of-use assets related to interests in leasehold land where the interest in the land is held as properties under development and completed properties held for sale are included in the same item as properties under development and completed properties held for sale as that within the corresponding assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. ADOPTION OF NEW/REVISED IFRSS (CONTINUED)

IFRS 16 Leases (continued)

Impacts on transition

In accordance with the transitional provision under IFRS 16, the Group applied the simplified transition approach on 1 January 2019. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. All right-of-use assets were measured at the amount of lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses, if any).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	RMB'000
Assets	
Increase in right-of-use assets	
Properties	7,934
Liabilities	
Increase in loans and borrowings	
Non-current portion	(3,389)
Current portion	(4,545)

The discount rate applied to the lease liabilities on 1 January 2019 ranging from 3% to 6.18%. The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,380
Less: Future interest expenses	(446)
Add: Finance lease liabilities as at 31 December 2018	625
Total lease liabilities as at 1 January 2019	8,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. ADOPTION OF NEW/REVISED IFRSS (CONTINUED)

IFRS 16 Leases (continued)

Amounts recognised in the consolidated financial statements

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

	Right-of-use assets RMB'000	Lease liabilities RMB'000
At 31 December 2018	–	625
Recognised upon application of IFRS 16	7,934	7,934
Right-of-use assets included in property, plant and equipment	12,854	–
At 1 January 2019	20,788	8,559
Additions	28,680	28,300
Depreciation (Note 6)	(8,742)	–
Interest expenses (Note 6)	–	335
Lease payments	–	(5,714)
Effects of movements in exchange rates	128	95
At 31 December 2019	40,854	31,575
Analysed for the reporting purpose as:		
Non-current	40,854	24,369
Current	–	7,206
	40,854	31,575

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- the Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. There was no impact in the adoption in the Group's retained earnings.

Save as disclosed above, the application of the 2019 new IFRSs had no material effect on the financial performance or financial position for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)

- IFRS 3 *Business Combinations* (Amendment – Definition of Business)

- Revised Conceptual Framework for Financial Reporting

The Group is currently assessing the impact of these new accounting standards and amendments to standards.

ADDITIONAL INFORMATION

Year ended 31 December 2019

LIST OF PROPERTY DEVELOPMENT PROJECTS

Completed Projects

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Zhengzhou	Weiye Ru Guo Ai	Shang Cheng East Road, North, Shang Mao Road West, Zhengzhou City, Henan Province, the PRC	Henan Weiye Construction Development Group Co., Ltd	100	High-rise apartments and commercial centre	57,908	17,922	100%	December 2008
Zhengzhou	Weiye Tiandao Tianheshuian	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	High-rise apartments and small commercial centre	69,248	21,671	100%	December 2014
Zhengzhou	Weiye Tiandao International	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	Offices and retail shops	110,353	20,996	100%	December 2015
Wanning	Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	Apartment hotel and retail shops	32,054	49,454	100%	December 2011
Tunchang	Weiye Oxygen Cube B	East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC	Tunchang Yajing Property Co., Ltd.	100	Mid-rise apartments with street-level retail shops	16,997	12,977	100%	August 2012
Danzhou	Weiye West International Plaza	East of Lanyangbei Road, Northern District, Nada District, Danzhou, Hainan Province, the PRC	Hainan Zhongfang Investment Holdings Company Limited	100	High-rise apartments and small commercial centre	58,586	20,003	100%	December 2011
Tunchang	Weiye Oxygen Cube A	Zhong San Road South, Tun Cheng Zhen, Hainan Province, the PRC	Tunchang Hongji Weiye Property Development Co., Ltd.	100		112,010	54,811[i]	100%	December 2017
	Phase I			100	Mid-rise apartments with street-level retail shops	52,189			August 2012

ADDITIONAL INFORMATION

Year ended 31 December 2019

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
	Phase II			100	Mid-rise and high-rise apartments with street-level retail shops	43,497			May 2015
	Phase III			100	Mid-rise apartments	16,324			December 2017
Haikou	Weiye Yehai Shangcheng	West area of Haikou City, Hainan Province, the PRC	Weiye Holdings Hainan Real Estate Co., Ltd	100	High-rise apartments and commercial centre	73,531	23,711	100%	December 2018
Zhengzhou	Weiye Shangcheng Yihaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	195,119	55,353	100%	June 2017
	Weiye Shangcheng Erhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	80,363	23,060	100%	November 2018
Xinxiang	Weiye Central Park	Intersection between Xinxiang City Ping Yuan Road and No. 2 Street, Xinxiang City, Henan Province, the PRC	Xinxiang Weiye Property Co., Ltd.	100		621,585	178,886[ii]		October 2019
	Phase I			100	High-rise apartments with street-level retails shops	58,051		100%	September 2009
	Phase II			100	Mid-rise and high-rise apartments with street-level retails shops	187,226		100%	March 2014

ADDITIONAL INFORMATION

Year ended 31 December 2019

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
	Phase III			100	High-rise apartments with street-level retails shops	135,492		100%	September 2014
	Phase IV			100	High-rise apartments with street-level retails shops	127,015		100%	December 2016
	Phase V			100	High-rise apartments with street-level retails shops	113,801		100%	October 2019
Changsha	Chuangshiji Plaza	Tianxin District, Changsha City, Hunan Province, the PRC	Hunan Jingke Property Co., Ltd.	37.5	High-rise apartments with street-level retails shops	151,328	27,537	100%	December 2019

Properties Under Development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Huizhou	Weiye Meiyue Wan	Autou Huangyuyong, Huizhou City, Guangdong province, the PRC	Huizhoushi Dajinzhou Property Co., Ltd & Guangdong Leiding Property Co., Ltd	100	High-rise apartments and commercial centre	129,989	29,381	85%	September 2020
Huizhou	Weiye Lanting Wan	Autou Yaqian, Huizhou City, Guangdong province, the PRC	Huizhou Dayawan Pengrun Property Co., Ltd	100	High-rise apartments and commercial centre	56,644	11,000	70%	December 2020
Huzhou	Taihu Tiancui	Binhunan unit, Taihu Resort, Huzhou City, Zhejiang province, the PRC	Huzhou Ganghong Property Co., Ltd	40	High-rise apartments and villa	138,146	57,734	70%	October 2020

ADDITIONAL INFORMATION

Year ended 31 December 2019

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Zhengzhou	Weiye Shangcheng Sanhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road North, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Zhuolian Zhiye Co., Ltd	100	High-rise apartments	67,526	20,107	10%	September 2021
Fuzhou	Pangu – Fujian Tianjiao	Intersection between Binhai Xincheng Huwen Road and Jinbin Yi Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianjiao Corporation Management Co., Ltd	60	Data Industry Experimental Center	28,163	15,702	20%	January 2021
Fuzhou	Pangu – Fujian Tianzhi	Intersection between Binhai Xincheng Huwen Road and Jinbin Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianzhi Corporation Management Co., Ltd	60	Data Industry Experimental Center	31,387	17,437	20%	January 2021
Yangzhou	Yuediwan	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Hongrui Property Developmer Co., Ltd.	30	High-rise residential buildings and bungalow	183,818	69,788	45%	December 2020
Yangzhou	Yuejiangwan	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Honglin Zhiye Co., Ltd.	30	High-rise residential buildings and bungalow	172,358	66,358	45%	December 2020
Changsha	Chuangshiji Apartment	Tianxin District, Changsha City, Hun an Province, the PRC	Hunan Jingke Property Co., Ltd.	37.5	High-rise residential buildings and bungalow	53,909	8,827	8%	June 2021

ADDITIONAL INFORMATION

Year ended 31 December 2019

Properties Held for Future Development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Hangzhou	Yuhang Project	Yuhang Tangqi intelligent manufacturing center, the cultural belt of the Grand Canal, Linping City, Zhejiang Province, the PRC	Hangzhou Junwei Real Estate Co., Ltd	100	High-rise residential buildings	103,205	34,868	N/A	December 2022
Wanning	Weiye Costa Rhine Phase II	Puzhai Po West Road, Du Guan District, Chang Feng Zhen, Haiyu East Road, Wanning City, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	High-end residential	70,000	66,667	N/A	June 2021

(i) Represent the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.

(ii) Represent the aggregate site area of phases I, II, III, IV and V of Weiye Central Park.

List of investment properties

Projects Name	Location (Address)	Property Type	Gross Floor Area held for investment (sq.m)	% owned	Expiry date of land used rights
Weiye International Square	North of Shangdu Road, east of Xinyi Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC	Retail units and office units	12,591	100	9 October 2050
Weiye Ruguo Ai	No.50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC	Retail units	2,384	100	27 August 2074
Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Apartment units and retail units	8,345	100	31 December 2063
Weiye Rhine Coast	Fengjia Bay, Huiwen Town, Wenchang, Hainan Province, the PRC	Apartment hotel	15,824	100	8 September 2064