Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2019

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Haibin *(Chairman)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Non-executive Director

Mr. Zhang Jing

Independent Non-executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

AUDIT COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

REMUNERATION COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

NOMINATION COMMITTEE

Mr. He Haibin *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

59/F., Bank of China Tower, 1 Garden Road, Hong Kong

REGISTERED OFFICE

Clifton House
PO Box 1350
75 Fort Street
Grand Cayman
Cayman Islands

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8/F, Prince's Building, Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

LC Lawyers LLP
Suite 3106, 31/F One Taikoo Place
979 King's Road, Quarry Bay, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY'S WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Ms. Xie Mei
Mr. Fong Fuk Wai

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Revenue from continuing operations	2,071,903	1,584,694
Profit attributable to equity holders of the Company	266,961	798,702
Dividend payable to owners of the Company during the year		
Proposed final dividend after the end of the reporting period	8,380	144,285
Basic earnings per share (RMB)	0.04	0.77

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	2,681,489	3,222,953
Total assets	26,455,402	25,078,807
Total assets less current liabilities	19,236,335	14,510,942
Equity attributable to equity holders of the Company	9,346,075	9,466,242

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased, on behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), to present to all shareholders the operating results and annual report of the Group for the year ended 31 December 2019 (the "Period under Review"), and would like to express my sincere gratitude to all shareholders and all the staff.

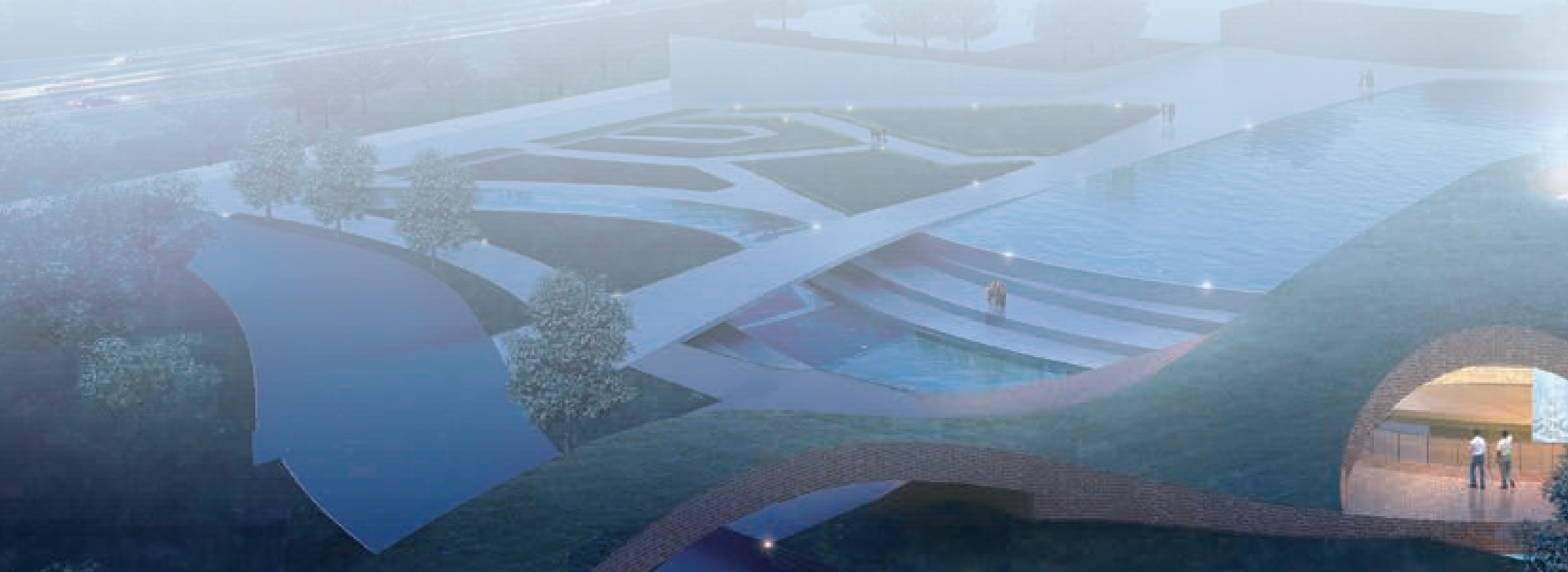
Chairman
He Haibin

BUSINESS REVIEW

In 2019, China's macro-economy remained steady and positive with strong momentum for continuous growth, while facing complicate internal environment and challenging and ever-changing external environment. With regard to external environment, the rising unilateralism and protectionism in the global economy has resulted in a surge in instability and uncertainty. During the year, although Sino-US economic and trade frictions showed signs of turnaround, Brexit was still hang in the air. The tension in Middle East has escalated, and renminbi exchange rate has become more volatile. With regard to internal environment, the compounding effects of inadequacy and imbalances posed by self-development have increased difficulties for China in maintaining growth and preventing risks. However, the quality of Chinese economy has improved steadily at the same time. With continuous growth in people's income, the role of consumption as the main driver of economic growth was further solidified. As China officially entered into the opening year of 5G commercial-use, the new drivers of economic growth is continuously maturing and growing. With the official launch of the Sci-tech Innovation Board and the Shanghai-London Stock Connect, China's capital market also continued the journey of exploration, development and reform.

During the Period under Review, due to steep challenges arising from internal and external environments, along with the Group's ongoing strategic transformation and other factors, our overall operating results experienced fluctuations. However, as the transformation progressed, the new businesses of the Group such as equity investment and fund as well as finance lease have shown positive development momentum. During the Period under Review, the Group realised revenue from the continuing operations of approximately RMB2.07 billion, and profit attributable to equity holders of the Company amounted to approximately RMB267 million.

2019 was the third year that the Group implemented the "strategic transformation". During the Period under Review, the Group attained interim achievements in each task, laying a solid foundation for the continuous growth in operating results and increase in profit elasticity in the future. In 2019, the Group continued to strengthen comprehensive development business with the two driving forces of asset and capital. Concentrating on the directions such as culture, tourism and new urbanisation, and through approaches such as independent investment and cooperation with outstanding companies, the Group successfully expanded high quality strategic projects such as the Hefei Chaohu Bantang Hot Spring Town Project and the Hefei Airport International Town Project (first phase), constantly deepening its layout in all aspects in key cities located in the Yangtze River Delta. Upholding its strategic development direction, the Group fully leveraged on the capital market and innovative financial instruments to move toward the goal of becoming an industry investment group, and succeeded in initiating the fund business. We jointly completed the establishment of the funds exceeding an aggregate amount of RMB1,560 million, including Xiamen OCT Runyu Investment Partnership (Limited Partnership), and participated in the investment of Guangzhou Yueke Talent Entrepreneurship Investment Partnership (Limited Partnership), thus strengthening its influence and voice within the industry. Following the withdrawal from New China Innovation Fund SPC, which invests in the equity of DJI Innovations, we further conducted profit-taking in projects including Tianli Education. Through constant exits from investment projects, the business model cycle of "fundraising, investment, management and exit" has been refined, so as to create a specialised investment Group. In 2019, the Group was awarded the award of the "Best Corporate Governance in Listed Companies" by the ninth China Securities Golden Bauhinia Awards, indicating that the corporate governance level of the Company has gained market recognition.



OUTLOOK FOR 2020

Looking ahead to 2020, the global economy still faces high level of uncertainty. While escalating economic and trade frictions will continue to slow down global economy, the economic impact brought by political conflicts will further lead to uncertainties. Under such circumstances, the international financial market saw growing fragility, and the policies imposed by major economies had much room for improvement, resulting in a more complicated and challenging external environment for China's economic development. The outbreak of the novel coronavirus epidemic in January 2020 has disrupted the pace of economic growth. As the epidemic gradually subsides in China, the "counter-cyclical adjustment" by the government is expected to be strengthened progressively with more effective and powerful monetary policies and fiscal policies. With regard to the investment and financing business in the capital market in 2020, the policies will continue to promote the reform of the capital market to make it more market-oriented and standardised, facilitate the interest rate reform of LPR, and lower the financing cost in the whole society. However, the market and policy environments faced by the investment and financing business remain uncertain. Since February 2020, the central bank has taken action on the open market to boost liquidity and reduce the MLF interest rate several times, which is just the beginning of the policy-side counter-cyclical regulation.

The wise take advantage of the trend and leverage the momentum. 2020 marks the year for the Group to develop on a large scale to move toward "strategic transformation" in an all-round manner. The Group will consolidate its strengths in the core businesses, establish remarkable investment capability, and strive to become a leading investment group with the core businesses of "culture, tourism, new urbanisation and industrial ecosphere investment" in China. The Group will take vigorous measures to minimise the adverse impacts of the "novel coronavirus epidemic", and fully leverage the comprehensive strengths of OCT in capital, resource, brand and management. With regard to investment and capital operation, the Group will focus on push forward the construction of Hefei Airport International Town Project. Meanwhile, through using various approaches on the market flexibly, we obtain high quality projects in culture, tourism, new urbanisation and industrial ecosphere, and actively develop the fund business to expand the size of funds under management and investment. We will firmly grasp the development opportunities in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, constantly enhance the Group's capability in investment and capital operation, and deepen the business synergy and resource complements with the investees. With regard to capital channels, we will take advantage of the environment of accommodative monetary policies as well as the greater demand for funds on the market. By attracting low-cost capital, we will be more open to deepen the cooperation in businesses such as industry fund and finance lease with social capital, so as to facilitate the large-scale development of the relevant businesses of the Group. The on-going trade friction between China and the United States and the "novel coronavirus epidemic" at the beginning of the year have resulted in profound changes in the internal and external environments, which have generated new growth drivers such as online office, online education, health consumption and healthcare tourism. A variety of new consumption activities, new products, new business forms and new models have emerged accordingly. The Group will take the initiative to break the old ideas and upgrade new ideas, actively seize the development opportunities emerging in the new era, actively explore innovative development models in fields such as pan-tourism, pan-health, pan-technology and new urbanisation, and make them the new driving forces for the transformation and upgrade of the Group. In addition, the Group will vigorously revitalise its existing assets, strengthen cash management and refine the management throughout the process of "fundraising, investment, management and exit" on a continuous basis, so as to enhance liquidity and investment efficiency. Meanwhile, we will improve our internal management to elevate the level of management, striving to achieve breakthroughs amidst fierce market competition.

I firmly believe that "Every cloud has a silver lining". The impact of the "epidemic" on China's economic growth is temporary, while consumption upgrade and new technology-driven economic growth with improved quality and efficiency as well as innovation and upgrade of business forms will continue, bringing new development opportunities for the capital market. By adhering to the principle of integrity and innovation, the Group will firmly seize the opportunities to build a leading industry investment group in domestic and overseas markets, and reward shareholders and the society with excellent results.

Chairman
He Haibin

Hong Kong, 27 April 2020

Group Photo of the Directors and the Senior Management

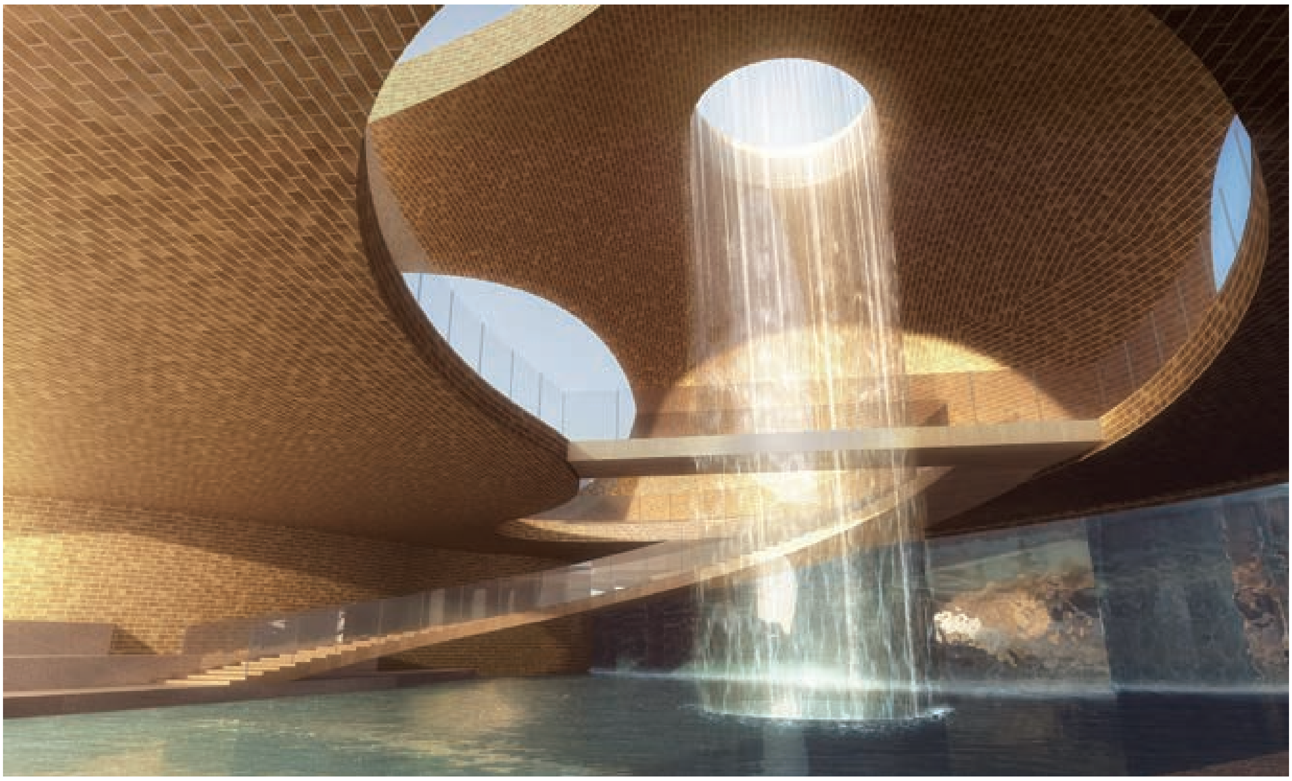
Executive Director and CEO
Xie Mei

Management Discussion and Analysis

OPERATING RESULTS AND BUSINESS REVIEW

Through comprehensive development, equity investment and fund management, the Group has developed remarkable investment capability to maximise shareholder value by widening capital channels, prudent screening of cases and broadening investment project reserves, and is striving to become a leading investment group in China specialising in "culture, tourism, new urbanisation and industrial ecosphere investment".

During the Current Period, the Group recorded a revenue of approximately RMB2.07 billion, representing an increase of 30.7% as compared to the same period of 2018, which was mainly due to the increase in saleable products of the comprehensive development business compared to that of last year. In addition, profit attributable to equity holders of the Company amounted to approximately RMB266.96 million, representing a decrease of approximately 66.6% as compared with the same period of 2018, which was mainly due to the decrease in share of profits of associates and joint ventures.



Management Discussion and Analysis

Comprehensive Development Business

In 2019, under the main principle of "houses are for inhabitation, not for speculation" and "one city, one policy", the central government continued to pursue the goal of "stabilising land and housing prices while managing market expectations", insisted on the principle that houses shall be used for residential purpose, and accelerated the establishment of the long-term mechanism. During the year, more control policies were introduced, and the control policy system was also rapidly established. With regard to funding, funding sources for real estate development and investment as well as for enterprises had been tightened, and the cost for bond issuance in overseas financing markets was also rising. With regard to land supply, during the year, the reform made to put construction land under collective operation on the market improved the current landscape of construction land supply. With regard to geographical location, the trend of differentiation between regions continued. As the strategy of the "implementation of policies according to local conditions" entered a critical transitional phase, the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta are generally considered to be favourable.

During the Current Period, the Group recorded a revenue from the comprehensive development business of approximately RMB2.05 billion, representing a year-on-year increase of approximately 30.5% as compared to the same period in 2018, and a segment profit attributable to equity holders of the Company amounted to approximately RMB107.69 million, representing a year-on-year decrease of approximately 77.5% as compared to the same period in 2018.

Management Discussion and Analysis

In 2019, the Group actively strengthened its presence in key cities across the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta. Through strategies including direct investment and cooperation with outstanding companies, the Group successfully acquired three comprehensive development projects during the year, namely the Hefei Chaohu Bantang Hot Spring Town Project, the Hefei Airport International Town Project and the Zhongshan Yuhong Project, and gained additional land reserves of approximately 1,200,000 sq.m. and an additional planned saleable gross floor area of approximately 1,270,000 sq.m. During the Current Period, the operation of each project of the Group is as follows:

Hefei Chaohu Bantang Hot Spring Town Project (owned as to 51% by the Company)

The land parcel of Hefei Chaohu Bantang Hot Spring Town Project newly acquired by the Group is situated in the northwest of the Intersection of Jinchao Avenue and Beiwaihuan Road and south of Juzhangshan Road in the Chaohu Economic Development Zone, Heifei, with a total site area of approximately 413,900 sq.m. and a total planned gross floor area of approximately 460,400 sq.m. The land parcel is planned to be developed into an international high quality hot spring destination with

waterparks, commercial blocks, hotels and ecological residential properties, etc. Situated at core tourism hotspots of Chaohu, the land parcel of the Hefei Chaohu Bantang Hot Spring Town Project is in close vicinity to the Chaohu Bantang Hot Spring Resort in Hefei City, the only national tourism resort in Anhui Province with rich recreational resources and well-established ancillary facilities in the neighborhood.

Hefei Airport International Town Project (owned as to 51% by the Company)

The phase I land parcel of Hefei Airport International Town Project newly acquired by the Group is situated at the core of the Hefei Airport Economic Demonstration Zone nearby Hefei Xinqiao Airport and Hefei Changxin Integrated Circuit Base (合肥長鑫集成電路基地). Hefei Airport Economic Demonstration Zone is a provincial project of Anhui that has formed a cluster of integrated circuit industries and attracted the best of domestic and international talents. The phase I land parcel of the project occupies a total site area of approximately 848,000 sq.m. with a planned gross floor area of approximately 1,255,000 sq.m. The Company plans to develop low-rise buildings, townhouses and high-rise buildings, commercial blocks, business offices, hotels, exhibition centres and ancillary buildings on the land parcel. The target is to create a new model for the integration of industry and city with "culture and creativity, technology innovation as well as new urbanisation" as the development vision.

Management Discussion and Analysis

Zhongshan Yuhong Project (owned as to 21% by the Company)

During the Current Period, the Group acquired 21% equity interest in Zhongshan Yuhong Real Estate Development Limited* (中山禹鴻房地產開發有限公司) ("Zhongshan Yuhong"). Situated at the Zhongshan Torch Development Zone* (中山市火炬開發區), the project occupies a total site area of approximately 90,500 sq.m. with a planned gloss floor area of approximately 271,500 sq.m., and is planned to be developed as high-rise residential properties and townhouses. The land parcel of the project occupies a superior geographical location with good ancillary facilities, and the area is positioned as an important innovation base for the technology industry in the Guangdong-Hong Kong-Macao Greater Bay Area. The development of Zhongshan Yuhong Project was divided into two phases, and phase I has commenced construction, targeting to be launched at the end of 2020.

Shanghai Suhewan Project (owned as to 50.5% by the Company)

The Shanghai Suhewan Project developed by Overseas Chinese Town (Shanghai) Land Company Limited* (華僑城(上海)置地有限公司) ("OCT Shanghai Land") is favourably situated at the junction of Suzhou River and Huangpu River banks and within the core district of the Inner Ring, Shanghai, adjoining the Bund and facing Lujiazui across the river, and possesses highly scarce landscape resources. Shanghai Suhewan Project comprises three parcels of land, namely 1 Jiefang, 41 Jiefang and 42 Jiefang with a total site area of approximately 71,000 sq.m., a gross floor area (above ground) of approximately 280,000 sq.m. and a total gross floor area of approximately 430,000 sq.m. The Shanghai Suhewan Project is an integration of arts and humanities, fashion business, high-end residence and urban entertainment. Products offered by the Shanghai Suhewan Project include waterfront multi-storey residential buildings, luxury residential properties, apartment-style offices, Bvlgari Hotel, boutique business premises and studios for artists, etc.

During the Current Period, the contracted sales area and amount of the Shanghai Suhewan Project were approximately 2,500 sq.m. and approximately RMB152 million, respectively, and the settled area and amount were approximately 3,787 sq.m. and approximately RMB310 million, respectively.

Chengdu OCT Project (owned as to 51% by the Company)

The Chengdu OCT Project developed by Chengdu Tianfu OCT Industry Development Company Limited* (成都天府華僑城實業發展有限公司) ("**Chengdu OCT**") is a large comprehensive development project located at both sides of Shaxi Line of Outer Sanhuan Road of Jinniu District in Chengdu City in Sichuan Province. The project comprises a premium residential community, urban entertainment and commercial complex and the Happy Valley theme park, occupying a total site area of approximately 1,827,000 sq.m. and a total gross floor area of approximately 2,250,000 sq.m.

During the Current Period, Chengdu OCT focused mainly on the sales of high-end low-density residential properties, high-end apartments and shops. The contracted sales area and amount reached approximately 89,400 sq.m. and approximately RMB1,594 million, respectively, while the settled area and amount were approximately 55,400 sq.m. and approximately RMB1,036 million, respectively. The current rentable area for commercial use is approximately 125,400 sq.m., of which approximately 96% has been leased. Chengdu Happy Valley has attracted approximately 3.27 million visitors during the year and achieved a revenue of approximately RMB261 million, representing a year-on-year growth of approximately 15%.

Management Discussion and Analysis

During the Current Period, "OCT•Sky Island" (華僑城•天嶼), the high-end low-density residential project of Chengdu OCT, was awarded the "Award of High-end Masterpiece of China (Chengdu) Property Market for 2019" (2019年成都樓市高端傑作大獎). "OCT•Cloud Shore" (華僑城•雲岸), a high-end apartment project, was awarded the "Award of Most Valuable Real Estate Project of China (Chengdu) for 2019" (2019中國成都樓市最具價值地產項目大獎) as well as "Award of New City Landmark" (城市新銳地標大獎).

OCT Chang'an Metropolis Project (owned as to 100% by the Company)

Located at the Bell Tower business district at the centre of Xi'an City, the OCT Chang'an Metropolis Project is a commercial landmark along Chang'an Road. The project occupies a total gross floor area of approximately 104,700 sq.m., comprising high-end office properties such as Building No. 2 and Building No. 3, as well as part of the car parking space. During the Current Period, the rent level of the project ranked at the forefront among office buildings in Xi'an City, with an overall letting rate of approximately 86%.

Chongqing OCT Land Project (owned as to 49% by the Company)

Chongqing OCT Land Project, developed by Chongqing OCT Real Estate Limited* (重慶華僑城置地有限公司) ("Chongqing OCT Land"), is located at Lijia Block, New North Zone, Chongqing City. The project occupies a superior geographical location and possesses rich landscape resources, overlooking the panorama of Jialing River with the Happy Valley theme park and large greenbelt in the neighborhood. The project occupies a total site area of approximately 180,000 sq.m. and a total gross floor area of approximately 440,000 sq.m. Its major components are mid-to-high end high-rise residential properties and multi-storey residential properties. During the Current Period, the contracted sales area and amount of Chongqing OCT Land Project reached approximately 45,100 sq.m. and approximately RMB491 million, respectively, while the settled area and amount were approximately 14,700 sq.m. and approximately RMB56 million, respectively.

Management Discussion and Analysis

Industrial Park Projects

During the Current Period, the Group had industrial park projects in regions including Suzhou in Jiangsu, Chuzhou in Anhui and Huizhou in Guangdong, offering a leasable area of approximately 147,000 sq.m. The parks were operated in good conditions with rental income for the year exceeding RMB19 million.

Equity Investment and Fund Business

In 2019, with fundraising growing increasingly difficult and a weak secondary market, the equity market experienced a significant drop in both investment activities and investment amounts. Against this backdrop, leading investment institutions had a significant advantage in acquiring projects, with technological innovation as the major driving force. The establishment of the Science and Technology Innovation Board during the year may also become a new way for exit. The private equity fund industry experienced steady growth overall, recording an increase in the total size of funds and registered private equity fund products as compared with last year. The number of private equity institutions that manage funds exceeding RMB10 billion further increased as compared with last year. These leading institutions have greater clout in several aspects including fundraising and investment. Meanwhile, state-owned enterprises have emerged as major players. At the same time, foreign-invested private equity funds have fastened expansion pace in China's market, and further expanded business scope.

During the Current Period, a segment profit attributable to equity holders of the Company amounted to approximately RMB150.71 million, representing a year-on-year increase of approximately 196.7% as compared to the same period in 2018.

In 2019, along with a steady improvement in equity investment capability and the gradual refinement of fund management framework, the Group made further strides in equity investment and fund business, and moved closer to the goal of becoming a specialised investment group. With regard to equity investment, on one hand, the Group continued to actively explore and attempt to organically integrate financial innovation with industry advantages through domestic and foreign investments, mergers and acquisitions, industry investment and other methods. On the other hand, the Group made a comprehensive and full assessment on its existing equity investment projects to choose the right timing for profit-exit from an equity project. With regard to fund management, the Group completed the investment and establishment of two funds during the year, thus increasing the size of funds under its management. During the Current Period, the total size of funds under management of and invested by the Group amounted to approximately RMB3.6 billion, representing an increase of approximately 77% as compared with that of last year.

Management Discussion and Analysis

During the Current Period, the Group completed the establishment and filing for the fund of Xiamen OCT Runyu Investment Partnership (Limited Partnership) (廈門華僑城潤禹投資合夥企業(有限合夥)). The fund will mainly invest in non-publicly traded enterprise equity interests of non-listed companies, in particular, the equity interests of urbanisation project companies in the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta Economic Zone and other regions. The total size of the fund amounted to RMB1.5 billion.

During the Current Period, the Group has invested in Guangzhou Yueke Talent Entrepreneurship Investment Partnership (Limited Partnership) (廣州粵科人才創業投資中心(有限合夥)). The fund has been established to help strengthen the Company's presence in strategic emerging industries such as artificial intelligence, information technology and cultural tourism technology, with a target fund size of RMB500 million.

Finance Lease Business

During the Current Period, the Group recorded a revenue of approximately RMB21.35 million from the finance lease business, representing a year-on-year increase of approximately 61.9% as compared to the same period in 2018, and a segment profit. Profit attributable to equity holders of the Company amounted to approximately RMB2.51 million, representing a year-on-year decrease of approximately 42.7%, as compared to the same period in 2018.

The Group's finance lease business primarily focused on the customer base consisting of large to mid-scale state-owned enterprises, high quality listed companies, etc. We exercised due care in the selection of cooperative targets, so as to improve our risk management. During the Current Period, the Group achieved excellent performance in cash collection for existing projects under the finance lease business, and advanced the expansion of new projects in a steady and orderly manner. As of the end of 2019, the total asset size of the Group's existing projects under the finance lease business amounted to approximately RMB520 million.

Management Discussion and Analysis

FINANCIAL REVIEW

As at 31 December 2019, the Group's total assets amounted to approximately RMB26.455 billion, representing an increase of approximately 5.5% over that as at 31 December 2018; the Group's total equity amounted to approximately RMB12.919 billion, which was approximately the same as that as at 31 December 2018.

For the year ended 31 December 2019, the Group realised revenue from the continuing operations of approximately RMB2.07 billion, representing an increase of approximately 30.7% compared to the same period of 2018, of which, revenue of the comprehensive development business was approximately RMB2.05 billion, representing an increase of approximately 30.5% compared to the same period of 2018, primarily due to the increase in saleable products of Chengdu OCT Project compared to that of last year; and revenue of the finance lease business amounted to approximately RMB21.35 million, representing an increase of approximately 61.9% compared to the same period of 2018, primarily due to the increase in the finance lease business commenced in 2018.

For the year ended 31 December 2019, the Group's gross profit margin from the continuing operations was approximately 37.0% (2018: approximately 35.2%), representing an increase of 1.8 percentage points compared to the same period of 2018, of which, the gross profit margin of the comprehensive development business was approximately 36.3%, representing an increase of 1.6 percentage points compared to the same period of 2018, mainly due to the focus on selling products with higher gross profit margin of Chengdu OCT Project in 2019; and the gross profit margin of the finance lease business was approximately 58.5%, representing a decrease of 22.5 percentage points compared to the same period of 2018, mainly due to an increase in interest expenses. The net profit margin of the comprehensive development business attributable to equity holders of the Company was approximately 5.3%, representing a decrease of 25.2 percentage points compared to the same period of 2018, mainly due to the decrease in profits from associates and joint ventures; and the net profit margin of the finance lease business was approximately 11.7%, representing a decrease of 21.5 percentage points compared to that of 2018, mainly due to the increase in professional consultant fees and the interest expenses generated from the Group's continuous expansion of finance lease business.

For the year ended 31 December 2019, profit attributable to equity holders of the Company was approximately RMB267 million, representing a decrease of approximately 66.6% compared to the same period of 2018, of which, profit attributable to the comprehensive development business was approximately RMB108 million, representing a decrease of approximately 77.5% compared to the same period of 2018, mainly due to the decrease in profits from associates and joint ventures; profit attributable to the finance lease business was approximately RMB2.51 million, representing a decrease of approximately 42.7% compared to the same period of 2018, mainly due to the increase in professional consultant fees; and profit attributable to the equity investment and fund business was approximately RMB151 million, representing an increase of approximately 196.7% over the same period of 2018, mainly due to the significant increase in investment return.

For the year ended 31 December 2019, the basic earnings per share attributable to shareholders of the Company was approximately RMB0.04, representing a decrease of approximately 94.8% over the same period of 2018 (2018: approximately RMB0.77). Gross profit recorded an increase of RMB207 million. The profit from continuing operations for the year still recorded a decrease of RMB609 million, mainly due to the decrease in other net gains and the share of profits of associates and joint ventures, and the increase in the expense from business expansion.

Management Discussion and Analysis

The Group's other net gains for 2019 recorded a decrease of approximately RMB143 million over the same period of last year, primarily due to the decrease of the one-off net gains on disposal of investment during the previous year and the decrease of exchange gains for the Current Period over that of last year.

The investment return from associates for the Current Period recorded a decrease of approximately RMB113 million compared to that of last year, mainly due to the one-off gains from Yuzhou bargain purchase of approximately RMB156 million was included in the share of profits less losses of associates in 2018.

The investment return from joint ventures for the Current Period recorded a decrease of approximately RMB237 million compared to that of last year, which was due to the fact that Chengdu Baoxin Quansheng Real Estate Development Company Limited, our joint venture, has recognised over 90% of its sales amount from Chengdu Baoxin Quansheng Project in 2018, resulting in an investment return of approximately RMB229 million in 2018.

Distribution Costs and Administrative Expenses

The Group's distribution costs from the continuing operations for the year ended 31 December 2019 were approximately RMB103 million (2018: approximately RMB125 million), of which, distribution costs of the comprehensive development business were approximately RMB103 million, representing a decrease of approximately 17.6% compared to the same period of 2018, which was mainly due to the decrease in advertising expenses for projects with good locations during the Current Period.

The Group's administrative expenses from the continuing operations for the year ended 31 December 2019 were approximately RMB403 million (2018: approximately RMB334 million), representing an increase of approximately 20.7% as compared to the same period of 2018, of which, administrative expenses of the comprehensive development business were approximately RMB289 million (2018: approximately RMB257 million), representing an increase of approximately 12.6% as compared to the same period of 2018, which was mainly due to the increase in labour costs; administrative expenses from the finance lease business were approximately RMB4.84 million (2018: approximately RMB2.43 million), representing an increase of approximately 99.2% as compared to the same period of 2018, which was mainly due to the increase in professional consultant fees generated from the business scale expansion of the finance lease business; and administrative expenses of the equity investment and fund business were approximately RMB9.59 million (2018: approximately RMB15.52 million), representing a decrease of approximately 38.2% as compared to the same period of 2018, which was mainly due to the decrease of agent fees generated in the year as a result of smooth proceed of the equity investment and fund business of the major expansion business of last year.

Management Discussion and Analysis

Interest Expenses

The Group's interest expenses from the continuing operations for the year ended 31 December 2019 were approximately RMB269 million (2018: approximately RMB175 million), representing an increase of approximately 53.7% as compared to the same period of 2018, of which, interest expenses of the comprehensive development business were approximately RMB164 million (2018: approximately RMB82.42 million), representing an increase of approximately 99% as compared to the same period of 2018, mainly due to the increase in the weighted average amount of loans; interest expenses of the finance lease business were approximately RMB8.46 million (2018: approximately RMB2.43 million), representing an increase of approximately 248.1% as compared to the same period of 2018, mainly due to the increase in the weighted average amount of loans; and interest expenses of the equity investment and fund business were approximately RMB60.20 million (2018: approximately RMB90.13 million), representing a decrease of approximately 33.2% as compared to the same period of 2018, mainly due to the decrease in the amount of loans.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2019 was approximately RMB12.919 billion (31 December 2018: approximately RMB12.906 billion); current assets were approximately RMB9.564 billion (31 December 2018: approximately RMB11.566 billion); current liabilities were approximately RMB7.219 billion (31 December 2018: approximately RMB10.568 billion). The current ratio was approximately 1.32 as at 31 December 2019, representing an increase of 0.23 as compared to that as at 31 December 2018 (31 December 2018: approximately 1.09), mainly due to the Group's refinancing of short-term liabilities to long-term liabilities during the Current Period. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2019, the Group had outstanding bank and other loans of approximately RMB8.116 billion, without any fixed-rate loans (31 December 2018: outstanding bank and other loans of approximately RMB6.391 billion, without any fixed-rate loans). As at 31 December 2019, the interest rates of bank and other loans of the Group ranged from 3.37% to 4.99% per annum (31 December 2018: ranged from 3.14% to 6.38% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 34.3% as at 31 December 2019, representing an increase of 0.7 percentage point as compared with approximately 33.6% as at 31 December 2018, mainly due to the increase in the amount of loans as at the end of the period.

As at 31 December 2019, approximately 61.9% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB5.021 billion was in Hong Kong Dollars (31 December 2018: approximately 88.9%); and approximately 38.1% of which amounting to approximately RMB3.095 billion was in Renminbi (31 December 2018: approximately 11.1%). As at 31 December 2019, approximately 58.5% of the total amount of cash and cash equivalents of the Group was denominated in United States Dollars (31 December 2018: approximately 67.6%), approximately 32.9% of which was denominated in Renminbi (31 December 2018: approximately 30.3%) and approximately 8.6% of which was denominated in Hong Kong Dollars (31 December 2018: approximately 2.1%).

Management Discussion and Analysis

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the year ended 31 December 2019, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the year ended 31 December 2019, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate, the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance if the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the properties and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. Therefore, no liabilities are recognised in respect of these guarantees.

As at 31 December 2019, guarantees given by financial institutions for mortgages facilities granted to buyers of the Group's properties amounted to approximately RMB322 million in total (31 December 2018: approximately RMB824 million).

OUTLOOK

Comprehensive Development Business

In 2020, under the premise of maintaining the stable operation of the real estate market, the main principle of "houses are for inhabitation, not for speculation" will remain unchanged. With the ongoing progress of urbanisation, there will be constant demand for improved living conditions, which will provide stronger support to the market scale. It is expected that demand in the real estate market of China will remain relatively high. However, due to the great differences between each city and region, the differentiation of urban policies in different cities under the control policy of "implementation of policies according to local conditions" will be deepened. At the same time, the five mega city clusters will become China's most promising regions with the most development potential in the future, especially core city clusters in China, namely the Beijing-Tianjin-Hebei Area, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, which are likely to develop into world-class city clusters with global influence.

Management Discussion and Analysis

In 2020, the Group will firmly grasp the development opportunities in the Yangtze River Delta Area and the Guangdong-Hong Kong-Macao Greater Bay Area and further its efforts in the comprehensive development projects that focus on new urbanisation, cultural tourism, hot spring and healthcare. We will actively pay attention to and search for diversified investment opportunities, strengthen strategic synergy and business cooperation with invested enterprises. Through various ways such as acquisition, cooperation and equity investment, we will acquire high-quality lands at low cost to increase resource reserve for the projects. On the other hand, we will accelerate the sell-through of existing projects, increase liquidity and revitalise existing resources through various measures, so as to catalyse the reform and upgrade of the comprehensive development business.

In 2020, the planned comprehensive development projects of the Group are as follows: the first batch of residential products of Hefei Chaohu Bantang Hot Spring Town Project, which occupies 101,000 sq.m., is expected to be launched in the middle of 2020, while the construction of water parks, hotels and certain commercial projects is expected to commence in the second half of 2020. The planning of Hefei Airport International Town Project has been completed and is expected to commence construction in the first half of 2020, and commence project sale in 2021. The Group does not rule out the possibility to continuously bid for the land use rights for Phase II of the project during the year. Phase I of high-rise residential properties of Zhongshan Yuhong Project is expected to commence sale at the end of 2020, with a total saleable area of approximately 257,000 sq.m., while the construction of Phase II of the high-rise residential properties is expected to commence in the first half of 2020. The Group will step up its selling efforts for products under Shanghai Suhewan Project and Chongqing OCT Land Project.

The transformation and upgrade of industrial properties and the construction of industrial parks are to witness promising prospects as local governments introduced policies in relation to the separate sales of title of industrial properties. By combining location advantages and integrating surrounding resources, the Group will actively research on innovative development models for existing industrial lands, and continue to push forward industrial park operation and new project construction in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta region. Following the completion of the OCT Changshu Industrial Park Project in 2020, the leasable area will be increased by approximately 38,700 sq.m., and is scheduled to be leased to the public in the second quarter of 2020.

Equity Investment and Fund Business

Looking ahead to 2020, government-guided funds will strengthen its efforts on deployment in equity investment, while investment institutions will head toward the new market norm of differentiated competition. With regard to funds, it is expected that in 2020, leading private equity fund managers will continuously gain size in funds under management and enjoy resource advantages, while large foreign investment institutions are more poised to register and incorporate private equity firms in China. Along with the continuous development of domestic private equity funds as well as the rising professional level of investors, private equity product lines will also be continuously enriched, gradually moving closer to a mature financial market. The transition of the approval system to the registration system will also provide more exit channels for fund projects.

Management Discussion and Analysis

Being Overseas Chinese Town Group Company Limited ("OCT Group")'s only offshore listed company and leveraging on its parent company's leading position in the culture and tourism industry, the Group's equity investment and fund businesses will be able to gain a strong foothold in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, with a primary focus on industries including culture, tourism, technology, education, consumption, healthcare and new urbanisation, etc. The Group will fully leverage on its strengths in industry investment and merger and acquisition, tap the growth potential of relevant industries from an industry perspective, increase project resource reserves, explore channels to create synergy, enhance post-investment management efficiency, and facilitate the rapid development of the invested enterprises. With regard to the raising and utilisation of funds, we will conduct fundraising with high efficiency through various financing methods, and increase the profitability of projects by utilising the lower capital costs. With the management throughout the process of "fundraising, investment, management and exit" being refined, liquidity will be improved, and resource allocation will be optimised. With regard to equity investment, we will primarily focus on high quality companies which possess the potential to become leaders in specific segments, as well as enterprises with unique characteristics and certain market entry barriers in specific segments. We will actively explore equity investment opportunities through the prudent selection of high-quality projects. With regard to fund management, through extensive cooperation with leading fund investment institutions and unleashing their respective professional strengths, the Group pays extra attention to high quality potential targets in their initial establishment and growing stage, fully leverages on social capital and gradually expands the size of funds under management step by step.

Finance Lease Business

In 2020, the Group's finance lease business will keep up with macro-environment changes and CBIRC's regulatory trends with proactive expansion and tight risk control. We will conduct finance lease business in sectors such as theme parks and the manufacturing industry, and step up efforts to push forward the expansion of our business in order to constantly increase operating income.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had approximately 1,352 full-time employees. The basic salaries of the employees of the Group are determined with reference to the industrial benchmark, the employees' experience and their performance, and equal opportunities will be offered to all the staff. Salaries of our employees are maintained at a competitive level and reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group provides discretionary bonuses based on the Group's operating results and the individual performance of the staff.

Management Discussion and Analysis

During the Current Period, the Group did not experience any significant problem with its employees or disruption to its operations due to labour disputes nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most of the members of the senior management have been working for the Group for many years.

IMPORTANT EVENTS

Acquisition of 21% Equity Interest and Debt Interest in Zhongshan Yuhong

On 26 March 2019, Shenzhen Huajing Investment Limited* (深圳市華京投資有限公司) ("Shenzhen Huajing"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Zhuhai Yiyun Real Estate Limited* (珠海依雲房地產有限公司) ("Zhuhai Yiyun"), Xiamen Yuzhou Grand Future Real Estate Development Company Limited* (廈門禹洲鴻圖地產開發有限公司) ("Xiamen Yuzhou") and Zhongshan Yuhong, to acquire 21% equity interest and debt interest in Zhongshan Yuhong at a consideration of approximately RMB1.26 million and approximately RMB332 million, respectively. For further details, please refer to the announcement dated 26 March 2019 and the circular dated 24 April 2019 of the Company.

Entering into the Finance Lease and Factoring Framework Agreements

On 7 May 2019, OCT Financial Leasing Co., Ltd.* (華僑城融資租賃有限公司) ("OCT Financial Leasing"), a direct wholly-owned subsidiary of the Company, entered into finance lease and factoring framework agreements (the "Finance Lease and Factoring Framework Agreements") with OCT Group and OCT Ltd., respectively, agreeing to provide finance lease and factoring services to OCT Group and OCT Ltd., respectively. For further details, please refer to the announcement dated 7 May 2019 and the circular dated 23 May 2019 of the Company.

Acquisition of the Land Use Rights in Chaohu, Hefei, Anhui Province

On 15 May 2019, Shenzhen OCT Gangya Holdings Development Co., Ltd.* (深圳華僑城港亞控股發展有限公司) ("OCT Gangya"), an indirect wholly-owned subsidiary of the Company, and Hefei Guojia Industry Capital Management Co., Ltd.* (合肥國嘉產業資本管理有限公司) ("Hefei Guojia") jointly bid for and won the land use rights of a land in Chaohu, Hefei, Anhui Province (the "Land") at the price of approximately RMB1.13 billion. The Land has a total site area of approximately 414,000 sq.m. On 3 June 2019, OCT Gangya and Hefei Guojia entered into a joint venture agreement, agreeing to establish a project company to jointly develop the Land. For further details, please refer to the announcements dated 15 May 2019 and 3 June 2019 and the circular dated 24 June 2019 of the Company.

Establishment of Xiamen OCT Runyu Investment Partnership (Limited Partnership)

On 7 November 2019, Shenzhen Huajing and Shenzhen OCT Huaxin Equity Investment Management Limited* (深圳華僑城華鑫股權投資有限公司) ("OCT Huaxin"), indirect wholly-owned subsidiaries of the Company, entered into a limited partnership agreement with Shenzhen Qianhai Yuzhou Fund Management Co., Ltd.* (深圳前海禹舟基金管理有限公司) ("Yuzhou Fund Management") and Xiamen Zhongmao Yitong Commerce Co., Ltd.* (廈門中茂益通商貿有限公司) ("Xiamen Zhongmao") for the establishment of a limited partnership for investment purpose. The capital contribution subscribed for by the partners to the partnership is RMB1,500 million. For further details, please refer to the announcement dated 7 November 2019 and the circular dated 24 December 2019 of the Company.

Management Discussion and Analysis

Formation of Guangzhou Yueke Talent Entrepreneurship Investment Partnership (Limited Partnership)

On 25 November 2019, Shenzhen Huayou Investment Co., Ltd.* (深圳市華友投資有限公司) ("Shenzhen Huayou"), an indirect wholly-owned subsidiary of the Company, entered into a limited partnership agreement (the "Limited Partnership Agreement") with four corporate partners to form Guangzhou Yueke Talent Entrepreneurship Investment Partnership (Limited Partnership) with a total capital contribution of RMB375 million upon formation of the fund. For further details, please refer to the announcement of the Company dated 25 November 2019.

Acquisition of Land Use Rights in Hefei Airport International Town

On 13 December 2019, Hefei OCT Industry Development Co., Ltd.* (合肥華僑城實業發展有限公司) ("Hefei OCT Industry"), a non-wholly owned subsidiary of the Company, obtained the land use rights of the five parcels of land situated at the first phase of Hefei Airport International Town ("the Land") at a consideration of approximately RMB2,640 million. The total site area of the Land is approximately 1,042 mu. On 27 December 2019, Hefei OCT Industry entered into Land Use Rights Grant Contracts with Hefei Natural Resources and Planning Bureau for the acquisition of the Land. For further details, please refer to the announcement dated 13 December 2019 and the circular dated 22 January 2020 of the Company.

Disposal of Listed Securities in Tianli Education

From 7 November 2019 to 20 December 2019, City Legend International Limited* (華昌國際有限公司) ("City Legend"), a wholly-owned subsidiary of the Company, disposed of an aggregate of 57,334,000 shares ("Tianli Shares") of Tianli Education International Holdings Limited ("Tianli Education") in a series of transactions on the market and through block trade. For further details, please refer to the announcement of the Company dated 20 December 2019.

SUBSEQUENT EVENT(S)

Disposal of Listed Securities in Tianli Education

On 3 January 2020, City Legend, disposed of an aggregate of 42,666,000 Tianli Education Shares in a series of transactions on the market and through block trade. After a further decrease in shareholding, the Group ceased to hold any Tianli Shares. For further details, please refer to the announcement of the Company dated 3 January 2020.

Establishment of Dongguan City OCT Lüwen Technology Investment Partnership (Limited Partnership)

On 6 March 2020, OCT Huaxin and Shenzhen Huayou, indirect wholly-owned subsidiaries of the Company, entered into a limited partnership agreement with Dongguan City Industrial Investment Parent Fund Co., Ltd.* (東莞市產業投資母基金有限公司) ("Dongguan Industrial Investment"), Guangdong Province Yueke Songshan Lake Innovation Venture Capital Parent Fund Co., Ltd.* (廣東省粵科松山湖創新創業投資母基金有限公司) ("Songshan Lake Venture Capital") and Dongguan City Multiplier Program Industrial M&A Parent Fund Partnership* (東莞市倍增計劃產業併購母基金合夥企業) ("Dongguan Industrial M&A") for the establishment of a limited partnership for investment purpose. The total capital contribution subscribed for by all the partners to the partnership is RMB300 million. For further details, please refer to the announcement of the Company dated 6 March 2020.

Management Discussion and Analysis

Proactive Response to Deal with the Novel Coronavirus Epidemic

In 2020, the outbreak and rapid spreading of the Coronavirus Disease 2019 ("COVID-19") in China at the beginning of the year has caused a relatively large impact on China's economy in a short period of time, and the PRC government has responded to the epidemic through various measures, such as strengthening quarantine control, reducing mass gatherings and delaying the time for resumption of work.

In face of the impact of the epidemic, the Group has actively taken a variety of measures including steadily promoting the safe resumption of work and production, speeding up the progress of the project and strengthening the control of cash flow, in order to minimise the impact of the epidemic on our businesses. The construction, offline sales and daily production and operation activities of the Group have been carried out in a steady and orderly manner by the middle of March. And the Group is striving to keep the property sales plan for the year basically unchanged.

The Board and the management of the Group will continue to monitor the development of the epidemic, actively respond during the daily operation of the Company, endeavor to minimise the adverse impact of the epidemic on the Company, and strive to turn crisis into opportunity during times of market volatility and correction. By reasonably assessing the situation, we will seize opportunities from high-quality investment and market recovery following the end of the epidemic, so as to safeguard the interests of the Company and its shareholders.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investment held which was classified as equity securities designated at FVOCI:

Name of investment	Number of shares held by the Group as at 31 December 2019	Approximate percentage of shareholding as at 31 December 2019	Net gain for the year ended 31 December 2019	Dividend received for the year ended 31 December 2019	Investment cost	Fair value as at 31 December 2019	Size of the investment to the value of the total assets of the Group as at 31 December 2019
		%	RMB'000	RMB'000	RMB'000	RMB'000	%
Equity securities designated at FVOCI							
Listed shares Tongcheng-Elong Holdings Limited (stock code: 0780) ("Tongcheng-Elong") (note 1)	106,079,480	4.9878%	166,598 (note 2)	–	1,176,471	1,328,434	5.02%

Notes:

1. Tongcheng-Elong and its subsidiaries engage in provision of travel products and services in the China's online travel industry. Their products and services include accommodation reservation, transportation ticketing, attractions ticketing and various ancillary value-added products and services.

2. The net movement is recognised in other comprehensive income.

Going forward, the Company will actively explore equity investment opportunities through the prudent selection of high-quality projects that is in line with its corporate development strategy specialising in culture, tourism, new urbanisation and industrial ecosphere investment. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate buffer to meet the challenges ahead.

Directors and Senior Management

DIRECTOR

Executive Directors

Mr. He Haibin, aged 45, being the chairman of the Board and a Senior Accountant* (高級會計師) of the Company, joined the Group in 2017. Mr. He also serves as the chief accountant and secretary for the board of OCT Group (the controlling shareholder of Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司) ("OCT Ltd.") (the beneficial owner of all the issued share capital in Overseas Chinese Town (HK) Company Limited ("OCT (HK)") and listed on the Shenzhen Stock Exchange)) and the chairman of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group). Mr. He also serves as a director of Konka Group Company Limited ("Konka Group") (listed on the Shenzhen Stock Exchange) and a non-executive director of China Everbright Bank Co., Ltd., which is listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. He joined OCT Group in 1996, and has acted as the non-executive Director of the Company from 2010 to 2013. Mr. He had also acted as the vice chief financial officer of OCT Group, the chairman of OCT (HK) (the beneficial owner of all the issued share capital in Pacific Climax Limited, which is the controlling shareholder of the Company), and a director of each of Yunnan World Expo Tourism Holding Group Company Limited* (雲南世博旅遊控股集團有限公司) and Shenzhen Guangming Group Co., Ltd.* (深圳市光明集團有限公司) (non-wholly owned subsidiaries of OCT Group). Save as aforesaid, Mr. He has also held senior positions in the other subsidiaries of OCT Group. Mr. He majored in auditing and graduated from Sun Yat-Sen University (中山大學) in 1996 with a bachelor's degree in management. He also obtained a master's degree in management from Chinese Academy of Fiscal Sciences (中國財政部財政研究所) in 2002. Mr. He currently also serves as the chairman of the Nomination Committee (the "Nomination Committee") of the Company.

Ms. Xie Mei, aged 52, being an executive Director and the chief executive officer of the Company, joined the Group in 2004. She also holds directorships in various subsidiaries of the Company, including Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land"), Chengdu Tianfu OCT Industry Development Company Limited and Hefei OCT Industrial Development Co., Ltd.* (合肥華僑城實業發展有限公司). Ms. Xie is also the president assistant of OCT Ltd., the director and general manager of OCT (HK), and the deputy general manager of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group), whilst acting as a non-executive director of each of Yuzhou Properties Company Limited (stock code: 1628.HK) and E-House (China) Enterprise Holdings Limited (stock code: 2048.HK). Ms. Xie joined OCT Group in 1994 and she had been a deputy director and director of the strategic development department of OCT Group. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master's degree in Economics from the Renmin University of China in 1999.

Directors and Senior Management

Mr. Lin Kaihua, aged 53, is the executive Director and the vice president of the Company. Mr. Lin holds directorships in various subsidiaries of the Company including Xi'an OCT Land Co., Ltd., and he is also the chairman of Beijing Guangying Real Estate Development Co., Ltd (北京廣盈房地產開發有限公司), an associate of the Company. He is also the deputy general manager of OCT (HK) and a non-executive director of Minsheng Education Group Company Limited (listed on the Main Board of the Stock Exchange, stock code: 1569.HK). Since joining OCT Group in 1992, Mr. Lin had held a number of positions including the deputy general manager and the chief financial officer of OCT Shanghai Land (a non-wholly owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) (a wholly-owned subsidiary of OCT Ltd.), chief financial officer of OCT Ltd. and Shenzhen Bay Hotel (now known as "InterContinental Shenzhen"). Mr. Lin holds a bachelor's degree and a master's degree in accounting, and has obtained Certified Public Accountant and Senior Accountant title.

Non-executive Director

Mr. Zhang Jing, aged 37, being a non-executive director of the Company, joined the Group in 2017. Mr. Zhang currently serves as the executive deputy general manager of OCT Western Investment Company Limited* (華僑城西部投資有限公司) (a wholly-owned subsidiary of OCT Group) and the western division of Shenzhen Overseas Chinese Town Company Limited. He also serves as the chairman of Overseas Chinese Town (Xi'an) Industry Company Limited (西安華僑城實業有限公司) (a non-wholly owned subsidiary of OCT Ltd.) and Xi'an Qujiang OCT Investment Development Limited* (西安曲江華僑城投資發展有限公司) (a non-wholly owned subsidiary of OCT Ltd.), and the general manager of Xi'an OCT Land Co., Ltd. (a wholly-owned subsidiary of the Company), OCT (Xi'an) Development Limited* (華僑城(西安)發展有限公司) (a non-wholly owned subsidiary of OCT Ltd.). Mr. Zhang also serves as a director of Konka Group and OCT (Yunnan) Investment Co., Ltd. (華僑城(雲南)投資有限公司). Mr. Zhang joined OCT Group since 2004, and had worked in Shenzhen Overseas Chinese Town Real Estate Company Limited (深圳華僑城房地產有限公司) ("OCT Real Estate", a wholly-owned subsidiary of OCT Ltd.), OCT Group and OCT Ltd. consecutively. Mr. Zhang graduated from Xian Jiaotong University (西安交通大學) in 2004 with bachelor's degrees in engineering management and journalism. He also obtained a master's degree in business administration from Shanghai Jiaotong University (上海交通大學) in 2011 and possessed the economist qualification. Mr. Zhang is a member of the audit committee ("Audit Committee") and the remuneration committee ("Remuneration Committee") of the Company.

Independent Non-executive Directors

Ms. Wong Wai Ling, aged 58, joined the Group in 2007. Ms. Wong holds a bachelor's degree of arts from the University of Hong Kong and a post-graduate diploma in accounting and finance from the London School of Economics and Political Science. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has more than twenty years of extensive experience in accounting, tax, auditing and business. Ms. Wong had worked in various international and local audit firms for more than seven years until she began to be in private practice as a Certified Public Accountant since 1993. In addition to the Company, Ms. Wong is also an independent non-executive director and chairman of the audit committee of AVIC International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 0161.HK). Ms. Wong is also an independent non-executive director and chairman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 3608.HK). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (衍生集團(國際)控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 6893.HK). Ms. Wong previously served as an independent non-executive director and chairman of the audit committee of China Ruifeng Renewable Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0527.HK), an independent non-executive director of Glory Flame Holdings Limited (a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, stock code: 8059.HK) and an executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8326.HK). Ms. Wong is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Directors and Senior Management

Professor Lam Sing Kwong Simon, aged 61, joined the Group in 2009. He is currently serving as a professor in management and business strategy at the faculty of Business and Economics of the University of Hong Kong, the Ian Davies Professorship in Ethics, as well as the director of the Research Centre of Asian Entrepreneurship and Business Values of the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management, and has published a number of academic papers and case analysis on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam is also the independent non-executive director of Kwan On Holdings Limited (listed on the Main Board of the Stock Exchange, stock code: 1559.HK), and Sinomax Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1418.HK). Professor Lam is also the non-executive director of Jacobson Pharma Corporation Limited (listed on the Main Board of the Stock Exchange, stock code: 2633.HK). Professor Lam is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chu Wing Yiu, aged 62, joined the Group in 2019. Mr. Chu is a fellow member of the Chartered Insurance Institute of the United Kingdom and has been designated as a fellow, Life Management Institute of the Life Office Management Association. Since 1 April 2020, Mr. Chu has become the independent non-executive director of Zurich Life Insurance (Hong Kong) Limited, and he is currently the independent director and chairman of the risk committee of SCOR Reinsurance Co. (Asia) Limited (法國再保險(亞洲)有限公司). Mr. Chu entered the insurance industry in Hong Kong in 1981, and is equipped with rich management experience. In the past, he acted as the director and chief executive officer of BOCI – Prudential Trustee Limited (中銀國際英國保誠信託有限公司) and the director of BOC Group Trustee Company Limited (中銀集團信託人有限公司). He also served as a director and head of Employee Benefits of the Employee Benefits Division of HSBC Insurance (Asia) Limited, as well as a director of the Bank of China Group Insurance Company Limited (中銀集團保險有限公司). Within the insurance industry, Mr. Chu is also currently a panel member of the Insurance Appeals Tribunal and the vice chairman of the Insurance Industry Training Advisory Committee, a member of the Independent Police Complaints Council, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption and a member of the insurance subsector of the Election Committee for the election of Chief Executive of the Hong Kong Special Administrative Region.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Xie Mei, aged 52, the Chief Executive Officer of the Company. Her biographical detail is set out on page 26 of this annual report.

Mr. Lin Kaihua, aged 53, the vice president of the Company. His biographical detail is set out on page 27 of this annual report.

Mr. Chen Hongjiang, aged 38, is the vice president of the Company. He currently also serves as the deputy general manager of OCT (HK), and a director of Jinan OCT Industry Development Company Limited (濟南華僑城實業有限公司), OCT (HK), and a director of Hefei OCT Huanchao Culture & Tourism Development Company Limited* (合肥華僑城環巢文旅置業發展有限公司), a non-wholly owned subsidiary of the Company. Mr. Chen joined OCT Group in 2004, and had acted as the deputy general manager of the strategic development department of OCT Group, the vice supervisor of the investment management department of OCT Ltd., and the deputy general manager of Xi'an OCT Land. Mr. Chen graduated from Harbin Institute of Technology in 2004 with a bachelor's degree in economics. He obtained a master's degree in business administration from Nankai University in 2011.

Mr. Zhang Xiaojun, aged 49, is the vice president of the Company and also holds directorships in various subsidiaries of the Company. Mr. Zhang joined OCT Group in 1993. Mr. Zhang served as the general manager of Shenzhen OCT Gangya Holdings Development Co., Ltd. (深圳華僑城港亞控股發展有限公司) (formerly known as "Shenzhen Huali Packing & Trading Co., Ltd. (深圳華力包裝貿易有限公司)") and the vice president of the Company since 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) and obtained his bachelor's degree in engineering.

Mr. Fong Fuk Wai, aged 56, is the chief financial officer, company secretary and qualified accountant of the Company. He also serves as a director of Huali Holdings Company Limited, a wholly-owned subsidiary of the Company. Mr. Fong joined the Group in 2005. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained a bachelor's degree in Accountancy in 1994, and subsequently obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Qi Jianrong, aged 48, is the vice president of the Company, an accountant and an economist. Ms. Qi also holds directorships in various subsidiaries of the Company. Ms. Qi joined OCT Group in 1994, and had served as manager of financial development department and finance department, accounting manager of the finance department and the assistant to the chief financial officer of InterContinental Shenzhen, manager of financial operation department and chief accountant of the Venice Hotel Shenzhen and the supervisor of the finance department of OCT (HK). Ms. Qi also served as the vice financial officer of Seaview Hotel (海景酒店) and vice president, chief financial officer and the secretary to the board of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance of Jinan University in 1994, where she obtained her bachelor's degree in economics.

Ms. Cheng Mei, aged 47, is the vice president of the Company. Ms. Cheng joined the Company in 2005, and had served as a vice supervisor and a supervisor of the Board of Director office of the Company. Prior to joining the Group, Ms. Cheng had successively worked for a tourism group and OCT (HK). Ms. Cheng graduated from Beijing International Studies University and obtained her bachelor's degree of Arts in 1995.

Corporate Governance Report

The Company believes that high standard corporate governance and highly efficient management team are very important in enhancing the investors' confidence and safeguarding the return to the shareholders, and can also increase long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance, focusing on good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information of the Company to safeguard the shareholders' interest and to increase long term share value.

During the year ended 31 December 2019, the Company had complied with the applicable provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, with the exception of the deviation from code provision A.6.7, details of which are set out in the paragraph headed "The Attendance of Directors and Committee Members" in this section. Details are summarized as below.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

The Board is responsible for the leadership and governance of the Company. The Board ultimately assumes responsibility for the Company's business, financial performance and preparation of financial statements. The Board formulates strategies, policies and business plans of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in line with the interest of the shareholders and the Company as a whole, and delegate's powers and responsibilities to the management led by the chief executive officer of the Company to carry out the daily management and operation of the Group. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the Directors to carry out their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in provision D.3.1 of the Code. As of the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the disclosure requirements set out in the Code.

Composition of the Board

The Board currently comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors is more than one-third of the members of the Board. Independent non-executive Directors are experienced professionals with profound expertise and experience in various fields including accounting, financial or economic management aspects. The Board considers that all the independent non-executive Directors are independent in their judgment. They ensure that the Board has attained the strict standards in financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. He Haibin *(Chairman of the Board)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Mr. He Haibin has been re-elected as an executive Director of the Company at the annual general meeting of the Company held on 2 June 2017, and has entered into a service contract with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

Ms. Xie Mei has been re-elected as an executive Director at the annual general meeting of the Company held on 2 June 2017, and has entered into a service contract with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

Mr. Lin Kaihua has been re-elected as an executive Director at the annual general meeting of the Company held on 5 June 2018, and has entered into a service contract with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021.

Non-executive Director

Mr. Zhang Jing

Mr. Zhang Jing has been re-elected as a non-executive Director at the annual general meeting of the Company held on 2 June 2017, and has entered into a service contract with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

Independent Non-executive Directors

Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive Directors at the annual general meeting of the Company held on 5 June 2018 and have entered into service contracts with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021. Under provision A.4.3 of the CG Code, if an independent non-executive Director serves more than 9 years, his/her further appointment shall be subject to a separate resolution to be approved by the shareholders. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon will have served as independent non-executive Directors for more than nine years by 2020, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their extended term of office with the Company.

Mr. Chu Wing Yiu has been elected as an independent non-executive Director of the Company at the annual general meeting of the Company held on 19 June 2019, and has entered into a service contract with the Company for a term of one year commencing from 19 June 2019 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

The biographies of each Director are set out on pages 26 to 28 of this report.

Corporate Governance Report

The Company has complied with Rules 3.10(1) and 3.10(A) of the Listing Rules. During the year ended 31 December 2019, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee evaluates the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are settled as two independent positions assumed by different persons in order to ensure that their independence, accountability and power are clear. Mr. He Haibin, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Appointment and Re-election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors of the Company.

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Number of Board Meetings Held and Procedures

The Board convened 17 meetings for the year ended 31 December 2019.

The Board has established meeting procedures and has complied with the provisions of the Code. The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comment or record. Directors are entitled to inspect the minutes at any time.

Corporate Governance Report

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings of the Company for the year ended 31 December 2019 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Shareholders' meeting**
He Haibin	17/17	N/A	N/A	2/2	0/2 *(Note 1)*
Xie Mei	17/17	N/A	N/A	N/A	2/2
Lin Kaihua	17/17	N/A	N/A	N/A	0/2 *(Note 1)*
Zhang Jing	17/17	2/2	2/2	N/A	0/2 *(Note 1)*
Lu Gong *(Note 2)*	8/8	N/A	N/A	N/A	0/1 *(Note 1, 2)*
Wong Wai Ling	17/17	2/2	2/2	2/2	2/2
Lam Sing Kwong Simon	17/17	2/2	2/2	2/2	2/2
Chu Wing Yiu *(Note 3)*	9/9	N/A	N/A	N/A	1/1 *(Note 3)*

Notes:

1. Provision A.6.7 of the Code provides that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain executive Directors and non-executive Directors were not able to attend the general meetings held in 2019 due to their unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

2. Mr. Lu Gong retired from office as independent non-executive Director on the annual general meeting held in 2019. Only one general meeting and eight Board meetings were held in his term of office during the year.

3. Mr. Chu Wing Yiu was appointed as independent non-executive Director on the annual general meeting held in 2019. Only one general meeting and nine Board meetings were held in his term of office during the year.

Corporate Governance Report

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2019, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2019, the Company also organised seminars on amendments to the "Environmental, Social and Governance Reporting Guide" of the Hong Kong Stock Exchange conducted by the independent consultants for the Directors. The seminars covered topics including but not limited to the interpretation on amendments to the "Environmental, Social and Governance Reporting Guide".

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2019 are as follows:

Name of Directors	Reading the seminar materials regarding the interpretation on amendments to the Listing Rules and the “Environmental, Social and Governance Reporting Guide” of the Hong Kong Stock Exchange	Attending Seminar
Executive Directors		
He Haibin	✓	✓
Xie Mei	✓	✓
Lin Kaihua	✓	✓
Non-executive Director		
Zhang Jing	✓	✓
Independent Non-executive Directors		
Lu Gong	✓	N/A *(Note 1)*
Wong Wai Ling	✓	✓
Lam Sing Kwong Simon	✓	✓
Chu Wing Yiu	✓	✓

Note:

1. Mr. Lu Gong retired from office as an independent non-executive Director on the annual general meeting held in 2019. No seminar was held in his term of office during the year.

Corporate Governance Report

SPECIAL COMMITTEES UNDER THE BOARD

The Board comprises the following committees:

Audit Committee

As of 31 December 2019, the Audit Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing. Ms. Wong Wai Ling is the chairman of the Audit Committee.

The principal terms of reference of the Audit Committee are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

(e) conferring with external auditors on any problems and matters of doubt arising from the audit process, as well as other issues the external auditors may like to discuss (if necessary, such discussions may be undertaken in the absence of the management); and

(f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held two meetings during the year ended 31 December 2019, and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2018 and the interim financial results and report for the six months ended 30 June 2019;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company; and

3. provided opinions to the Board in respect of the appointment of external auditors.

The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2019, the Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing. Ms. Wong Wai Ling is the chairman of the Remuneration Committee.

The main role and function of the Remuneration Committee are as follows:

(a) consulting the chairman of the Board on remuneration recommendations concerning other executive Directors;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management of the Company, as well as establishing a formal and transparent remuneration policy of the Company;

(c) with authority delegated by the Board, establishing compensation packages for all executive Directors and senior management and making recommendations to the Board on remuneration for non-executive Directors; and

(d) reviewing and approving compensations paid to executive Directors and senior management, for loss or termination of their office or appointment, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held two meetings during the year ended 31 December 2019, and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors, senior management and other staff of the Company; and

2. reviewed and discussed the remuneration of the newly appointed Directors and make recommendations to the Board.

Nomination Committee

As of 31 December 2019, the Nomination Committee consists of three members, including one executive Director, namely Mr. He Haibin, and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon. Mr. He Haibin is the chairman of the Nomination Committee.

The Board has adopted the board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has also adopted a Directors nomination policy ("Nomination Policy") in compliance with the Code, which establishes criteria and procedures for the nomination committee to identify and consider individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant skills, experience and diversity of perspectives critical to the Group's business to enable the Board to make sound and well considered decisions.

Corporate Governance Report

Nomination Process

When receiving the proposal to appoint a new Director, the nomination committee shall (i) assess the candidate with reference to the selection criteria as set out in the Nomination Policy to determine the eligibility of the candidate to serve as a Director; (ii) if there are more than one desirable candidates, rank them in accordance with the needs of the Company and the merits of each candidate; and (iii) make recommendations to the Board on the appointment of a suitable candidate to serve as a Director (if applicable).

When a retiring Director, being eligible, offers himself for re-election, the nomination committee shall (i) review the overall contribution and services of the retiring Director and the performance and level of participation of the retiring Director; (ii) assess whether the retiring Director satisfy the selection criteria as set out in the Nomination Policy; and (iii) if considered appropriate, make recommendations to the Board, which may make a recommendation to the Shareholders to re-elect the retiring Director at a general meeting.

Selection Criteria

The Nomination Committee will take into account the Board Diversity Policy, a candidate's (i) character (in terms of his/her honesty, integrity, motivation or reputation), (ii) merits (in terms of his/her qualifications (including professional qualifications), skills, knowledge, accomplishment and experience related to the business and strategy of the Company and the diversity in skill set of the Board in accordance with Board Diversity Policy of the Company), (iii) business expertise, (iv) whether sufficient time can be devoted to properly discharge its duties as a member of the Board and a member of the board committees; and (v) his/her independence (if an independent non-executive director is being considered).

The Board shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

The main role and function of the Nomination Committee are as follows:

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

(b) reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee held two meetings during the year ended 31 December 2019 and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors of the Company; and

4. reviewed and discussed the nominations of Mr. Chu Wing Yiu as an independent non-executive Director, and make recommendations to the Board with regards to the nominations.

Corporate Governance Report

Risk Management and Internal Control

The Company's management pays high attention to comprehensive risk management. We believe that all-around risk management and internal control systems play an important role in achieving the Company's strategic goals. The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Company. For this purpose, the Board ensures that the Company has established a robust framework of ongoing risk management procedures in identifying, evaluating and managing significant risks faced by the Company to promote the long-term success of the Company.

Meanwhile, the Board is responsible for maintaining and reviewing the effectiveness of the Company's internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and procedures that have been put in place do not provide an absolute shield against factors including unpredictable risks and uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against misstatement of management and financial information and records or against financial losses or fraud.

The Company has not encountered any risk incident in the capital market since its listing. There has been no significant error or weakness in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Company.

The Company established the risk control and compliance management department, which is responsible for internal audit and independent from other departments of the Company. The department conducts special audit of subsidiaries based on the annual audit plan, and submits reports on its audit results to the management of the Company. Meanwhile, its opinions and recommendations in respect of the existing problems of the subsidiaries are included in the audit report, which will be issued to the relevant subsidiaries. The relevant subsidiaries will then be required to make rectification within a specific period. By conducting comprehensive inspection to the risk management system, control measures and governance procedures of the Company, the risk control and compliance management department monitors the effectiveness of internal control of the Company.

In addition, the risk control and compliance management department, on an annual basis, submits the comprehensive risk management report at the beginning of the year, and submits the interim report in the middle of the year. The comprehensive risk management report comprehensively describes the integrity and effectiveness of the risk management system of the various departments of the Company and its subsidiaries, the results of internal and external risk assessment on the strategy, finance, regulation and compliance, market and operation, identifies the significant risks which could have material impacts on the Company, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions with respect to the aforementioned risks. The interim report presents the standardised operation procedures of the Company's business as well as the risk control and compliance management department's supervision on business. The report describes how the Company prevents project risks before, during and after project investment in a comprehensive manner and formulates new system and procedures for new businesses and situations to control risks efficiently. The existing control measures may not only identify and address all principal risks but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Company.

Corporate Governance Report

Three Lines of Defence

With respect to its existing businesses and under the risk management framework of the Stock Exchange regarding regulatory requirements for listed companies in Hong Kong, we strive to establish and improve the three lines of defence for our risk management organisational system which cover decision making and monitoring of comprehensive risk management, implementation of comprehensive risk management measures and assessment of comprehensive risk management.

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

First Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

As the first line of defence for the Company's comprehensive risk management organisational system, the line of defence for decision-making and monitoring of comprehensive risk management comprises of the Board and the management. As the decision-making and monitoring authorities of comprehensive risk management, the Board and the management of the Company are mainly responsible for (among others) approving the organisational structure and functions of risk management of the Company; approving the risk management policies, risk management measures and significant risk solutions of the Company; and monitoring and supervising the comprehensive risk management system as well as the establishment and implementation of internal control assessment mechanisms.

Second Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments, subsidiaries, special teamwork groups and the "risk manager" system of the Company constitute the second line of defence for implementation of comprehensive risk management measures, mainly responsible for conducting and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments and subsidiaries to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Third Line of Defence: Defence line for assessment of comprehensive risk management

As the third line of defence for comprehensive risk management, the Company's risk control and compliance management department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and on-going effectiveness of risk countermeasures in combination with audit projects, and issuing reports on supervision, assessment and audit, etc.

Management Procedures for Significant Risks

In order to improve the monitoring and management of significant risks and fully leverage the effect of the three lines of defence for the Company's risk management organisational system, the Company will organise all departments and subsidiaries to conduct risk assessment under the lead of the risk control and compliance management department.

Corporate Governance Report

Based on risk management provisions and actual corporate status, the Company conducts risk assessment mainly focusing on four aspects: strategic risk, financial risk, operational risk, as well as legal and compliance risk. To identify the abovementioned risks, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on the Company's core business. The Company prevents the occurrence of risk events by tracking and managing the whole process of risk assessment and relevant significant risks during the year, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Measures and Means of Defence Lines:

With an aim to improve the Company's risk management and internal control systems while enhancing its management standards and ability to mitigate risks, the risk control and compliance management department organises all functional departments and subsidiaries of the Company for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and subsidiaries to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create an unified cultural atmosphere for risk management within the Company. In addition, the Company is equipped with a certain cultural base for risk management due to the development of comprehensive risk assessment and response mechanisms.

In order to further improve the risk management awareness of all employees, the Company strives for innovative model for establishment of internal control system, trains the internal control personnel through the model of "sharing of experience", and provides support for employees in respect of their training courses and relevant budgets involved. A "risk manager" mechanism has been established within the Company. The "risk managers" are under supervision of the Company's risk managing unit, namely the risk control and compliance management department, and have been deployed in each department and subsidiaries. The mechanism systematically improved the effectiveness of the internal control system and risk management, thus achieving smooth and standardised business flow between the headquarters and subsidiaries of the Company.

Inside Information Confidential Policy

An inside information confidential policy is in place to ensure that potential inside information is obtained under confidentiality and the confidentiality of such information is maintained until timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- designated reporting channels for different operations to report any potential inside information to designated departments;
- designated persons and departments to determine the manner of reporting and disclosure as required; and
- designated persons authorised to act as spokespersons and respond to external enquiries.

During the year under review, the Board examined the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and considered that the risk management and internal control systems are adequate and effective and the Group has complied with the code provisions on risk management and internal control of the Code.

Corporate Governance Report

Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks.

Principal Risks and Control Measures in 2020

Type of Risk	Description	Key Control Measures	Caused by
Production safety risk	As the Company is under the impacts of an epidemic disease, risk factors which may be detrimental to the health and safety of the employees exist. If the Company fails to establish and implement a comprehensive response system, or the employees do not have sufficient awareness of health and safety, the health and safety risks faced by the employees will increase.	1. Establish an epidemic prevention and control team. The Chief Executive Officer and the heads of business department of the Company have formed a leading group, and the heads of business departments and the heads of functional departments have formed a working group; 2. Establish contingency plans for epidemic prevention and control. In accordance with the requirements of the local governments and based on their specific needs, the Company and its directly-managed enterprises have established their own contingency plans for epidemic prevention and control, including preparation of internal resources for prevention and control in advance, strengthening control on employee travel and activities, strengthening the management of employees in the epidemic-stricken areas and providing scientific and psychological counseling on epidemic prevention and control. The Company and its subsidiaries have formulated detailed work resumption plans to ensure the normal operation of the Company; 3. In 2020, the Company will make unreserved efforts to conduct epidemic prevention and control while maintaining daily operation and avoid production safety risks.	Due to the impact of the "COVID-19" in 2020, if the Company's employees (and their family members) visit or pass by epidemic-stricken areas on business trips or holidays trips, they may be at risk of infection and further spread the disease inside and outside the Company.

Corporate Governance Report

Principal Risks and Control Measures in 2020

Type of Risk	Description	Key Control Measures	Caused by
Investment risk	Considering the changes in the external macro environment, the uncertainty of the investment targets of the Company increased.	1. Enhance industry analysis on the industries where the Company has made major investment. The Company has compiled an initial analysis report on the impact of epidemic on the industries where it has made major investment, and has gained a better understanding of the overall situation from a macro perspective; 2. The Company will closely monitor the status of its investment targets in its existing project reserve, closely track the status of its investment targets in the reserve, and re-assess the specific impact of the epidemic on the individual target from a micro perspective; 3. The Company will actively seek new investment targets, pay attention to the industries and investment targets which still deliver outstanding performance under the impact of the epidemic, and include them to its reserve in order to diversify investments and avoid strategic risks under the premise of controllable risks.	The outbreak of the "COVID-19" in 2020 had a huge impact on the overall economy of China from a macro perspective, especially on the cultural and tourism industry, which is one of the major investment targets of the Company, from a micro perspective.

Corporate Governance Report

Principal Risks and Control Measures in 2020

Type of Risk	Description	Key Control Measures	Caused by
Currency Risk	The risk of exchange loss due to fluctuations in currency exchange rates.	1. The Company adopts a currency hedging policy to reduce or hedge the risk of fluctuations by means of locking foreign exchange and adjusting foreign exchange reserve; 2. The Company will adopt sensitivity analysis to forecast changes in currency exchange rates, and make timely adjustments to the currency and amount of capital reserve or loan funds in a timely manner; 3. The Company will continue to monitor in foreign exchange or interest rate risks, and take relevant measures in a timely manner, so as to avoid financial risks arising from fluctuations in currency exchange rates.	The RMB exchange rate market has been volatile in recent years.

Corporate Governance Report

Principal Risks and Control Measures in 2020

Type of Risk	Description	Key Control Measures	Caused by
Cash flow risk	Risks affecting the development of investment and financing business due to cash flow strains of the Company	1. Based on the existing banks that collaborate with the Company, the Company actively expands its financing channels, diversifies financing methods, improves capital utilisation rate and reduces financing costs. While ensuring the safe operation of the Company's capital, the strategic development needs of the Company is also safeguarded. 2. Based on the existing cash flow analysis, the Company will add a number of contingency analysis mechanisms to ensure the efficient and reasonable capital management of the Company. The Company will enhance the response mechanism for emergencies, improve response speed, ensure the safety of the Company's operation and investment funds and reduce risks.	Due to the impact of epidemic, the Company faces increasing difficulties in cash collection in 2020, and the cash flow pressure will continue to rise. Since its establishment, the Company managed its financial position adequately and has not experienced any cash flow risk. The Company should still pay continuous attention to such risk.

In 2020, the Audit Committee of the Company will continue to refine and improve the Company's risk management procedures in line with the Corporate Governance Code and the best industry practices. In addition, we will focus on communication for internal risk, raise awareness on risks and determine the ownership of risks across the Company.

Corporate Governance Report

In 2020, the Audit Committee of the Group will continue to refine and improve the Group's risk management process in line with the Corporate Governance Code and the best industry practices. In addition, we will focus on communication for internal risk, raise awareness on risks and determine ownership of risks across the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure that the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2019, the Directors have:

- selected appropriate accounting policies and applied them consistently; and
- made judgments and estimates that are reasonable.

The Company recognises that high quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on page 113.

Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the code provisions of the Code on internal control.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid total Directors' remuneration amounts of approximately RMB2,869,000, RMB2,195,000, RMB106,000, RMB211,000, RMB211,000 and RMB113,000 to Ms. Xie Mei, Mr. Lin Kaihua, Mr. Lu Gong, Ms. Wong Wai Ling, Professor Lam Sing Kwong Simon and Mr. Chu Wing Yiu respectively for the year ended 31 December 2019. Mr. He Haibin and Mr. Zhang Jing did not receive any Director's remuneration from the Group as of 31 December 2019. Details in relation to the Director's remuneration payment of the Group for the year ended 31 December 2019 are set out on page 179 of this annual report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director.

Senior management's remuneration payment of the Group for the year ended 31 December 2019 falls within the following bands:

	Number of People
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	5

Corporate Governance Report

Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2019.

SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

The senior management and staff have been individually notified and advised about the Model Code by the Company.

Financial Officer

The Financial Officer is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensuring that the financial statements fairly reflect the Group's results and financial position as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the Audit Committee and coordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

Company Secretary

The Company Secretary of the Company reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure that the Board meeting procedures are properly followed and are in compliance with relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the year ended 31 December 2019.

Corporate Governance Report

External Auditor

RSM Hong Kong has resigned as the auditor of the Company with effect from 22 December 2017. The Company re-appointed KPMG as the auditor of the Company on 19 June 2019 to hold office until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

For the year ended 31 December 2019, the auditing and non-auditing (including reporting accountants' services for the notifiable transactions, tax advice and due diligence services during the year) fees paid to our external auditor KPMG were approximately RMB2,900,000 and approximately RMB2,492,000 respectively.

The auditor's responsibilities to the shareholders of the Company are set out on page 113 of this annual report.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conferences and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.oct-asia.com for the most-updated information and the status of the business development of the Group.

COMMUNICATION WITH THE SHAREHOLDERS OF THE COMPANY

The Board and senior management recognise the responsibility of safeguarding the interest of the shareholders of the Company and provide highly transparent and real-time information on the Company, so as to keep the shareholders of the Company and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders of the Company can facilitate their understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of the shareholders of the Company. In order to safeguard the interest of the shareholders of the Company, the Company reports its financial and operating performance to the shareholders of the Company through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website at www.oct-asia.com.

The annual general meetings of the Company provide an appropriate platform for direct communications between the Board and the shareholders of the Company. Shareholders of the Company can raise questions directly to the Board in respect of the performance and future development of the Group at the annual general meetings.

Corporate Governance Report

SHAREHOLDER'S RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company, will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary whose contact details are as follows:

Attention: The Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders of the Company.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

Report Overview

This report is the fourth annual "Environmental, Social and Governance ("ESG") Report" issued by Overseas Chinese Town (OCT) (Asia) Holdings Limited, which focuses on disclosing the relevant principle, performance and measures of OCT (Asia) in ESG development. The reporting period is from January 1, 2019 to December 31, 2019.

Report Guideline

The Group compiled the ESG Report in accordance with the "Environmental, Social and Governance Reporting Guide (ESG Guide)" under Appendix 27 of the Listing Rules. This report has disclosed in all sections with strict compliance to "General disclosure", "Materiality", "Quantization", "Balance", "Consistency", and "Director responsibilities" in the "ESG Report Guide" issued by the Stock Exchange.

Reporting Scope

This report covers OCT (Asia)'s business development performance in governance responsibility, care for the environment, engage the employees, serve the customers and contribute to the community. The scope of this report covers OCT (Asia) Holdings Limited and its subsidiaries.

Reference Statement

For the ease of presentation and understanding, the "OCT (Asia)" and "the Company" mentioned in this report refer to "OCT (Asia) Holdings Limited". "The Group" and "we" refer to the subsidiaries of OCT (Asia) Holdings Limited.

Data Source and Reliability Assurance

The data and statistics in this report are provided by OCT (Asia) and its subsidiaries, further approved by OCT (Asia).

Confirmation and Approval

This report was formally approved by the Board of Directors on 31, March, 2020 after being confirmed by the ESG steering team of the Group.

Access and Feedback on This Report

The Group attaches great importance to the evaluation of our performance from all parties. As to meet your expectation towards the Group, if you have any feedback and suggestions, please email to ir-asia@chinaoct.com or call (86) 755 2693 5118.

Environmental, Social and Governance Report

2. ABOUT US

As an exclusive overseas listing company of OCT (Asia), the Group continues to seize China's future development opportunities and seek challenges with a forward-looking vision, and fully implements the development model of "Investing on a business ecosystem with the integration of comprehensive development urbanization". It focuses on culture, tourism, education, consumption, social health, urbanization and other areas to actively expand the reserves for investment projects, further promote strategic transformation, as well as build and enhance our core competitiveness in earnest that benefits the society.

In 2019, the Group has upheld a proactive and prudent attitude towards seizing the potential development opportunities of the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area by incorporating the virtue of OCT branding and capital advantages, and has steadily delivered a comprehensive business in several major cities of the region. Meanwhile, we continue to actively exploring possibilities that combine financial innovation and competitive industries through local and overseas investment, mergers and acquisitions, industry funds and other approaches. We focused on selecting projects in the business ecosystem that promote development and urbanization, and prudently made investment decisions. In addition, we operated financial leasing business in areas such as theme parks and manufacturing industries, and targeted the large and medium-sized state-owned enterprises and high standard listed companies as the main client groups. Meanwhile, we controlled shareholders and strengthened the risk management control that steadily and orderly promote business development and stable operation.

Going forward, we will continue to accelerate innovation and development, promote new development models, strive to create greater value for shareholders, clients, employees and other stakeholders in a win-win scenario with the adherence to the leading objectives of sustainable development.

Environmental, Social and Governance Report

3. OUR ESG MANAGEMENT

As a listed Central State-owned Enterprise, OCT (Asia) values high governance standard and strives to enhance corporate value while overall pursuing comprehensive sustainable development. We further improve our corporate governance on the basis of compiling the *Listing Rules of Corporate Governance Practices*, whilst promoting green operation, protection of employee's right and benefits, service leverage and giving back to the community that deploy forward the Group's social responsibility strategy in decision-making.

3.1 ESG management structure

As to systematize and standardize our ESG management, OCT (Asia) adhered to the requirements of the ESG Guide of the Stock Exchange through incorporating the senior managers as the contributing members of our ESG management that provide strategic guidance for the Group's overall ESG management, as well as regularly report to the Board of Directors on risk management and control. In addition, we also establish an ESG Steering Team to coordinate all departments and subsidiaries for the implementation of ESG work plans. We also carried out ESG trainings, stakeholder engagement and materiality analysis in 2019 to orderly put forth our commitment to ESG.

In addition, the Board of Directors, as the Group's highest decision-making body, will continue to strengthen ESG participation and oversee the Group's sustainable development. In August 2019, the ESG Steering Team invited external third-party consultants to provide ESG training to the Board of Directors as to further understand and strengthen our risk management in ESG. Going forward, we will discover the Group's ESG risks and opportunities through conducting annual risk assessment and internal control assessment. Keep endeavoring at safeguarding the Group's and stakeholders' interests, we will keep agendas focusing on ESG topics at the regular board meetings, and constantly review our progress to ensure the effective implementation of ESG management.

Decision-making level **OCT (Asia) Leading Group**	• Coordinate and lead the ESG management • Plan and formulate ESG policies and regulations • Oversee and approve ESG implementation and disclosure
Supervisionary and coordination level **OCT (Asia) Steering Team**	• Implement resolutions • Communicate and coordinate ESG issues • Prepare and compilate ESG reports
Execution level **Sub-departments and subsidiaries**	• Implement work plans related to ESG • Collect and report ESG information • Execute ESG management

OCT (Asia) ESG Management Structure

Environmental, Social and Governance Report

3.2 Stakeholder engagement

OCT (Asia) engages various stakeholders through different channels, including the publishing of ESG report, questionnaire, direct interview, etc. One hand, it builds bridges of communication to make timely and effective responses over stakeholders' concerns from OCT (Asia), and ensures stakeholders' right to be informed and participation; On the other hand, it conveys our ESG principle to the general to bolster brand influence while achieving a harmonious and win-win scenario amongst parties.

Stakeholders	Engagement Channel
Government and regulators	Governmental conference Report to authorities Questionnaires
Investors/Shareholders	Shareholders' meeting Listed company information disclosure Investors' meeting Questionnaires
Suppliers and business partners	Questionnaires
Employees	Regular and irregular employee interviews Employee training Employee activities Interviews
Serving clients (owners, tenants and consumers)	Client complaint mechanism Client satisfaction survey
Mass media (media, NGOs, etc.)	Participating in activities Charity donation

3.3 Materiality analysis

As to deepen understanding over stakeholders' expectation and concerns, the Group stringed along the materiality analysis process as demonstrated below, followed by conducting questionnaires with stakeholders and defined the material issues.

Step 1	Stakeholder identification	Identify key stakeholders and develop various engagement plans.
Step 2	Topic identification	Understand stakeholders' concerns over the materiality of issues through different engagement channels.
Step 3	Stakeholder engagement	Further understand and quantify stakeholders' ESG concerns and expectations over the Group via questionnaires and interviews.
Step 4	Materiality report	Analyze and prioritize material issues based on the results of stakeholders engagement.
Step 5	Management confirmation	Submit the results of materiality analysis to the Company's management for final endorsement.

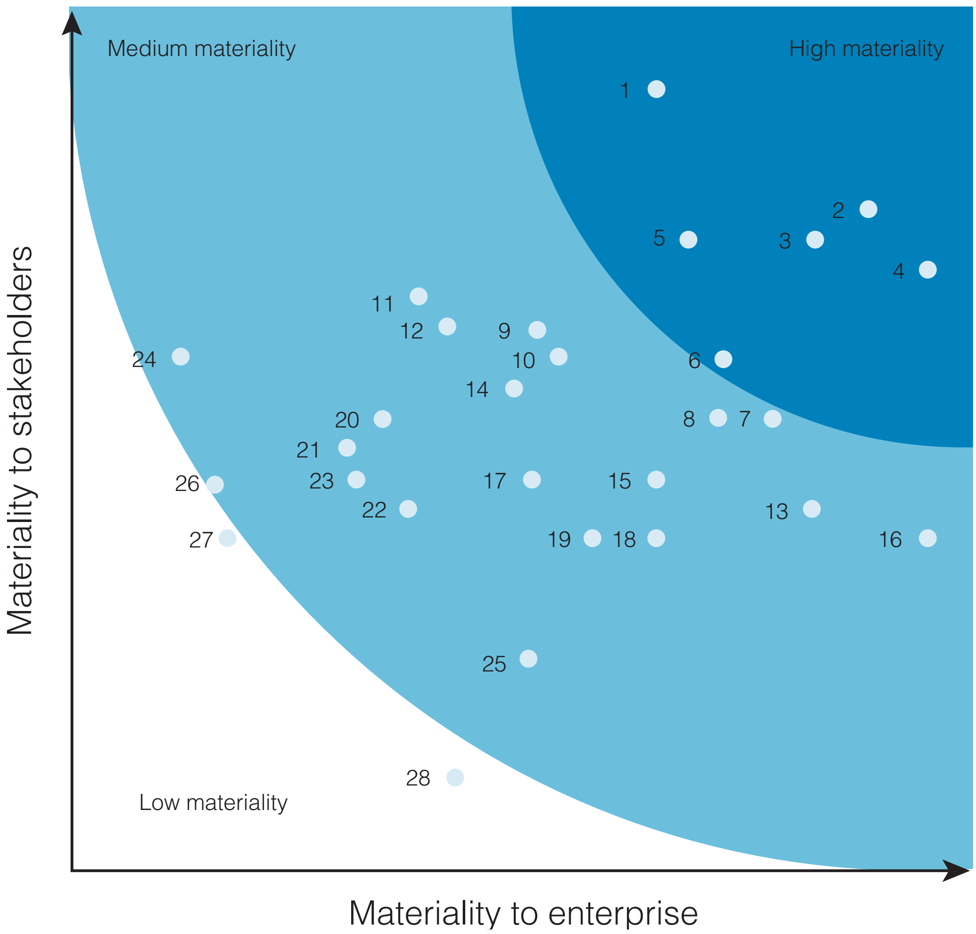
Environmental, Social and Governance Report

3.4 Materiality Matrix

In 2019, to understand stakeholders' concerns over the Group's business transformation, we added five material issues related to investment and finance in the questionnaire, including "Establish clear and transparent screening criteria to invest in the enterprise which values social contribution", "Establish a fund for social responsibility investment, such as ethics fund", "Focus on and regularly review corporate governance of sustainable development and improve social responsibility", "Demonstrate shareholders' rights and negotiate with investee regularly", "Establish a mechanism to ensure that investee considers the community's interest and sustainable development, invest funds in community development, and actively respond to community needs", and explored on how to pave the way towards responsible investment for sustainable development.

Upon detail study and analysis, OCT (Asia)'s materiality matrix of the material issues concerning sustainable development is as shown below:

OCT (Asia) 2019 Materiality Matrix



ESG Materiality Matrix

Environmental, Social and Governance Report

3.5 List of materiality issues

During the reporting period, by integrating 28 materiality issues of concerns to the stakeholders, the Group understood that the stakeholders attached high materiality over 5 issues, mainly "Compliant operation and anti-corruption" and "Maintain product and service quality, especially product safety" and more. We will fully expound these issues in this report and prioritize issues when formulating internal business strategies and management policies.

The ESG material issues of OCT (Asia) are ranked below: (from high to low)

High materiality	1	Compliant operation and anti-corruption
	2	Protection of product and service quality, especially product safety
	3	Safeguard employee health and safety, prevent work injury and fatality
	4	Focus on and regularly review corporate governance of sustainable development and improve social responsibility
	5	Establish clear and transparent screening criteria to invest in the enterprise which values social contribution

Environmental, Social and Governance Report

Medium materiality	6	Protect investor rights and interest and share the results of appreciation
	7	Disclose and manage emissions, such as sewage and waste gas
	8	Proper complaint handling and regular satisfaction survey
	9	Disclose and manage hazardous and hazardless wastes, such as waste light tubes, used batteries, and construction wastes
	10	Disclose and manage energy consumption, and energy conserving measures
	11	Adopt measures to protect client information and privacy
	12	Compliant recruitment, diversity and equality, good employment relationship, and employee turnover control
	13	Adopt measures to reduce emission and environmental pollution
	14	Conserve land and other natural resources and reduce environmental impact of business operation via green building and green community
	15	Disclose and manage material consumption, such as fit-out materials
	16	Demonstrate shareholders' rights and negotiate with investee regularly
	17	Establish and improve quality testing and product recall procedures
	18	Disclose and manage greenhouse gas emission, including carbon dioxide, nitrogen oxide, and sulfur oxide
	19	Organize employee training and encourage employee development
	20	Adopt measures to protect intellectual property rights
	21	Disclose and manage water consumption, and water conserving measures
	22	Establish a fund for social responsibility investment, such as ethics fund
	23	Control supply chain environmental and social risks and support industrial development and upgrading via green and local procurement
	24	Compliance to laws and regulations and prevention measures on child labor or forced labor
	25	Serve community interest and support community development in business operation, such as operation localization and supporting rural revitalization and development
	26	Establish a mechanism to ensure that investee considers the community's interest and sustainable development, invest funds in community development, and actively respond to community needs
Low materiality	27	Respond to government policies, such as Rural Revitalization
	28	Engage in charity and volunteering activities

Environmental, Social and Governance Report

4. OUR GOVERNANCE RESPONSIBILITY

OCT (Asia) strictly abode by the Stock Exchange's *Corporate Governance Code* set out in Appendix 14 of the Listing Rules, and continuously review the work performance of the Board of Directors and Board Committees to maintain excellent business operation. We value high on corporate governance responsibility to improve the governance and promote the Group's long-term development via formulating and improving different management systems, including risk management, supply chain management and anti-corruption management system.

OCT (Asia) won the "Best Listed Company "in the 9th China Securities Golden Bauhinia Awards

OCT (Asia) won the "Best Listed Company" award and was being invited to participate in the 9th China Securities Golden Bauhinia Award Ceremony held in Hong Kong Convention and Exhibition Center on December 5, 2019. The Group has always believed that high standard of corporate governance can yield great corporate value. Winning the honor has it reflected our successful governance that our society widely recognized with.

OCT (Asia) won the "Best Listed Company" in corporate governance

Environmental, Social and Governance Report

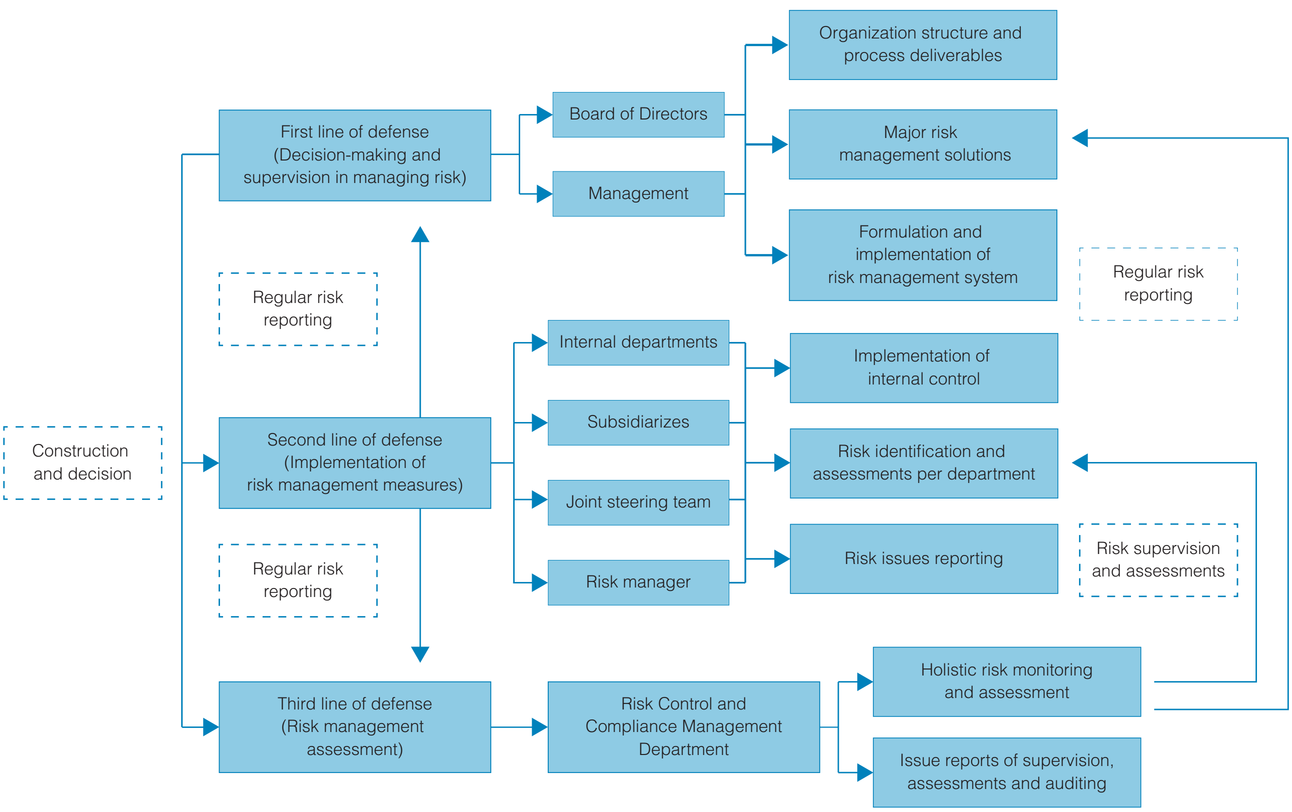
4.1 Risk management system

Reinforcing our risk management system of the OCT (Asia), the Group has a comprehensive risk management with both risk control and internal control system upgraded in place, that strengthen our ability to safeguard against potential risks in a regular and comprehensive approach. We also enhance the risk control team through engaging leading seniors and risk management to further improve the risk control system. In addition, we correspondingly set up a Joint Steering Team headed by Risk Control and Compliance Management Department, Business Department and Finance Department to effectively coordinate the works in response to Group's risk management. We assign employees of various departments and positions, who are well-trained and equipped with knowledge through regular trainings, to take leading roles alongside other teams in risk control.

Besides, we lay a solid to risk management structure in a "Three lines of defense" approach, including decision-making, supervision and assessments, and the formulation and implementation of control measures to prevent and manage risks against various businesses.

Our risk management system is shown below:

"Three lines of defense" of our solid risk management structure



"Three lines of defense" of our solid risk management structure

Environmental, Social and Governance Report

"Three lines of defense" of the risk management structure

1) The first line of defense – Clear decision-making and supervision in managing risk
Drawing upon the first line of defense in the Group's risk management structure, clear decision-making and supervision under the Board of Directors, management and department representatives are as demonstrated in managing risk. The main roles and responsibilities lie on organizing the Group's risk management structure and process deliverables, implementing the risk management assessments and more.

2) The second line of defense – Full implementation of risk management measures
The Group's internal departments and subsidiaries, Joint Steering Team and the "Risk manager" system constitute the second line of defense over the full implementation of risk management measures. Mainly focusing on the implementation and execution of risk management and internal control, put forth the risk management measures on a regular basis, identification and management of business risk in respective departments and subsidiaries, implementation of risk management strategies and solutions, and report risk-related issues in a timely manner.

3) The third line of defense – Comprehensive risk management assessments
The Risk Control and Compliance Management Department is the third line of defense for our risk management structure. It focuses on monitoring and evaluating the effectiveness and quality of risk management measures, providing supervision and assessment and auditing for reports, and tracking any rectification when necessary.

Risk management identification

In 2019, under the leadership of the Risk Control and Compliance Management Department, the Group identified three major risks in strategy, human resources and finance, in accordance to the Risk Management Manual. In 2020, facing changes in the increasingly complex environment across the regions, the Group's management attaches great importance to risk management, focusing on 4 major risks including safety production, and more. Due to the outbreak of "Coronavirus pandemic (COVID-19)" in 2020, the Group faces risk against occupational health and safety, business investment and overall development.

Environmental, Social and Governance Report

4.2 Investment risk management

Adhering to the Group's strategic positioning of "Overseas financial platforms, domestic and overseas investment platforms, domestic and overseas mergers and acquisitions platforms", the Company was fully aware of the importance of making responsible investment in the areas such as culture and sports, tourism, education, social health and other emerging industries, and carefully selected projects that were in line with our strategic positioning during 2019.

We also formulate and improve the risk management system and the *Policy on Insider Information Confidentiality* to ensure our legal compliance throughout the investment and financing process. Meanwhile, we regularly report the invested project through the Monthly Business Analysis Report to effectively evaluate and manage the projects risk. In addition, we also provide employees with regular trainings in the business risk control as to increase internal awareness of risk management in investment.

Investment Procedures

In accordance with the basic operations, specifications and risk management requirements in investment procedures, we formulate the *Interim Measures on Investment Management* of the OCT (Asia) Holdings to ensure the successful completion of the agreement signing, fund payment and delivery with the investee and other personnel. Simultaneously, the upcoming investment activities, projects and plans shall follow the guidelines set out in the *Negative List of Investment Projects*, in alignment with China's economic growth, social development planning and industrial policies, as well as in compliance with laws and regulations in operation upon striving to build exemplary business ecosystem.

Post-investment and Strategic Management

Effectively managing the investment risks and safeguarding the rights and interests of all parties, we formulate the Interim *Measures on Post-investment Management* which set out the framework of strategic post-investment management, including urging and implementing the matters stipulated in the investment agreement, monitoring the operation status of investee, managing property rights and assisting in investment exit strategy, etc. With the effort of the Investment and Development Department alongside the Post-investment and Strategic Management Department and other relevant departments, our key deliverable this year is the formulation of the exit mechanism for the project investment. Before the investment exits, we establish a project team, consult with investee and other personnel to balance the interests of all parties.

We will move towards sustainable development in the future. Based on the premise of social responsibility, we will carefully select and monitor the investment projects, and actively offer counsel over its sustainable development. Also, we will provide more employee trainings on investment management to leverage the entire investment process. We will thus consider adopting diverse means of investment, i.e. develop green finance to expand financing channels.

Environmental, Social and Governance Report

4.3 Supply chain management

In terms of supply chain management, it is the Group's priority to ensure integrity in the procurement process. Employees participated in the bidding assessment, invitation and purchase should be responsible and strictly abode by professional integrity in accordance with *The Bidding Law of the People's Republic of China*, the requirements for tender evaluation and the internal *Bidding and Procurement Management Measures*. During the review, we require employees to remain objective and professional at work while prohibiting their involvement in any illegal conducts such as extorting, giving or receiving bribes in business activities.

Throughout the business development, we value and undertake various measures to protect the human rights and personal safety of construction workers. We require contractors to comply with the relevant national and regional laws and regulations and the internal guidelines in respect of the legal rights of workers, as well as to provide employees with safety trainings and protective equipment, and to strictly abide by the *Labor Law of the People's Republic of China,* the *Labor Contract Law of the People's Republic of China,* the *Law of the People's Republic of China on the Protection of the Minors* and the *Provisions on the Prohibition of Using Child Labor*. Any employment of forced or illegal labor and child labor is strictly prohibited. During the reporting period, OCT (Asia) had no violation along the supply chain.

4.4 Anti-corruption management

The Disciplinary Committee of the Group hold regular meetings and is responsible for formulating and revising rules and regulations to reduce the risks related to corrupt practices at the institutional level. We carry forward and sort out the "Three incorruptibility" mechanism as well as adjust and supplement the "Three preciseness and eight focuses" rule. We supervise the employees' behaviors through daily monitoring, inspection and specific supervision in accordance with the *Inspection Work Regulations*. We also establish *Measures on Persuasion and Admonition for Leading Cadres (Interim)* and conduct dialogues accordingly to ensure that integrity and anti-corruption initiatives can fully be carried out at Group's work. In public affairs, it is necessary to follow the established *Handling Measures on Registration and Handling Procedures for Gifts Received in Public Affairs* to handle the cases of extorting, giving or receiving bribes in the name of recompense.

Through conducting incorruption education, we establish honest culture and adhere to our responsibility to supervise and enforce discipline. We continue to consolidate the employee's honesty and upright morality principle to build a strong defense line against corruption through providing a series of anti-corruption education such as "Integrity case study" education seminar, integrity training for the newly recruits, on-site "Integrity education" and internal integrity lessons.

We also establish policies and measures for corruption report and prosecution to penalize corrupt behaviors, including the *Discipline Inspection and Complaint Letters Handling Procedures*, the *Policy on Discipline Inspection and Case Investigation Meeting*, the *Measures on Reporting Corruption Cases to the Discipline Inspection Committee (Trial)* of OCT Group, and the *Policy on Illegal Operation Responsibility*.

Under the strict supervision of the Discipline Inspection Committee, we encourage employees to conduct self-examination and correction in aid of cracking down on all bribery and corruption. During the reporting period, OCT (Asia) did not receive any cases of corruption or violations.

4.5 Intellectual property rights management

Intellectual property rights are an essential to Group's assets. We commit not only to valuing intellectual property rights, but also continue to consolidate the protection of intellectual property rights, especially in the use and management of software assets. We develop *a Software Rights Infringement Handling Guidelines* and regularly revise the *Assets Ledger Software Guidelines*, appoint specific management personnel to reinforce the protection of intellectual property rights, and actively implement measures such as trademark monitoring, rights protection through litigation that safeguarded our rights and interests. In the future, we will continue to revise the intellectual property rights management system and further clarify responsibilities associated with intellectual property rights to better play the role of managing and protecting intellectual property rights as well as supporting the business operations.

5. CARE FOR THE ENVIRONMENT

With sustainable development and operation, the Group always adheres to the principle of "Innovation, coordination, sustainable, open and sharing", and applies the concept of sustainable development to environmental management, production operation, day-to-day office and project investment. We focus on comprehensive urbanized development and investment in business ecosystem over the years. Undergoing the business transformation, we constantly update and improve environmental management system to drive sustainable development.

5.1 Green construction

As the government calls upon sustainable development and environmental protection, the Group strictly abode by relevant environmental laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control at Atmospheric Pollution*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Urban and Rural Planning Law of the People's Republic of China*, the *Construction Law of the People's Republic of China*, the *Regulation on Energy Conservation in Civil Buildings* and other laws and regulations. While improving the eco-efficiency of buildings and landscapes, we launch green building development projects and property operation solutions for people by adopting sustainability principle to building design and operation.

Our green buildings and professional property management services owe a leading position in the market and are renowned amongst clients. From building design and planning to construction and property management, we implement various measures related to environmental protection. For example: In the early-stage design of development project, we innovate through incorporating green energy-saving technology and elements; during construction, we first carry out dust proofing treatment on the site, adopt green construction technology and further standardize the construction time to reduce its environmental impact; we require contractors to properly dispose construction waste in accordance with the Contract for Entrusting Disposal of Construction Waste signed. We formulate a standardized system for property management, i.e. the launch of "Hua · Housekeeper" and intelligent living platform customized for owners, that brand our top-notch service and ensure high-quality and efficient service. Amongst the managed properties, Konka R & D Building is being honored with the two-star green property management recognition in reflective of our the management measures with obtaining tangible results.

Green Construction Achievements

In 2019, the Group achieved fruitful results in green construction with incorporating the sustainability concept in the renovation of Shanghai General Chamber of Commerce Building by the OCT Group and the OCT Chengdu to demonstrate our long-term effort in caring the environment.

- After the renovation, the historic building is being recognized with acquiring "Three-Star Green Building Certification" – the highest level of certification in China's construction industry. We adopt green design concept, including green technology measures such as energy-saving lighting and roof greening, recycling of reused materials, saving energy and water resources, which demonstrate the harmony within human, nature and business through achieving sustainability.

- The green building projects of OCT Chengdu, including "OCT Yun'an" and "OCT Manjie", are awarded with the "Worth-waiting Project in China (Chengdu) Property Market in 2019".

Going forward, we will continue to work with the OCT Group to develop an international low-carbon city model through drawing on the relevant expertise across the globe, and explore the opportunities of integrating urbanization with low-carbon development. We will flexibly adopt various cooperative ways such as "Public-private Partnership (PPP)","Overall village planning ", and" Shanty areas transformation" to carry out development and construction of national and international leading low-carbon city.

5.2 Green office

In recent years, the state has emphasized the necessity of energy conservation and emission reduction in enterprises to promote green actions based on the "One-Three-Five" strategy to initiate intensive, innovative, harmonious development via market upgrading, structural optimization, overall-planning development, cultural guidance, and law-based governance. In 2019, the Group actively responded to the call and earnestly implemented a number of management measures to reduce energy consumption and waste, and encouraged employees to gradually adopt the green office model in accordance with the Company's green office guidelines and recommendations.

Environmental, Social and Governance Report

Energy-saving

Focusing on carbon emissions from corporate vehicles, the Group issues the *Corporate Vehicle Management Measures* and recorded the consumption amount of gasoline and diesel of the headquarter and subsidiaries based on the principle of "Multiuse of a vehicle". Meanwhile, we encourage employees sharing bicycles and cars when travelling to promote eco-friendly lifestyle. In addition, we apply other energy-saving measures, including reminders around the office corners to remind employees turning off the power and water before leaving, auto-flusher installed in the toilet to reduce the use of water. We expect employees to take a step forward in energy-saving, and help the Group to fulfill its promise of green operation.

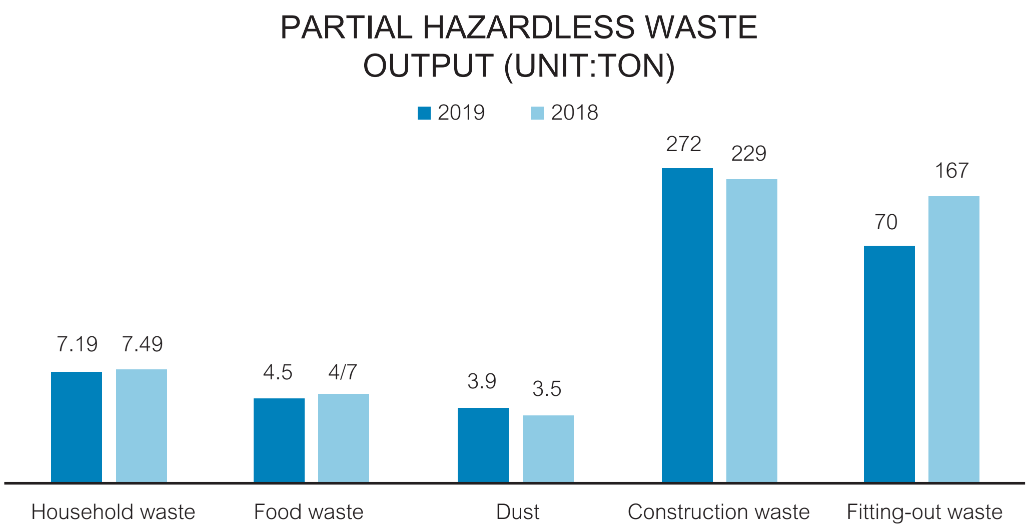
ESG Indicator	Unit	2019 Data	2018 Data
Total energy consumption and intensity			
Overall energy consumption	Ton of standard coal	2,696	1,447
Overall energy consumption per ten thousand RMB revenue	Ton of standard coal/ten thousand RMB revenue	0.013	0.009
Total water consumption and intensity			
Total water consumption	Ton	350,110	19,183
Water consumption per ten thousand RMB revenue	Ton/ten thousand RMB revenue	1.69	0.12
Total greenhouse gas emissions and intensity			
Direct carbon emission (Scope I)	CO2 equivalent – T	1,225	729
Indirect carbon emission (Scope II)	CO2 equivalent – T	13,885	10,885
Total greenhouse gas emissions	CO2 equivalent – T	15,110	11,614
Greenhouse gas emission per ten thousand RMB revenue	CO2 equivalent – T/ten thousand RMB revenue	0.07	**0.07**

Environmental, Social and Governance Report

Waste Reduction at the Source

The Group advocate a work-style reform via saving papers, office stationeries and other office supplies to reduce the use of materials in operation. In recent years, the Group has vigorously promoted paperless office and called on employees to use double-sided printing to avoid wasting paper. We also arrange a "Rear service manager" in the headquarter to urge employees in putting forward the measures related to black and white color printing and double-sided paper.

We collect and record the general and hazardous wastes from the headquarter and its subsidiaries in production and office operation to understand Company's waste reduction progress, such as waste paper, waste scraps, printer cartridges, waste batteries, and food waste. In accordance with the *Measures on Waste Paper Sales of the Subsidiary*, the waste is managed separately and disposed of by a recycling qualified third party. The food and household waste are handed over to the government's Municipal Sanitation Department for central disposal and waste sorting and recycling.



5.3 Green responsible investment

"Accelerating the civilization reform and building a beautiful China." Green finance has developed rapidly in China over the years and is highlighted at national strategic level. OCT (Asia) transforms into an overseas investment and financing platform of the OCT Group with support over green responsible investment and actively participates in and promotes green finance in China. We integrate sustainability principle into investment, and strictly follow the *Interim Measures on Investment Management* and the *Negative List of Investment Projects* in selecting investment projects. Adhering to government planning and industrial policies as the central principles in support of our business development principle "Innovation, coordination, sustainable, open and sharing", upon which applying environmental protection and sustainable development of responsible investment to our daily operations and investment screening criteria. In 2019, we prioritized investment projects that can yield significant environmental and social benefits. After screening, all these investment projects met the compliance requirements and conformed to the government strategy. No forced labor, risky or safety and quality issues shall be tolerated in the investment projects.

Environmental, Social and Governance Report

6. ENGAGE THE EMPLOYEES

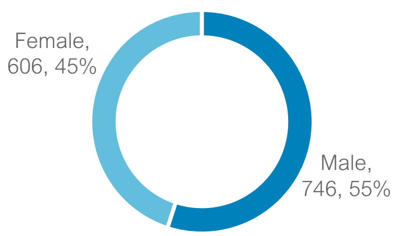
Regarding talents as the key contributors to company's growth, the Group further improved the employment mechanism in 2019, in provision of professional trainings to employees, improvement over safety production management and competitive employees' remuneration and welfare, as to encourage potential in employees as well as to create a healthy, safe, equal and diverse work environment for employees.

6.1 Employment overview

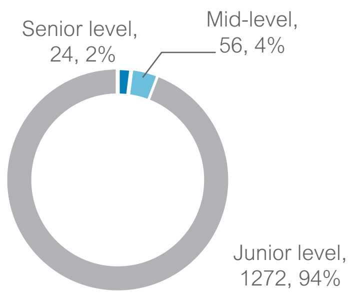
The Group adhered to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of the Minors* and other relevant laws and regulations, as well as the *internal Management Measures on Labor Contract* and the *Management Measures on Employee Recruitment, Transfer, and Dismissal*, that have the recruitment requirements and procedures clearly stated. The signed labor contracts ensure to protecting employees' rights and interest, and inhibiting discrimination in any forms. We prohibit the employment of the underaged and eradicate child labor from the source by collecting personal information such as the proof of identity and the education certificate before the employee's entry. Furthermore, we also require contractors to obey national labor laws and local regulations, ensure that worker is not forced to work overtime, and pay the worker on time and in full amount.

With a target to gradually improve the employment mechanism, we upgrade the internal systems with the revision of the *Measures on Job Grading Management* and the *Measures on Performance Appraisal Management* this year, to clarify and regulate the grading and employees' responsibility. While optimizing foreign employees' evaluation mechanism has improved the foreign employee management system, and further establish a talent pool of foreign employee.

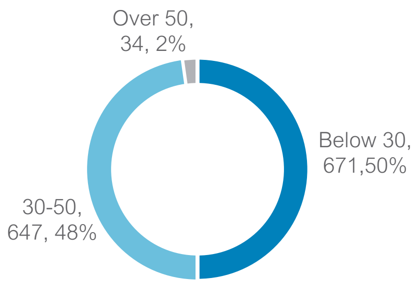
Number of employees by gender



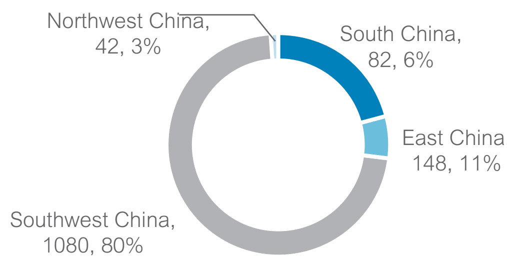
Number of employees by grade



Number of employees by age



Number of employees by region



Environmental, Social and Governance Report

6.2 Emphasis on employee training

Upholding the belief of "People-centric, innovation, appraisal, and excellence", the Group develops a set of employee selection, training and management system in considering of employee's personal development. While we select talents and build echelon in accordance with the *Employee Manual*, the *Human Resources Management Procedures at Headquarters*, and the *Measures on the Implementation of Training Management*, also conduct trainings for talents of different grades and professions, thus providing human resources to facilitate the transformation and expansion of the Group's business.

In 2019, we emphasized on the career development of employees, including assisting them in their professionalization and career planning. We provided professional trainings on investment management, legal risk control and financial management for employees at different grades to comprehensively enhance the professional standard of business and operation management. During the reporting period, OCT (Asia) employees were trained for a total of 6,010 times and 23,295 hours long.

In the future, the Group will continue to implement the appraisal and training system, improve and innovate the human resources management to motivate employees.

A training on positioning logic and key elements of commercial real estate

In May 2019, OCT (Chengdu), a subsidiary of (Asia), conducted a training on positioning logic and key elements of commercial real estate. Since May 2019, OCT (Chengdu) has carried out a series of trainings of business enhancement plan and invited external business partners to share on-site experience. By the end of 2019, OCT (Chengdu) has held 10 business training sessions, with 414 employees attending, in total of 818 training hours.

Employees were receiving business training on commercial real estate

Environmental, Social and Governance Report

Safety awareness education and training

To further improve the Group's production safety management and enhance employees' safety awareness, the OCT (Asia) Safety Commission Office organized a safety awareness education for all employees in June 2019. Not only has it strengthened the communication between employees, but also encouraging all to be aware of the importance of safety operation and understanding occupational safety associated at work to better prevent accidents, while enhanced knowledge related to construction technology, thus the Group's safety and work development were further promoted.

Related transactions and information reporting compliance training

On October 17, 2019, OCT (Asia) carried out compliance training on transactions and reporting disclosure, strengthened employees' expertise in capital market compliance, and promoted the implementation of the capital market compliance system that can secure the Company's business development.

Employees were receiving a compliance training

Risk and control of financial leasing

In October 2019, the OCT (Asia) Risk Control and Compliance Management Department invited professional lawyers from Shanghai AllBright Law Offices (Shenzhen Office) to train all employees. The lawyers analysed the Group's risk control and management measures of financial leasing business from a professional perspective, thus ramping up the Group's ability to effectively prevent and reduce risks.

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6.3 Ensure health and safety of employees

The Group strictly adhered by the *Work Safety Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, the *Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents*, the *Provisions on Production Safety Accident Reporting and Investigation*, the *Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds*, the *Provisions on the Supervision and Administration of Labor Protection Articles*, the *Construction Quality and Safety Management Provisions of Shanghai*, etc., and revised internal control systems in OCT (Asia) such as the *Implementation of Annual Production Safety Appraisal*, the *Measures on Office Security Management* and the *Measures on Production Safety Accident Reporting* in 2019.

Besides, we establish a Safety Production Committee composed of the representatives from various departments to regularly carry out inspections and maintenance of safety facilities, including the fire protection equipment in offices and other managed areas, along with the regular check and assess any of the potential safety hazard. We also give publicity to and organize trainings on employees' safety awareness, as well as summarizing the safety production progress made throughout the year to go with upcoming future plans for ensuring occupational safety. During the reporting period, the number of work-related fatalities and lost days due to work injury of employees in the OCT (Asia) was 0.

In addition, we launch a series of "Production safety month" activity this year to reinforce employees' awareness of production safety, including employee safety trainings and lectures for business executives, safety awareness education and requiring signatory from employees to the Occupational Safety Duty Commitment, etc., thus lay a solid foundation for our future sustainable development.

Apart from occupational safety, we address employees' physical and mental health in observance of the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, the *13th Five-Year Plan on Occupational Diseases Treatment*, and the *Supervision and Management Measures on the "Three Simultaneous" Practice on Occupational Disease Preventive Facilities of Construction Projects* (simultaneous design, construction, and delivery), in parallel with establishing an occupational health monitoring and documentation system, developing the occupational disease prevention and treatment accountability mechanism, and strengthening the promotion, education and training of occupational health to employees.

Environmental, Social and Governance Report

6.4 Employee welfare

The Group complied with the national laws and internal regulations of the Social Insurance Law of the People's Republic of China, the Provisions of Employee Annual Paid Vacation, the Salary Management Measures and the OCT (Asia)'s Employee Manual. In parallel with the Salary Management Measures in OCT(Asia) adjusted in 2019, it clarified the process of employee salary payment. We offer high-quality remuneration and welfare through implementing the Vacation Management Measures to stipulate paid leaves and leave management processes that employees shall entitled to. Besides, we organize physical examination for employees on a yearly basis, register and purchase social insurance and commercial insurance on behalf of employees. While holding various cultural and sports activities, we pay attention to employees' physical and mental health, thus promote mutual understanding and emotional exchange amongst employees to therefore achieve work-life balance.

Employee care measures

- Actively respond to employees' opinions and concerns: assisting in solving the problems of staff dining, dormitory renovation, interest group activities, and purchase of noon break supplies;

- Innovation of staff welfare distribution: cooperating with the delivery platform, providing employees with convenient welfare by picking up goods online and delivering goods door to door;

- Expansion of staff dining area: providing breakfast and lunch services.

Environmental, Social and Governance Report

Various cultural and sports activities for employees

The OCT (Asia) regularly organized various cultural and sports activities for employees, which provided a health platform for employees to compete and exercise, promoted work-life balance and strengthened cohesive force in enterprise.

Employees' Badminton Match

Basketball match of the Company

Fun sport games of the Company

Environmental, Social and Governance Report

7. SERVE THE CUSTOMERS

The Group focuses on providing customers with top-notch services and products with service system advancement to ensure smooth communication channels with customers, as well as timely response to customers' concerns and opinions that foster long-term relationships between us. In addition, we regularly review internal policies and systems in order to protect our customers' rights and privacy and to provide them with high standards of service and products at all times.

7.1 Listen to customers' needs

The Group prioritizes to the needs of customers and follow through the principle of "Customers first, devoted services, aligned practice, and full precaution" for after-sales service. Complaint channels are established for the convenience and efficiency, whilst adopt the management modes of real-time feedback on handling progress and classifying complaints, etc., to effectively address customers' complaints in a fair, just, reasonable, and professional manner.

Also, the subsidiaries establish internal policies, including *OCT Chengdu Client Complaint Handling Policy, OCT Chengdu Client Compensation Policy* and *OCT Shanghai Client Complaint Handling Guidelines*. Complaints are classified into four grades according to risk assessment and concerning level of customer. Any received complaints should proceed to the process in response to the feedback from customers within a week. Whereas the Customer Service Center records and analyzes complaints then presents a report to the Group on a monthly basis.

As to enhance customer service quality, the subsidiaries establish internal policies on customer relation management alongside a customer service system and support team. For example, OCT Chengdu launches a customer service center and official WeChat account to send notices and greetings to customers, as well as organizes regular OCT Club activities such as calligraphy and tea party, and offers festive rewards such as free movie tickets and point redeem, and more.

Award ceremony of the photography competition organized by Chengdu OCT Club for owners

Environmental, Social and Governance Report

7.2 Protect the rights and interests of customers

The Group places high value on protecting the personal information of customers. In order to regulate measures and procedures over the handling and protection of customers' personal information, we issue the *Client Privacy Protection Measures* and the *Policy on Property Owner Privacy Protection* in parallel with regular theme training to relevant employees, and require signatory to strictly adhere to the *Confidentiality Statement* by withholding customers' personal information.

7.3 Ensure product quality

In order to ensure the safety of products and maintain the our credibility, we strictly abode by the laws and regulations of the *Construction Law of the People's Republic of China* and the *Fire Control Law of the People's Republic of China*, and take various measures in product design, construction, delivery and maintenance to ensure that the customers can settle in safely.

Design phase

The Group requires design institutes with relevant service qualifications obtained before the practice. The senior executives of each subsidiary hold accountability for and undertake responsibilities over the final quality and safety of its construction projects without sub-contracting its business. Professional technicians such as survey engineers shall also practice within the qualified scope with relevant qualifications obtained, and liable to the project quality and safety.

Construction phase

The Group requires its subsidiaries to conduct monthly safety inspections during construction, including detailed records of various safety hazards such as safety systems, fire safety, electricity safety, special safety and environmental sanitation, and carry out rectification and follow-up. The Safety Committee sends Safety Risk Notice to contractors that violate safety regulations and demands the correction in a specified period.

Delivery phase

The Group continuously optimizes delivery process, reduces delivery risks, and improves delivery quality. Before residential project delivery, the project team should ensures the completion of inspection per unit by the local administrative authorities, and sets up cross-department risk inspection team to conduct internal check, record risks and take countering measures. Projects without completing a acceptance/completion record (according to purchase contract and local administrative regulations) or a fire inspection/record cannot be delivered.

Maintenance phase

The Group pays equal attention to after-acceptance processes such as interior maintenance, supporting facility improvement and renovation to ensure efficiency and quality aligned with customer expectations. The *OCT Shanghai Engineering Maintenance Operation Guidelines* specified that the constructor conducts maintenance right upon identification of problems, and works with the property management company, the Engineering Department and the Customer Service Department to collect evidence of liability and determine accountable party. After completing the maintenance, the accountable party shall bear the corresponding liability upon the results jointly confirmed by all parties.

Environmental, Social and Governance Report

8. CONTRIBUTE TO OUR COMMUNITY

The Group adheres to the concept of "Quality product for the well-beings of people", using cutting-edge technology to pass on and revitalize multicultural heritage aligning with economic development in the community projects. In addition, we and our employees actively engage in public welfare activities and poverty alleviation work to help others and promote community cohesion. We demonstrate our social responsibility by upholding cultures and helping the poor to overcome poverty and share prosperity.

8.1 Response to challenges and fight against the pandemic

COVID-19 broke out in late-2019. As a State-owned Enterprise, OCT (Asia) attaches great importance to the infection prevention and control measures of pandemic to fight against the pandemic in order to fulfill our social responsibility.

The Group establishes a Pandemic Control Working Group to define responsibilities of different department representatives and develop relevant emergency plans and work measures for the infection prevention and control of pandemic. Subject to quarantine and inspection period, we draft a Surveillance List according to employees' nationality and last 14 days of travel history, and allow employees from or have been to the outbreak region to be remained situated in the region until 14 days of self-quarantine and shall with normal body temperature before resuming work. While a temporary single isolation room is set up by the Company for returning employees from outbreak areas. In terms of the health protection of employees, we prepare rapid infrared temperature detectors, disinfectant fluid, masks and other materials for the infection prevention and control of pandemic. Meanwhile, a training along with health education are also provided for all employees before returning to work as to equip employees with prevention knowledge. The above infection prevention and control measures of pandemic for employees can ensure resuming work on the premise of safety and health.

As per our resumption of work, we deploy measures of health inspection and prevention for employees at work. For the health inspection, all employees deem necessary to measure body temperature, wear masks, and disinfect their hands before entering the office. Employees with suspected symptoms shall stay home for observation or seek for treatment. During work, we recommend that all departments and the subsidiaries to adopt online communication, video or conference call, and postpone business trips, site visits and other activities to reduce the risk of social contact and virus transmission. Packed lunches are arranged for the employees and employees shall clean and place their utensils at designated locations after meals. Each department assigns a specific management personnel to understand and record the physical conditions of the employees and their family members in the department, and the statistical record must be reported to the Safety Commission Office on a regular basis. The offices maintain air circulation at all the time along with the disinfection and sanitization for better prevention and control.

We believe that a series of prevention and control measures can effectively ensure the safety and health of employees in together fighting against the pandemic. We also call on employees, especially party members and cadres, to show their care through donation. We donate the funds to charity organization for the purchase of corresponding medical supplies and make our humble effort to fight against the pandemic.

Environmental, Social and Governance Report

8.2 Aim at Poverty alleviation and public welfare

OCT (Asia) always regard "Social responsibility" as a key approach of corporate development strategy. In response to the government's call, we carry out public welfare activities to alleviate poverty that promote social cohesion and development.

Alleviate poverty and be a responsible corporate

In response to the call of the OCT Group, the Group participates in poverty alleviation through "Six major approaches", including poverty alleviation through talent development, care funding, promoting tourism, providing immediate supports, and safeguarding cultures, that leads the whole to participate in poverty alleviation.

Based on the requirement of the "Four ones" project mentioned in the OCT Group's Poverty Alleviation Conference, we held a thematic working group to study on poverty alleviation and determine an annual plan for the Group to jointly alleviate poverty with follow-up supports. In 2019, with the theme of "Embracing hope, dreaming and forwarding", we went to Mujie Village, Bagong Town and Sansui County as targeted by the OCT Group to launch a care donation for the village, including the signing ceremony with Mujie Village, Bagong Town, Sansui County, and the donation of a total of RMB50,000 for poor families. We organized a ceremony of the collaboration with Mujie Primary School and donated 120 sets of single school desks and chairs and 3,000 books to students. We acted out to support education in the area through organizing interactive activities such as the push and pull and the painting, we encouraged communication after class between teachers and students. In addition, we cooperated with local private enterprises via taking "Fund + equity" investment approach to demonstrate our social responsibility as a Central State-owned Enterprise.

The volunteer service team actively participates in poverty alleviation activities

We will continue our 16 years of efforts to explore characteristic ways in our greatest efforts to alleviate poverty. In particular, we are planning to expand the market in Sansui county to lead the community towards becoming a business center in Guizhou province that can derive economic and social benefits to the society as a whole.

Environmental, Social and Governance Report

8.3 Unite community and safeguard cultures

In the name of cultural inheritance and community solidarity, the Group actively promotes urban renewal with cultural interpretation to develop a creative industry through technological application that embraces cultural heritage protection. It enriches the cultural life of the community and enhances the sense of belonging and unity within the community.

Represent the historical culture

In 2019, the Shanghai Suhewan project themed under cultural heritage and urban revival drew substantial attention within communities. Its revitalization and restoration of the Shanghai General Chamber of Commerce Building and the classic Bvlgari Hotel are the highlights of the project. With the top-notch craftsmanship, the Shanghai General Chamber of Commerce Building, which witnessed the prosperity of China's industry and commerce, has preserved its historic appearance, including exquisite mosaic floors, wooden stairs, floral railings, etc. After the opening, we launched press conferences for various luxury brands to tell the story of the revitalized building. In addition, the building is now open to the public with an exhibition hall sets up for the showcase of the repair process that reflects our attentiveness to details along with the pursuit of high repair standards and procedures, thus showing our brand positioning and professional image to pursue "Wholeness, authenticity and sustainability". Whereas the Bvlgari Hotel's architectural space retains classic elements, including Roman travertine and Venetian stucco walls, with the present of water landscape that echoes with the greenery.

Apart from obtaining a "Three-Star Green Building Certification" of the Shanghai General Chamber of Commerce Building, the Bvlgari Hotel won the outstanding award of "China Real Estate International Design Award". Not only the awards have expressed an appreciation on the project, but also the recognition and affirmation for our efforts to develop cultural industry. The overall project adds commercial value to the community, also encourage culture inheritance within the community via revitalization to bring the building back to life and promote people's sense of belonging within community and to the country.

In addition, we launches 100 plans of beautifying the village along with the OCT Group. Upon the government's call for rural revitalization, we look forward to building an effective platform that incorporates resources and the synergistic advantages amongst parties to revitalize the villages. The plans are dedicated to establishing cultural tourist attractions and supporting facilities through exploring local folk culture. Amongst the plans, Villagers in Zhongliao Village are encouraged to self-weaving a Brocade that create self-employment and earn a living while attracting tourists by its cultural uniqueness, as well as sharing the benefits of rural revitalization and cultural inheritance.

Environmental, Social and Governance Report

Innovative Cultural Inheritance

The *Guiding Opinions on Promoting the Deep Integration of Technology with Culture* issued by the government outlines the objectives of integrating cultural industries with scientific and technological innovation that reflects the social expectations for such development trend. As to fully implement the national strategy alongside the brand positioning of the OCT Group, we search for the possibility of integrating culture with technology in the investment projects and activities under our cultural development.

- Shenzhen OCT-LOFT as a creative hub with a cluster of culture, creativity and technology, organized community activities. Amongst the activities, the 4th OCT Phoenix Flower Carnival explores the connection between people and cities through the lens of culture and art under the "Nature unity" theme.

- With the idea of "Revitalizing Konka", our subsidiary, Konka Group, establishes a Konka Star Incubation Platform at the OCT-LOFT in parallel with a laboratory set up for assisting the collaboration with other international innovation centers and teams to develop 5G and information technology. In the near future, our technology is to be expected to concentrating cultural resources that build a global connection for cultural and creative industries.

9. 2020 VISION

A look back at 2019, while the Group was actively transforming and developing its business, it also adhered to the goal of sustainable development and placed corporate social responsibility in different issues. Going forward, we will continue to adhere to the concept of sustainable development, resolutely face the ever-changing challenges to take the opportunities and move forward, and be the "Quality life creator" to uphold the ESG principles into practice. For the business, we will provide consistent high-quality products and services, continuously upgrade the investment and financing platforms by applying sustainability principle into business plans. While ensuring the economic benefits, we will give priority to investment projects that can yield significant environmental and social benefits.

Care for the environment and bring forward a sustainable development

- We will continue to adopt the concept of sustainable development to environmental management, production operation, provision of products and services that strictly abide by relevant environmental laws and regulations.

- We will advocate sustainability principle in the workplace, and apply our green practices to the departments in support of energy conservation, consumption and waste reduction at the source to adopt the green office model.

- While screening the investment projects, we will combine sustainability principle with investment business that shall meet the compliance requirements as well as further derive economic and social benefits to the society as a whole.

Environmental, Social and Governance Report

Care for employees and create a healthy, safe, equal and diverse work environment

- We will further improve the employment and human resources management by conducting various professional trainings for employees, and enhance the comprehensiveness of our professional business and operation management.

- Complying with relevant laws and regulations, we will conduct regular inspections and maintenance of facilities, and promote safety awareness through publicity, education, and trainings.

- As we care for the well-being of our employees, we will offer competitive remuneration and welfare, and provide diverse of cultural and sport activities to enhance communication and understanding among employees.

Serve customers and provide high-quality services and products

- We will emphasis on providing high-quality services and products for customers in response to the feedbacks and opinions collected through the communication channels to assist the needs of our customers.

- In observance of the Confidentiality Statement, we will manage the personal information to protect the rights and interests of customers.

- We will undertake various measures in phases of design, construction, delivery, maintenance to ensure every phase is in compliance with relevant laws and regulations that ensure product quality.

Give back to society and promote social integration

- Utilizing technology to uphold the cultural interpretation and inheritance, that will enrich the cultural life and unite people within the shared community.

- We will reach out and support the poor to overcome poverty and share prosperity as demonstrate our social responsibility.

Summarizing the past, we insisted on fulfilling our responsibilities and commitments to the society from fully harnessing the advantages of our brand, funds and resources, in parallel with launching our business to take the emerging opportunities in sustainable development. Going forward, we will continue to accelerate sustainable development through a strategic positioning, and with development model of "Investing on a business ecosystem with the integration of comprehensive development + urbanization" to face ESG challenges.

Environmental, Social and Governance Report

APPENDIX I LIST OF POLICIES

ESG KPI	External laws and regulations	Internal policies of OCT (Asia)
A1 Emissions	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control at Atmospheric Pollution Water Pollution Prevention and Control Law of the People's Republic of China Urban and Rural Planning Law of the People's Republic of China Construction Law of the People's Republic of China	Corporate Vehicle Management Measures Construction Basic Procedures
A2 Use of Resources	Regulation on Energy Conservation in Civil Buildings	Corporate Vehicle Management Measures Construction Basic Procedures Measures on Waste Paper Sales of the Subsidiary
A3 Environment and Natural Resources	N.A.	Construction Basic Procedures
B1 Employment	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Tax Law of the People's Republic of China Social Insurance Law of the People's Republic of China Employment Promotion Law of the People's Republic of China Payment of Wages Tentative Provisions	Employee Manual Management Measures on Employee Recruitment, Transfer, and Dismissal Measures on Labor Contract Management Salary Management Measure Measures on the Implementation of Training Management Employee Work Attendance Management Measures Vacation Management Measures Employee Rewarding and Punishment Measures Post Ranking and Recruitment Management Procedures Salary Management Measures Measures on Performance Appraisal Management Provisions of Employee Annual Paid Vacation Measures on Job Grading Management

Environmental, Social and Governance Report

ESG KPI	External laws and regulations	Internal policies of OCT (Asia)
B2 Health and Safety	Work Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China Emergency Response Law of the People's Republic of China Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents Regulation on Work-Related Injury Insurances Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds Provisions on the Supervision and Administration of Labor Protection Articles Construction Quality and Safety Management Provisions of Shanghai Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases Labor Law of the People's Republic of China	Safety Production Management Accountabilities Measures for the Implementation of Production Safety Annual Appraisal Measures on Office Security Management Measures on Production Safety Accident Reporting
B3 Development and Training	N.A.	Employee Manual Human Resources Management Procedures Measures on the Implementation of Training Management Self-evaluation for Internal Management Control Procedures Human Resources Management Procedures at Headquarter
B4 Labor Standards	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Law of the People's Republic of China on the Protection of the Minors Provisions on the Prohibition of Using Child Labor	The Group hires staff with education background of higher degree or above and certain work experience, and requires newly recruits to provide proof of identity and education certificate to prevent child labor and the underaged employment from the source.

Environmental, Social and Governance Report

ESG KPI	External laws and regulations	Internal policies of OCT (Asia)
B5 Supply Chain Management	The Bidding Law of the People's Republic of China	Bidding and Procurement Management Measures Software Rights Infringement Handling Guidelines Assets Ledger Software Guidelines
B6 Product Responsibility	Law of the People's Republic of China on Consumer Rights and Interests Construction Law of the People's Republic of China Advertising Law of the People's Republic of China Patent Law of the People's Republic of China Law of the People's Republic of China on Consumer Rights and Interests Opinions of the General Office of the State Council on Promoting the Sustainable and Healthy Development of Construction Industry Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings Opinions on Promoting the Modernization of Housing Industry and Improving Housing Quality	Policy on Property Owner Privacy Protection Client Privacy Protection Measures Client Relation Management Guidelines Policy on Insider Information Confidentiality Measures on Connected Transactions Management of the Subsidiary Policy on Contract Management Software Rights Infringement Handling Guidelines Assets Ledger Software Guidelines Confidentiality Statement

Environmental, Social and Governance Report

ESG KPI	External laws and regulations	Internal policies of OCT (Asia)
B7 Anti-Corruption	Anti-Corruption and Bribery Law of the People's Republic of China Anti-Money Laundering Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Interim Provisions on Banning Commercial Bribery Anti-Monopoly Law of the People's Republic of China	Bidding and Procurement Management Measures Inspection Work Regulations Measures on Persuasion and Admonition for Leading Cadres (Interim) Handling Measures on Registration and Handling Procedures for Gifts Received in Public Affairs Discipline Inspection and Complaint Letters Handling Procedures Policy on Discipline Inspection and Case Investigation Meeting Measures on Reporting Corruption Cases to the Discipline Inspection Committee (Trial) Policy on Illegal Operation Liability
B8 Community Investment	Charity Law of the People's Republic of China	The Group is currently practicing public services through targeted poverty alleviation and local volunteer activities, and promotes community development through investment. Interim Measures on Investment Management Risk Management Procedures Policy on Risk Management Measures on Post-investment Management Negative List of Investment Projects

Environmental, Social and Governance Report

APPENDIX II LIST OF KEY PERFORMANCE

ESG Indicator	Item	Measurement Unit	2019 Data	2018 Data
A. Environment				
A1.1	**The types of emissions and respective emissions data**			
	Nitrogen oxide (NOx)	kg	109.56	353.00
	Sulfur oxide (SOx)	kg	0.59	0.70
	Particulate matter emission	kg	10.48	34.00
	Total emissions per ten thousand RMB revenue	kg/ten thousand RMB revenue	0.0006	0.0024
A1.2	**Total Greenhouse gas emissions and intensity**			
	Direct carbon emission (scope I)	CO2 equivalent – T	1,225	729
	Indirect carbon emission (scope II)	CO2 equivalent – T	13,885	10,885
	Total greenhouse gas emissions	CO2 equivalent – T	15,110	11,614
	Greenhouse gas emission per ten thousand RMB revenue	CO2 equivalent-T/ ten thousand RMB revenue	0.07	0.07
A1.3	**Total hazardous wastes produced**			
	Waste fluorescent tubes	Piece	35	25
	Waste printer cartridges	Piece	124	130
	Waste batteries	Piece	128	106
	Waste ink	Piece	73	42
	Total hazardous waste produced per ten thousand RMB revenue	Piece/ten thousand RMB revenue	0.0017	0.0019

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ESG Indicator	Item	Measurement Unit	2019 Data	2018 Data
A1.4	**Total hazardless wastes produced**			
	Household wastes	Ton	7.19	7.49
	Kitchen wastes	Ton	4.50	4.70
	Total household and kitchen wastes per ten thousand RMB revenue	Ton/ten thousand RMB revenue	0.000056	0.000077
	Dust	Ton	3.90	3.50
	Construction wastes	Ton	272	229
	Fit-out wastes	Ton	70	167
	Total construction wastes per ten thousand RMB revenue	Ton/ten thousand RMB revenue	0.0017	0.0025
	Waste stationeries	Ton	0.05	0.03
	Waste office papers	Ton	0.20	0.25
	Waste glass bottles	Piece	35	21
	Waste plastic bottles	Piece	6,893	5,671

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ESG Indicator	Item	Measurement Unit	2019 Data	2018 Data
A2.1	**Total energy consumption and intensity**			
	Overall energy consumption	Ton of standard coal	2,696	1,447
	Overall energy consumption per ten thousand RMB revenue	Ton of standard coal/ ten thousand RMB revenue	0.013	0.009
	Gasoline consumption	Liter	36,302	44,656
	Gasoline consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	0.18	0.28
	Diesel consumption	Liter	3,369	2,562
	Diesel consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	0.016	0.016
	Natural gas consumption	Liter	523,250.91	28.55
	Natural gas consumption per ten thousand RMB revenue	Liter/ten thousand RMB revenue	2.53	0.00018
	Outsourced electricity	kWh	16,164,691	11,346,710
	Outsourced electricity per ten thousand RMB revenue	kWh/ten thousand RMB revenue	78.0	71.6
A2.2	**Water consumption and intensity**			
	Total water consumption	Ton	350,110	19,183
	Water consumption per ten thousand RMB revenue	Ton/ten thousand RMB revenue	1.69	0.12

Environmental, Social and Governance Report

ESG Indicator	Item		Measurement Unit	2019 Data	2018 Data
B. Society					
Employee and Labor Practices					
	Total employees		Person	1,352	1,735
	Gender	Male	Person	746	1,018
		Female	Person	606	717
	Employment Type	Senior	Person	24	34
		Middle	Person	56	65
		Junior	Person	1,272	1,686
	Age	Under 30	Person	671	741
		30-50	Person	647	870
		Over 50	Person	34	124
	Region	China Southern	Person	82	359
		East China	Person	148	109
		Southwest China	Person	1,080	1,249
		Northwest China	Person	42	18
B2.1	**Number of work-related fatalities**				
	Number of fatalities		Person	0	0
	Work injury		Time	1	10
B2.2	**Lost days due to work injury**				
	Total days		Day	0	184
B3.1	**Number of employees trained (by gender and employee type)**				
	Total employees trained		Person time	6,010	6,941
3.2	**Employee training hours (by gender and employee type)**				
	Total training hours		Hour	23,295	15,632
	Average training hours		Hour	3.9	2.3

Environmental, Social and Governance Report

ESG Indicator	Item	Measurement Unit	2019 Data	2018 Data
Operating Practices				
B6.2	**Number of products and service related complaints received**			
	Customer service	Time	1,291	522
	Construction	Time	686	258
	Sales	Time	133	86
	Design	Time	1	16
	Commerce	Time	61	64
	Property management	Time	133	86
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period**			
	Number of legal cases regarding corrupt practices	Case	0	**0**

Notes:

1. In 2019, the full-year ESG data covered office operation, property management, investment, some hotels and theme parks of OCT (Asia). The statistical scope included the Group Headquarter and its three subsidiaries: OCT Shanghai, OCT Chengdu and OCT Xi'an. Amongst the subsidiaries, the statistical scope of OCT Shanghai in 2019 newly increased hotel operation than that of 2018, and the statistical scope of OCT Chengdu newly increased the operation of Happy Valley than that of 2018, therefore the relevant waste, energy consumption, water consumption and carbon emission have comparatively changed to certain extend.

2. Carbon emissions only refer to carbon dioxide emissions, excluding greenhouse gases such as methane and nitrous oxide emitted by other emission sources.

3. Based on the business content of OCT (Asia), the exhaust emissions generated during its operation, including oxynitride, sulfur oxide, and other pollutant emissions regulated by national laws and regulations, were not significant, mainly from fuel consumption of official cars.

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4. According to the business nature and actual operation of OCT (Asia), the waste was mainly from property operation projects and office environment, no waste in the *Directory of National Hazardous Wastes of the People's Republic of China*.

5. According to the standard of ISO 14064 Greenhouse Gases, direct greenhouse gas ("GHG") emissions (Scope 1) include direct GHG emissions from sources that are owned or controlled by the organization, such as emission from its own transportation vehicles; indirect greenhouse gas emissions (Scope 2) include direct GHG emission that result from indirect emission sources, such as indirect GHG emissions caused by the purchase of electricity.

6. Carbon-dioxide was calculated according to Appendix 2: Reporting Guidance on Environmental KPIs of the How to Prepare an ESG Report issued by the Stock Exchange and the National Development and Reform Commission's Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Enterprises of Other Industries (Trial), in which the outsourced electricity emission factors were obtained from the power grids of China Southern, Central China, East China and Northwest China in the region (Based on Appendix 2: Reporting Guidance on Environmental KPIs).

7. The converted total energy consumption from electricity, diesel, gasoline and natural gas was calculated according to the *General Principles for Calculation of Total Production Energy Consumption* (GB2589-2008) (unit: ton of standard coal equivalent).

Environmental, Social and Governance Report

APPENDIX III ESG GUIDE INDEX

ESG KPI	Contents	Section of the report/statement
A. Environment		
A1 Emissions	General disclosure	Chapter 5 Care for the Environment
	A1.1 The types of emissions and respective emissions data.	Appendix II List of Key Performance
	A1.2 Total greenhouse gas emissions and intensity.	Appendix II List of Key Performance
	A1.3 Total hazardous waste produced and intensity.	Appendix II List of Key Performance
	A1.4 Total hazardless waste produced and intensity.	Appendix II List of Key Performance
	A1.5 Description of measures to mitigate emissions and results achieved.	Chapter 5 Care for the Environment
	A1.6 Description of how hazardous and hazardless wastes are handled, reduction initiatives and results achieved.	Chapter 5 Care for the Environment
A2 Use of Resources	General disclosure	Chapter 5 Care for the Environment
	A2.1 Direct and/or indirect energy consumption and intensity by type.	Appendix II List of Key Performance
	A2.2 Water consumption in total and intensity.	Appendix II List of Key Performance
	A2.3 Description of energy use efficiency initiatives and results achieved.	Chapter 5 Care for the Environment
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Chapter 5 Care for the Environment
	A2.5 Total packaging material used for finished products and per unit produced.	Due to the adjustment of the Group's business scope, paper packaging business is no longer involved, so the indicators in A2.5 are not applicable.
A3 Environment and Natural Resources	General disclosure	Chapter 5 Care for the Environment
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Chapter 5 Care for the Environment

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ESG KPI	Contents	Section of the report/statement
B. Society		
Employee and Labor Practices		
B1 Employment	General disclosure	Chapter 6 Engage the Employees
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Appendix II List of Key Performance
	B1.2 Employee turnover rate by gender, age group and geographical region.	Appendix II List of Key Performance
B2 Health and Safety	General disclosure	Chapter 6 Engage the Employees
	B2.1 Number and rate of work-related fatalities.	Appendix II List of Key Performance
	B2.2 Lost days due to work injury	Appendix II List of Key Performance
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Chapter 6 Engage the Employees
B3 Development and Training	General disclosure	Chapter 6 Engage the Employees
	B3.1 The percentage of employees trained by gender and employee category.	Appendix II List of Key Performance
	B3.2 The average training hours completed per employee by gender and employee category.	Appendix II List of Key Performance
B4 Labor Standards	General disclosure	Chapter 6 Engage the Employees
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Chapter 6 Engage the Employees
	B4.2 Description of steps taken to eliminate such practices when discovered.	Chapter 6 Engage the Employees

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ESG KPI	Contents	Section of the report/statement
Operating Practices		
B5 Supply Chain Management	General disclosure	
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Chapter 4 Our Governance Responsibility
B6 Product Responsibility	General disclosure	Chapter 4 Our Governance Responsibility Chapter 7 Serve the Customers
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix II List of Key Performance
	B6.2 Number of products and service related complaints received and how they are dealt with.	Appendix II List of Key Performance
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Chapter 4 Our Governance Responsibility
	B6.4 Description of quality assurance process and recall procedures.	Chapter 7 Serve the Customers
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Chapter 7 Serve the Customers
B7 Anti-Corruption	General disclosure	Chapter 4 Our Governance Responsibility
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix II List of Key Performance
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Chapter 4 Our Governance Responsibility
Community investment		
B8 Community investment	General disclosure	Chapter 8 Contribute to Our Community
	B8.1 Focus areas of contribution.	Chapter 8 Contribute to Our Community
	B8.2 Resources contributed to the focus area.	Chapter 8 Contribute to Our Community

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. Its registered office and principal place of business are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, Cayman Islands and 59/F., Bank of China Tower, 1 Garden Road, Hong Kong, respectively.

Principal Activities and Business Review

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in the comprehensive development business, equity investment and fund business as well as finance lease business.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 5 to 25 of this annual report. A summary of the principal risks faced by the Group is set out in the section headed "Corporate Governance Report" of the annual report on pages 38 to 44. This discussion forms part of this "Directors' Report".

Results and Distributions

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 122 to 123.

The Board has adopted a dividend policy (the "Dividend Policy") to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions. There is no guarantee or assurance that dividends of any amount will be declared or distributed in any given period and the Company does not have a predetermined dividend payout ratio. The declaration, payment and form of dividends are at the absolute discretion of the Board, and the final dividend to be declared shall be subject to the approval of the Shareholders, memorandum and articles of association (the "Articles") of the Company, the laws of Cayman Islands, any other applicable laws and regulations, and the provision of this Dividend Policy.

The Board in determining the level of dividends will consider factors including: 1. distributable profits; 2. earnings; 3. current financial position; 4. capital requirements and expense planning; 5. past financial performance; 6. past and forecasted cash flows; 7. business status and strategies; 8. future operations and profitability; 9. shareholder interests; and 10. restrictions on dividend payments (including contractual restrictions, such as restrictions stipulated in any financing agreements). Subject to Shareholders' approval at a general meeting and to the relevant laws and regulations of the PRC, any applicable rules and regulations, and the Articles, and after taking consideration of the factors above, the Company may also declare interim dividends, final dividends, special dividends and/or any distributions that are considered appropriate by the Board in addition to the annual distributions. The Board will review the Dividend Policy from time to time.

Subject to the above, the Directors proposed the distribution of a dividend of HK1.25 cents per ordinary share for the year ended 31 December 2019 (2018: HK22.00 cents per ordinary share).

Financial Statements

The profit of the Group for the year ended 31 December 2019 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 122 to 242.

Directors' Report

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER

The register of members of the Company will be closed from 16 June 2020 to 19 June 2020 (both days included), for the purpose of determining the list of shareholders entitled to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 June 2020.

The Board proposes the payment of a final dividend (the "Final Dividend") of HK1.25 cents per share to shareholders whose names appear on the register of members of the Company on 30 June 2020. The register of members will be closed from 26 June 2020 to 30 June 2020, both days included. The proposed Final Dividend is expected to be paid on 9 July 2020. The payment of the Final Dividend shall be subject to the approval of the shareholders at the Annual General Meeting to be held on 19 June 2020. In order to be qualified for the proposed Final Dividend, shareholders shall deliver share certificates together with transfer documents to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 24 June 2020.

TRANSFER TO RESERVES

Profit attributable to the Shareholders of before payment of dividends of approximately RMB28 million (2018: approximately RMB570 million) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and note 29 to the consolidated financial statements.

FIXED ASSETS

During the Period under Review, the Group invested approximately RMB486 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

As of 31 December 2019, the total number of the issued ordinary shares of the Company was 748,366,000 shares, which is equal to the number of the prior year.

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2019 amounted to RMB2.396 billion.

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the Articles or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not purchased its own listed shares during the Period under Review. During the Period under Review, save as disclosed in this report, the Company or any of its subsidiaries has not purchased or sold or redeemed any listed shares of the Company.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In implementing green development and operations, the Group has always adhered to the principles of development of "Innovation, Coordination, Green, Open and Sharing", integrating the concept of sustainable development into environment management, production, daily operation and project investment. In recent years, we focused on the comprehensive development business and investment in the new urbanisation industrial ecosphere business. As we adjust principal business and structure, we also continuously update and improve the environmental management system, facilitating green development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2019, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

Directors' Report

DIRECTOR

The Directors during the year were as follows:

Executive Directors:

Mr. He Haibin *(Chairman)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Non-executive Director:

Mr. Zhang Jing

Independent Non-executive Directors:

Mr. Lu Gong (retired on 19 June 2019)
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon
Mr. Chu Wing Yiu (appointed on 19 June 2019)

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

PERSONAL BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Personal biographies of Directors and senior management are set out on page 26 to 29.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business other than the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2019 and up to and including the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below, as at 31 December 2019, no interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules:

Name of Directors	Capacity/Nature	Class of shares	Number of shares held	Approximate percentage of issued share capital of the Company
Lam Sing Kwong Simon	Beneficial owner	Ordinary shares	1,000,000	0.13%

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2019, to the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which should be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long and Short Positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of shares	Approximate percentage of shareholding
Pacific Climax Limited ("Pacific Climax") *(note 1)*	Beneficial owner	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(note 2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(note 3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(note 4)*	530,894,000 (long position)	70.94%

Notes:

(1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 ordinary shares. Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Ms. Xie Mei, being an executive Director, and Mr. Zhang Jing, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the beneficial owner of 47.01% of the issued shares of OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 31 December 2019, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Directors' Report

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	9.2%	
Five largest customers in aggregate	17.1%	
The largest supplier		14.1%
Five largest suppliers in aggregate		26.3%

At no time during the year have the Directors of the Company, their associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the share capital of the Company) had any interest in the Group's five largest suppliers or customers.

Connected Transactions

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 28 December 2016, the Company and OCT Group entered into a cartons sale and purchase agreement for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Cartons Sale and Purchase Agreement"). Pursuant to the Cartons Sale and Purchase Agreement, the Group has agreed to sell cartons and other paper products to OCT Group and its associates. The exact amount of products to be sold and the selling price will be determined by OCT Group and/or its associates and the Group on each sale transaction with reference to the prevailing market prices of the products.

   OCT Group is the holding company of OCT Ltd. and holds approximately 47.01% interests in OCT Ltd. as at the date of this annual report. OCT Ltd. owns 100% equity interest in OCT (HK), which in turn owns 100% equity interests in Pacific Climax, which is a controlling shareholder of the Company. Accordingly, each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Cartons Sale and Purchase Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

2. On 28 December 2016, OCT Shanghai Land entered into a property management agreement with Shanghai branch office ("OCT Property Service Shanghai Branch") of Shenzhen Overseas Chinese Town Property Service Company Limited (深圳市華僑城物業服務有限公司) ("OCT Property Service") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Agreement"). Pursuant to the Property Management Agreement, OCT Property Service Shanghai Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project, the management fees payable will be calculated based on the actual areas that are managed, and the labour costs to be incurred by OCT Property Service Shanghai Branch. The parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Shanghai Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

3. On 28 December 2016, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electrical and Mechanical Services Consultation Agreement"). Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project. The consultation fees under the Electrical and Mechanical Services Consultation Agreement will be calculated based on the labour costs payable by OCT Electricity. The parties shall enter into separate consultation contracts for the consultation services that would be provided by OCT Electricity which shall specify the payment arrangement for the consultation fees.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

4. On 28 December 2016, Chengdu OCT entered into a property management framework agreement with Chengdu branch office of OCT Property Service ("OCT Property Service Chengdu Branch") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Framework Agreement"). Pursuant to the Property Management Framework Agreement, OCT Property Service Chengdu Branch will provide property management services to Chengdu OCT in relation to Chengdu OCT's project in Chengdu. The management fees payable under the Property Management Framework Agreement will be calculated based on the actual areas that are managed and the manpower that has been employed by OCT Property Service Chengdu Branch, and the parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Chengdu Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Chengdu Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

5. On 28 December 2016, Chengdu OCT entered into an electricity consultation services agreement with OCT Electricity Chengdu Branch with a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electricity Consultation Services Agreement"), pursuant to which, OCT Electricity Chengdu Branch will provide, among others, daily and regular inspection, maintenance and management service to Chengdu OCT, its subsidiaries and branches in relation to certain electricity facilities in properties in the operating areas of Chengdu OCT and provide consultation services to Chengdu OCT, its subsidiaries and branches in relation to professional electricity supply skills and related business and the plan of constructing an electricity monitoring system of Chengdu OCT. The fees for the services will be determined by the parties by way of negotiation with reference to the prevailing market prices at the time of provision of such services and shall be paid on a quarterly basis.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. OCT Electricity Chengdu Branch is a branch office of OCT Electricity. Therefore, the arrangement of the said Electricity Consultation Services Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

6. On 28 December 2016, Chengdu OCT entered into a theme show framework agreement with Shenzhen Overseas Chinese Town International Media and Performance Company Limited (深圳華僑城國際傳媒演藝有限公司) ("OCT International Media") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Theme Show Framework Agreement"), pursuant to which, OCT International Media, its subsidiaries and branches agreed to (1) provide planning, costumes design and production, and consultation services etc. to Chengdu OCT for new projects in the future; (2) be fully responsible for the improvement, amendment and other works of Paradise Ethos; (3) complete the improvement and modification works for the existing performance projects in the Theme Park of Chengdu OCT, including but not limited to, scene play, theatre party, float parade, festival performance, etc.; and (4) assist Chengdu OCT to complete other performance works. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

   OCT International Media is an indirect wholly-owned subsidiary of OCT Ltd., and hence, OCT International Media is a connected person of the Company. Therefore, the arrangement of the said Theme Show Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

7. On 28 December 2016, Chengdu OCT entered into a framework agreement with Konka E-display Co., Ltd (康佳壹視界商業顯示有限公司) ("Konka E-display") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Konka Framework Agreement"). Pursuant to the Konka Framework Agreement, Chengdu OCT, its subsidiaries and branches agreed to purchase and Konka E-display agreed to supply the LED equipment, television and other electronic products and services to Chengdu OCT.

   OCT Group directly owns approximately 21.75% of the total issued share capital of Konka Group, and has gained control over the majority of its board. Hence, Konka Group is a connected person of the Group within the meaning of the Listing Rules. Konka E-display is a non-wholly owned subsidiary of Konka Group. Therefore, the arrangement of the said Konka Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

8. On 28 December 2016, Happy Valley branch office of Chengdu OCT ("Chengdu OCT Happy Valley Branch") entered into an entertainment facilities framework agreement with Shenzhen OCT Culture Tourism and Technology Holdings Co., Ltd. (深圳華僑城文化旅遊科技股份有限公司) ("OCT Culture") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Entertainment Facilities Framework Agreement"). Pursuant to the Entertainment Facilities Framework Agreement, Chengdu OCT Happy Valley Branch agreed to purchase and OCT Culture agreed to supply entertainment facilities and related services to Chengdu OCT Happy Valley Branch.

   OCT Culture is a non-wholly owned subsidiary of OCT Ltd. Hence, OCT Culture is a connected person of the Group within the meaning of the Listing Rules. Therefore, the arrangement of the said Entertainment Facilities Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

9. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a cooperation agreement with Chengdu branch office of OCT Creative Culture Hotel ("OCT Creative Culture Hotel Chengdu Branch") for a term of three years with effect from 1 January 2017 to 31 December 2019, pursuant to which, among others, Chengdu OCT Happy Valley Branch agreed to sell tickets of the Theme Park to OCT Creative Culture Hotel Chengdu Branch at a fixed discounted price per ticket. OCT Creative Culture Hotel Chengdu Branch shall settle the ticket sales on a monthly basis in cash for the actual transaction amount.

   OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Creative Culture Hotel is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said Cooperation Agreement constitutes a continuing connected transaction under the Listing Rules.

10. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy I with OCT Creative Culture Hotel Chengdu Branch for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties owned by Chengdu OCT located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Creative Culture Hotel Chengdu Branch for the operation of inns.

    OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Creative Culture Hotel is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

11. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy II with Chengdu branch office ("OCT Hake Chengdu Branch") of Shenzhen OCT Hake Culture Company Limited ("OCT Hake") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Hake Chengdu Branch for the operation of an entertainment centre for children.

    OCT Hake is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Hake is a connected person of the Company within the meaning of the Listing Rules. OCT Hake Chengdu Branch is a branch office of OCT Hake. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

12. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a travel consultation agreement with Shenzhen OCT Tourism Planning Consultancy Company Limited ("OCT Tourism") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Travel Consultation Agreement"), pursuant to which, Chengdu OCT Happy Valley Branch agreed to entrust OCT Tourism to provide planning programme, planning and design, architectural design, landscape design, and operational consultation services etc. for the development projects. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

    OCT Tourism is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Tourism is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Travel Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

13. On 28 December 2016, Xi'an OCT Land entered into the Xi'an Tenancy I with Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an Industry") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Xi'an Tenancy I"), pursuant to which, Xi'an OCT Land agreed to lease a property located in Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non-wholly owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

14. On 30 August 2018, Xi'an OCT Land entered into the Xi'an Tenancy II with OCT Xi'an Industry for a term of fourteen months with effect from 1 November 2018 and ending on 31 December 2019 ("Xi'an Tenancy II"), pursuant to which, Xi'an OCT Land agreed to lease a property located at Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non-wholly owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

15. On 30 August 2018, Xi'an OCT Land entered into the Xi'an Tenancy III with OCT Xi'an Industry for a term of sixteen months with effect from 1 September 2018 and ending on 31 December 2019 ("Xi'an Tenancy III"), pursuant to which, Xi'an OCT Land agreed to lease a property located in Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non-wholly owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

16. On 29 September 2017, Shenzhen Overseas Chinese Town Entertainment Investment Limited (深圳華僑城都市娛樂投資公司) ("OCT Entertainment") entered into a new tenancy agreement with Shenzhen OCT Gangya Holdings Development Co., Ltd ("Gangya Holdings") for a term of three years with effect from 1 October 2017 and ending on 30 September 2020 ("New Tenancy Agreement"), pursuant to which, OCT Entertainment agreed to continue to lease certain properties located in Nanshan district, Shenzhen, Guangdong Province, the PRC to Gangya Holdings as office premises.

    OCT Entertainment is a wholly-owned subsidiary of OCT Real Estate. OCT Real Estate is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Real Estate is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

17. On 5 July 2019, OCT Shanghai Land entered into the lease agreement with Shanghai Huahe, pursuant to which, OCT Shanghai Land agreed to lease the properties to Shanghai Huahe for a term of 3 years ("Lease Agreement") from 1 August 2019 to 31 July 2022. Pursuant to the Lease Agreement, OCT Shanghai Land will lease the properties with a total gross floor area of 2,103.74 sq.m. to Shanghai Huahe.

    Shanghai Huahe is a joint venture company established in the PRC, which is owned by OCT Real Estate, a wholly-owned subsidiary of OCT Ltd., as to 50%. OCT Ltd. owns 100% interest in OCT (HK), which in turn owns 100% equity interest in Pacific Climax. Therefore, Shanghai Huahe is a connected person of the Company within the meaning of the Listing Rules. The arrangement of the said Lease Agreement constitutes a continuing connected transaction under the Listing Rules.

18. On 7 May 2019, OCT Financial Leasing entered into a finance lease and factoring agreement with OCT Group effective for one year from the date of approval of the finance lease and factoring agreement by the independent Shareholders at the extraordinary general meeting held on 19 June 2019 (the "Finance Lease and Factoring Agreement I"), pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Group.

    OCT Group is the holding company of OCT Ltd. and holds approximately 47.01% interests in OCT Ltd. OCT Ltd. owns 100% equity interest in OCT (HK), which in turn owns 100% equity interest in Pacific Climax. Therefore, OCT Group is a connected person of the Company. Therefore, the arrangement of the said Finance Lease and Factoring Agreement constitutes a continuing connected transaction under the Listing Rules.

19. On 7 May 2019, OCT Financial Leasing entered into a finance lease and factoring agreement with OCT Ltd. effective for one year from the date of approval of the finance lease and factoring agreement by the independent Shareholders at the extraordinary general meeting held on 19 June 2019 (the "Finance Lease and Factoring Agreement II"), pursuant to which, OCT Financial Leasing agreed to provide finance lease and factoring services to OCT Ltd.

    OCT Ltd. is a connected person of the Company. Therefore, the arrangement of the said Finance Lease and Factoring Agreement constitutes a continuing connected transaction under the Listing Rules.

    Details of item 1 to 13 of the Connected Transactions are set out in the announcement of the Company dated 28 December 2016. Details of items 14 to 15 of the Connected Transactions are set out in the announcement of the Company dated 30 August 2018. Details of item 16 of the Connected Transactions are set out in the announcement of the Company dated 29 September 2017. Details of item 17 of the Connected Transactions are set out in the announcement of the Company dated 5 July 2019. Details of item 18 to 19 of the Connected Transactions are set out in the announcement of the Company dated 7 May 2019 and the circular dated 23 May 2019.

Directors' Report

The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2019 are as follows:

	Status of Connected Transactions	Actual Amount Incurred in 2019 (RMB'000)	Maximum Cap of the Connected Transactions for 2019 (RMB'000)
01	Cartons Sale and Purchase Agreement between the Company and OCT Group	–	70,000
02	New Property Management Agreement Between OCT Shanghai Land and OCT Property Service Shanghai Branch	6,472	7,900
03	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	700	750
04	Property Management Framework Agreement between Chengdu OCT and OCT Property Service Chengdu Branch	7,697	22,000
05	Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity Chengdu Branch	7,099	14,000
06	Theme Show Framework Agreement between Chengdu OCT and OCT International Media	–	10,000
07	Konka Framework Agreement between Chengdu OCT and Konka E-display	457	10,550
08	Entertainment Facilities Framework Agreement between Chengdu OCT Happy Valley Branch and OCT Culture	–	400
09	Cooperation Agreement between Chengdu OCT Happy Valley Branch and OCT Creative Culture Hotel Chengdu Branch	370	2,000
10	Chengdu Tenancy I between Chengdu OCT and OCT Creative Culture Hotel Chengdu Branch	1,429	3,150
11	Chengdu Tenancy II between Chengdu OCT and OCT Hake Chengdu Branch	935	1,650
12	Travel Consultation Agreement between Chengdu OCT Happy Valley Branch and OCT Tourism	–	5,000
13	Xi'an Tenancy I between Xi'an OCT Land and OCT Xi'an Industry	3,532	3,532
14	Xi'an Tenancy II between Xi'an OCT Land and OCT Xi'an Industry	462	462
15	Xi'an Tenancy III between Xi'an OCT Land and OCT Xi'an Industry	1,238	1,238
16	New Tenancy Agreement between OCT Entertainment and Gangya Holdings with respect to office premises	3,912	4,500
17	Lease Agreement between OCT Shanghai Land and Shanghai Huahe	3,663	9,230
18	Finance Lease and Factoring Agreement I between OCT Financial Leasing and OCT Group	51,500	1,000,000
19	Finance Lease and Factoring Agreement II between OCT Financial Leasing and OCT Ltd.	206,000	2,500,000

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that the above Connected Transactions are:

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

(2) on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Company is concerned, the terms of the above transactions are not less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions, and the terms of the transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board:

Nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not received the approval of the Board;

- the Connected Transactions had not been entered into, in all material aspects, in accordance with the relevant agreements governing the transactions;

- the Connected Transactions had not been entered into, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and

- the transaction amount incurred in 2019 for each of the Connected Transactions had exceeded the aggregate annual value as disclosed in the Company's announcements dated 28 December 2016, 29 September 2017, 30 August 2018, 7 May 2019 and 5 July 2019.

The related party transactions are set out in note 33 to the consolidated financial statements of the Company. Except for the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, OCT Group and its associates provided financial support to the Group, and the interest and related expenses payable by the Group to OCT Group and its associates amounted to approximately RMB112 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on the reason that the financial support provided to the Group by OCT Group and its associates and which benefited the Company was made on normal commercial terms (or more favourable than that provided to the listing issuer) to provide loans to the Company and no asset of the Group was pledged as collateral for this financial support.

Directors' Report

The Group entered into the connected transactions set out below on 8 November 2019 and 30 December 2019 respectively, and has complied with Chapter 14A of the Listing Rules.

1. On 8 November 2019, OCT Shanghai Land (an indirect wholly-owned subsidiary of the Company) entered into the management service agreement ("Management Service Agreement") with Shanghai Huahe Real Estate Development Co., Ltd. (上海華合房地產開發有限公司) ("Shanghai Huahe"), pursuant to which, OCT Shanghai Land will provide management services in respect of project development, design, construction management and cost control to Shanghai Huahe at a service fee in the sum no more than RMB15,840,000. Shanghai Huahe is a joint venture company established in the PRC, which is owned as to 50% by OCT Real Estate, a wholly-owned subsidiary of OCT Ltd. OCT Ltd. owns 100% interest in OCT (HK), which in turn owns 100% equity interests in Pacific Climax. Therefore, Shanghai Huahe is a connected person to the Company pursuant to Chapter 14A of the Listing Rules and the management services contemplated under the Shanghai Huahe Management Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

2. On 30 December 2019, OCT Huaxin entered into the Happy Coast tenancy agreement ("Happy Coast Tenancy Agreement") with OCT Entertainment for a term of three years with effect from 1 March 2020 and ending on 28 February 2023, pursuant to which, OCT Entertainment agreed to lease a property located in Jacaranda International Business Center, Shenzhen, the PRC to OCT Huaxin as office premises. The maximum annual aggregate amount to be paid by OCT Huaxin to OCT Entertainment under the Happy Coast Tenancy Agreement for each of the four years 2020 (from 1 March to 31 December), 2021, 2022 and 2023 (from 1 January to 28 February) (including rental, management fee and air-conditioning charges) will not exceed the annual limits of RMB1,000,000, RMB1,100,000, RMB1,150,000 and RMB190,000, respectively. The annual cap refers to the agreed annual rental, management fee and air-conditioning charges to be paid by OCT Huaxin to OCT Entertainment under the Happy Coast Tenancy Agreement determined with reference to the market rental, management fee and air-conditioning charges of comparable properties in the area. OCT Entertainment is a wholly-owned subsidiary of OCT Real Estate, a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Real Estate is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

   As the Happy Coast Tenancy Agreement is a tenancy agreement with fixed terms and OCT Huaxin entered into such tenancy agreement as a lessee with OCT Entertainment, a connected person of the Company, the entering into of Happy Coast Tenancy Agreement constitutes a one-off connected transaction pursuant to the "FAQ on Notifiable and Connected Transaction Rules relating to Lease Transactions of Listed Issuers adopting HKFRS/IFRS 16 "Leases" (or similar accounting standards in other jurisdictions)" published by the Stock Exchange. The value of the right-of-use asset under the Happy Coast Tenancy Agreement is less than HK$3,000,000 and the highest applicable ratio in respect of the Happy Coast Tenancy Agreement is less than 5%, the entering into of Happy Coast Tenancy Agreement therefore constitutes a de minimus transaction under Chapter 14A of the Listing Rules.

   Details of item 1 and 2 of the above connected transactions are set out in the announcements of the Company dated 8 November 2019 and 30 December 2019 respectively.

Directors' Report

The Group entered into the continuing connected transactions set out below on 30 December 2019, and has complied with Chapter 14A of the Listing Rules.

1. On 30 December 2019, Xi'an OCT Land entered into the Xi'an Tenancy with OCT Xi'an Industry for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Xi'an OCT Land agreed to lease three units of a property located at Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises. The maximum annual aggregate amount (tax inclusive) to be paid by OCT Xi'an Industry to Xi'an OCT Land under the Xi'an Tenancy for each of the three years ending 31 December 2020, 2021 and 2022 will not exceed the annual limits of RMB5,232,132, which is the agreed annual rental to be paid by OCT Xi'an Industry to Xi'an OTC Land under the Xi'an Tenancy determined with reference to the market rent of comparable properties in the area.

   OCT Xi'an Industry is an indirect non-wholly owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

2. On 30 December 2019, OCT Shanghai Land entered into a property management agreement ("Property Management Agreement") with Shanghai Zhabei branch office of OCT Property Service ("OCT Property Service Shanghai Zhabei Branch") for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Property Management Agreement, OCT Property Service Shanghai Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project, the management fees payable will be calculated based on the actual areas that are managed, and the labour costs to be incurred by OCT Property Service Shanghai Zhabei Branch. The parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Shanghai Zhabei Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Zhabei Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

3. On 30 December 2019, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement with OCT Electricity for a term of three years with effect from 1 January 2020 and ending on 31 December 2022 ("Electrical and Mechanical Services Consultation Agreement"). Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project. The consultation fees under the Electrical and Mechanical Services Consultation Agreement will be calculated based on the labour costs payable by OCT Electricity. The parties shall enter into separate consultation contracts for the consultation services that would be provided by OCT Electricity which shall specify the payment arrangement for the consultation fees.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

4. On 30 December 2019, Chengdu OCT entered into Chengdu Tenancy I with OCT Creative Culture Hotel Chengdu Branch for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Chengdu OCT agreed to lease certain properties owned by Chengdu OCT located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Creative Culture Hotel Chengdu Branch for the operation of an inn. The maximum annual aggregate amount payable by OCT Creative Culture Hotel Chengdu Branch to Chengdu OCT under the Chengdu Tenancy I for each of the three years ending 31 December 2020, 2021 and 2022 will not exceed the annual limit of RMB2,000,000, RMB2,200,000 and RMB2,420,000 respectively, which is determined with reference to the historical amounts of relevant transactions and the general demand in hotel services and the business condition of the Inn in the coming years and the expected annual increase of approximately 10% in turnover.

   OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Creative Culture Hotel is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

5. On 30 December 2019, Chengdu OCT entered into Chengdu Tenancy II with OCT Hake Chengdu Branch for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, Chengdu OCT agreed to lease certain properties located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Hake Chengdu Branch for the operation of an entertainment centre for children (the "Entertainment Centre"). The maximum annual aggregate amount payable by OCT Hake Chengdu Branch to Chengdu OCT under the Chengdu Tenancy II for each of the three years ending 31 December 2020, 2021 and 2022 will not exceed the annual limits of RMB1,850,000, RMB2,050,000 and RMB2,250,000 respectively, which is determined with reference to the historical amounts of relevant transactions and the estimation of the general demand in the Entertainment Centre and its business condition in the coming years.

   OCT Hake is a wholly-owned subsidiary of OCT Group. Therefore, OCT Hake is a connected person of the Company within the meaning of the Listing Rules. OCT Hake Chengdu Branch is a branch office of OCT Hake. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

6. On 30 December 2019, Chengdu OCT entered into an electricity consultation services agreement ("Electricity Consultation Services Agreement") with OCT Electricity Chengdu Branch with a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, OCT Electricity Chengdu Branch will provide, among others, daily and regular inspection, maintenance and management service to Chengdu OCT, its subsidiaries and branches in relation to certain electricity facilities in properties in the operating areas of Chengdu OCT and provide consultation services to Chengdu OCT, its subsidiaries and branches in relation to professional electricity supply skills and related business and the plan of constructing an electricity monitoring system of Chengdu OCT. Such service fees will be paid quarterly. The maximum annual aggregate amount to be paid by Chengdu OCT, its subsidiaries and branches to OCT Electricity Chengdu Branch under the Electricity Consultation Services Agreement for each of the three years ending 31 December 2020, 2021 and 2022 will not exceed the annual limits of RMB15,000,000, RMB16,000,000 and RMB17,000,000, respectively. The annual caps are determined with reference to (i) historical amounts of relevant transactions; (ii) the prevailing market rate for engagement of such services; (iii) estimated development of new projects and the estimated demand for and construction progress of projects of Chengdu OCT that would require such services; (iv) the plan of constructing an electricity monitoring system of Chengdu OCT; and (v) estimated annual increase in cost in the coming years of RMB1,000,000 per annum.

Directors' Report

OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. OCT Electricity Chengdu Branch is a branch office of OCT Electricity. Therefore, the arrangement of the said Electricity Consultation Services Agreement constitutes a continuing connected transaction under the Listing Rules.

7. On 30 December 2019, Chengdu OCT entered into a property management framework agreement ("Property Management Framework Agreement") with OCT Property Service Chengdu Branch for a term of three years with effect from 1 January 2020 and ending on 31 December 2022, pursuant to which, OCT Property Service Chengdu Branch will provide property management services to Chengdu OCT in relation to Chengdu OCT's projects in Chengdu. The management fees payable under the Property Management Framework Agreement will be calculated based on the actual areas that are managed and the manpower that has been employed by OCT Property Service Chengdu Branch, and the parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Chengdu Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Chengdu Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

8. On 30 December 2019, Chengdu OCT entered into a framework agreement ("Konka Framework Agreement") with Konka E-display for a term of three years with effect from 1 January 2020 and ending on 31 December 2022. Pursuant to the Konka Framework Agreement, Chengdu OCT, its subsidiaries and branches agreed to purchase and Konka Group Chengdu Branch agreed to supply the LED equipment, television and other electronic products and services to Chengdu OCT. The maximum annual aggregate amount to be paid for the LED equipment, television and other electronic products and service by Chengdu OCT, its subsidiaries and branches to Konka E-display under the Konka Framework Agreement for each of three years ending 31 December 2020, 2021 and 2022 will not exceed the annual caps of RMB11,500,000, RMB12,500,000 and RMB13,500,000 respectively, which is determined with reference to the prevailing market prices of comparable products, equipment and service, which will be at similar prices and on similar terms that Chengdu OCT can obtain from independent third parties of business size similar to Konka E-display.

   OCT Group directly owns approximately 21.75% of the total issued share capital of Konka Group, and has gained control over the majority of its board. Hence, Konka Group is a connected person of the Group within the meaning of the Listing Rules. Konka E-display is a non-wholly owned subsidiary of Konka Group. Therefore, the arrangement of the said Konka Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

   Details of item 1 to 8 of the above continuing connected transactions are set out in the announcement of the Company dated 30 December 2019.

Directors' Report

BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans of the Company and the Group as at 31 December 2019 are set out in note 25 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on pages 243 to 244 of this annual report.

RETIREMENT SCHEMES

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes organised by the relevant local government authorities. The only obligation of the Group with respect to such retirement benefit schemes is to make the specified contributions under the schemes. Furthermore, the Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

Particulars of these retirement schemes are set out in note 27 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

AUDITOR

KPMG has been appointed as the auditor of the Company since 22 December 2017. At the Company's last annual general meeting, KPMG was reappointed as the auditor of the Company. KPMG will retire and be eligible for reappointment. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Directors' Report

PUBLIC FLOAT

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

SHARE OPTION SCHEME

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available talent, to provide additional incentive to the employees (full-time and part-time), Directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at a general meeting.

The participants of the New Scheme include any full-time or part-time employee, Director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible people under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK$1.00.

The subscription price of an ordinary share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of ordinary shares which may be issued upon exercise of all options to be granted under all the New Schemes and any other share option scheme of the Company does not exceed 10% of the ordinary shares in issue at the date of the approval of the New Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all new schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

The total number of options not yet issued under the New Scheme as at the date of this report was 20,436,000, which represented approximately 2.73% of all the issued share capital of the Company as at the date of this report. An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant. The total number of shares issued and may be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Directors' Report

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1 on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, all share options granted under the New Scheme have expired, lapsed and cancelled. As at 31 December 2019, no share options was granted, exercised, lapsed and cancelled under the New Scheme.

Save for the above, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement that enables the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

After the end of the Period under Review, the Directors proposed a final dividend. Further details are disclosed in note 29 to the consolidated financial statements of the Company.

By Order of the Board
Chairman
He Haibin

Hong Kong, 27 April 2020

Independent Auditor's Report

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 122 to 242, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Independent Auditor's Report

Key audit matters *(continued)*

Valuation of financial assets measured at fair value through profit or loss (FVPL)

Refer to note 17 to the consolidated financial statements and the accounting policies in note 1(g).

The key audit matter

As at 31 December 2019, the aggregate carrying value of the Group's unlisted equity securities measured at FVPL totalled RMB290 million which were classified under the fair value hierarchy as level 3.

The valuation of the Group's financial assets measured at FVPL is based on valuation models which often require a considerable number of inputs.

Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVPL, estimates need to be developed which could involve significant management judgement.

The fair value of the Group's financial assets measured at FVPL at 31 December 2019 was assessed by the directors primarily based on independent valuation reports prepared by a firm of qualified external valuers.

We identified assessing the fair value of financial assets measured at FVPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of unlisted financial assets measured at FVPL included the following:

- obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVPL was based;
- assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence;
- with the assistance of our internal valuation specialists, discussing with the external valuers, without the presence of management, their valuation methodologies in assessing the fair values of unlisted equity securities; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and
- assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business

Refer to note 20 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter

As at 31 December 2019, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB5,760 million.

These principally comprise residential and office properties in Shanghai and Chengdu held for sale.

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management.

The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project visited and the development budgets reflected in the latest forecasts for these property development projects;
- evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group;

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business *(continued)*

Refer to note 20 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures implemented in various cities across Mainland China.	• comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2019 with budgets as at 31 December 2018 to assess the accuracy of management's forecasting and budgeting process. • inspecting sensitivity analyses prepared by management for the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

Key audit matters *(continued)*

Assessing potential impairment of interests in associates

Refer to note 15 to the consolidated financial statements and the accounting policies in note 1(l).

The key audit matter

As at 31 December 2019, the carrying value of the Group's interests in associates amounted to RMB5,411 million.

As disclosed in note 1(e) to the consolidated financial statements, interests in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment in the values of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of interests in associates may be impaired. For those associates in which such indication exists, the Group assessed their carrying amounts to ascertain if impairment is required.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of interests in associates included the following:

- understanding the management's process for identifying the existence of impairment indicators of the interests in associate;
- where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and obtaining an understanding from the management of their financial position and future prospects;
- with the support of our internal valuation specialists, assessing the appropriateness of the valuation methodology and the reasonableness of the key assumptions, including the discount rates and the expected long-term growth rate adopted in the valuation methodology;

Independent Auditor's Report

Key audit matters *(continued)*

Assessing potential impairment of interests in associates

Refer to note 15 to the consolidated financial statements and the accounting policies in note 1(l).

The key audit matter	How the matter was addressed in our audit
We identified assessing potential impairment of interests in associates as a key audit matter because impairment assessment requires significant judgement and estimation in key assumptions, including the discount rates and the expected long-term growth rate, which increases the risk of error or potential management bias.	• inspecting sensitivity analysis prepared by management on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts; • comparing the forecast data adopted in the impairment testing in the prior year with the current year's performance to assess the reliability of managements forecasting process, and making enquiries of management as to the reasons for any significant variations identified and whether these had been considered in the current assessment; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibility 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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

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

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

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

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

– 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.

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 April 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Continuing operations			
Revenue	3	2,071,903	1,584,694
Cost of sales		(1,306,174)	(1,026,106)
Gross profit		765,729	558,588
Other income	4(a)	93,836	124,257
Other net gains	4(b)	225,993	368,930
Distribution costs		(103,200)	(124,736)
Administrative expenses		(403,405)	(334,304)
Other operating expenses		(4,014)	(459)
Profit from operations		574,939	592,276
Finance costs	5(a)	(268,732)	(175,061)
Share of profits less losses of associates	15	306,063	418,994
Share of (loss)/profit of joint ventures	16	(8,150)	229,244
Profit before taxation	5	604,120	1,065,453
Income tax	6	(354,514)	(206,898)
Profit for the year from continuing operations		249,606	858,555
Discontinued operation			
Profit for the year from discontinued operation	34	–	68,272
Profit for the year		249,606	926,827
Attributable to:			
Equity holders of the Company		266,961	798,702
Non-controlling interests		(17,355)	128,125
Profit for the year		249,606	926,827

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

(Expressed in Renminbi)

	Note	**2019** **RMB'000**	2018 *(Note)* RMB'000
Earnings per share (RMB)	10		
Basic earnings per share			
From continuing operations		**0.04**	0.68
From discontinued operation		**–**	0.09
		0.04	0.77
Diluted earnings per share			
From continuing operations		**0.04**	0.67
From discontinued operation		**–**	0.09
		0.04	0.76

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

The notes on pages 130 to 242 form part of these consolidated financial statements. Details of dividends payable to shareholders of the Company are set out in note 29(b)(ii).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Profit for the year		**249,606**	926,827
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)		**166,598**	(176,404)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		**(164,501)**	(203,218)
Share of other comprehensive income of associates		**11,246**	(84,124)
Cumulative exchange differences reclassified to profit or loss upon disposal of an associate		**(1,440)**	–
		(154,695)	(287,342)
Other comprehensive income for the year		**11,903**	(463,746)
Total comprehensive income for the year		**261,509**	463,081
Attributable to:			
Equity holders of the Company		**278,864**	334,956
Non-controlling interests		**(17,355)**	128,125
Total comprehensive income for the year		**261,509**	463,081

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

The notes on pages 130 to 242 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Non-current assets			
Investment property	11	5,285,739	2,877,838
Other property, plant and equipment	11	2,017,431	2,074,898
Interests in leasehold land held for own use	11	1,596,979	1,483,911
		8,900,149	6,436,647
Intangible assets	12	52,922	6,273
Goodwill	13	570	570
Interests in associates	15	5,410,696	4,919,831
Interests in joint ventures	16	302,560	287,330
Other financial assets	17	1,618,292	1,437,525
Finance lease receivables	19	382,253	230,870
Trade and other receivables	22	1,623	2,476
Deferred tax assets	28(b)	222,012	191,012
		16,891,077	13,512,534
Current assets			
Trading securities	18	118,480	–
Inventories and other contract costs	20	5,767,090	7,055,723
Finance lease receivables	19	117,206	65,342
Trade and other receivables	22	880,060	1,222,255
Cash at bank and on hand	23	2,681,489	3,222,953
		9,564,325	11,566,273
Current liabilities			
Trade and other payables	24	2,875,136	2,657,446
Contract liabilities	21	512,781	143,949
Bank and other loans	25	2,099,413	4,979,886
Related party loans	25	913,400	2,037,700
Lease liabilities	26	26,489	–
Current taxation	28(a)	791,848	748,884
		7,219,067	10,567,865
Net current assets		2,345,258	998,408
Total assets less current liabilities		19,236,335	14,510,942

Consolidated Statement of Financial Position

At 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Non-current liabilities			
Bank and other loans	25	**6,016,264**	1,410,771
Related party loans	25	**59,350**	–
Lease liabilities	26	**52,341**	–
Deferred tax liabilities	28(b)	**188,932**	194,514
		6,316,887	1,605,285
NET ASSETS		**12,919,448**	12,905,657
CAPITAL AND RESERVES			
Share capital	29(c)	**67,337**	67,337
Perpetual capital securities	29(d)	**5,296,195**	5,294,665
Reserves		**3,982,543**	4,104,240
Total equity attributable to equity holders of the Company		**9,346,075**	9,466,242
Non-controlling interests		**3,573,373**	3,439,415
TOTAL EQUITY		**12,919,448**	12,905,657

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

Approved and authorised for issue by the board of directors on 27 April 2020.

He Haibin
Director

Xie Mei
Director

The notes on pages 130 to 242 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(Expressed in Renminbi)

	Attributable to equity holders of the Company												
	Share capital RMB'000 *(Note 29(c))*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 *(Note 29(d))*	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits (Note) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	67,337	36,884	147,711	53,277	5,293,313	449,217	-	(37,056)	26,064	3,640,312	9,677,059	3,642,036	13,319,095
Changes in equity for 2018:													
Profit for the year	-	-	-	-	228,694	-	-	-	-	570,008	798,702	128,125	926,827
Other comprehensive income	-	-	-	-	-	-	(176,404)	(287,342)	-	-	(463,746)	-	(463,746)
Total comprehensive income	-	-	-	-	228,694	-	(176,404)	(287,342)	-	570,008	334,956	128,125	463,081
Transfer to PRC statutory reserves	-	-	-	-	-	20,346	-	-	-	(20,346)	-	-	-
Transfer to retained profits upon disposal of financial assets measured at FVOCI	-	-	-	-	-	-	161,769	-	-	(161,769)	-	-	-
Dividends approved in respect of the previous year *(note 29(b)(ii))*	-	-	-	-	-	-	-	-	-	(318,431)	(318,431)	(310,854)	(629,285)
Distribution to the holders of perpetual capital securities	-	-	-	-	(227,342)	-	-	-	-	-	(227,342)	-	(227,342)
Disposal of subsidiaries	-	-	-	(7)	-	(6,829)	-	-	-	6,836	-	(1,892)	(1,892)
Wind up of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,000)	(18,000)
Balance at 31 December 2018 and 1 January 2019	67,337	36,884	147,711	53,270	5,294,665	462,734	(14,635)	(324,398)	26,064	3,716,610	9,466,242	3,439,415	12,905,657
Changes in equity for 2019:													
Profit for the year	-	-	-	-	238,615	-	-	-	-	28,346	266,961	(17,355)	249,606
Other comprehensive income	-	-	-	-	-	-	166,598	(154,695)	-	-	11,903	-	11,903
Total comprehensive income	-	-	-	-	238,615	-	166,598	(154,695)	-	28,346	278,864	(17,355)	261,509
Transfer to PRC statutory reserves	-	-	-	-	-	3,118	-	-	-	(3,118)	-	-	-
Dividends approved in respect of the previous year *(note 29(b)(ii))*	-	-	-	-	-	-	-	-	-	(144,829)	(144,829)	(44,687)	(189,516)
Distribution to the holders of perpetual capital securities	-	-	-	-	(237,085)	-	-	-	-	-	(237,085)	-	(237,085)
Share of other changes in equity of associates	-	-	-	-	-	-	-	-	(17,117)	-	(17,117)	-	(17,117)
Wind up of subsidiaries	-	-	-	(753)	-	(4,915)	-	-	-	5,668	-	-	-
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	196,000	196,000
Balance at 31 December 2019	67,337	36,884	147,711	52,517	5,296,195	460,937	151,963	(479,093)	8,947	3,602,677	9,346,075	3,573,373	12,919,448

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

The notes on pages 130 to 242 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Operating activities			
Cash used in operations	23(b)	(114,308)	(468,843)
Tax paid		(352,484)	(227,430)
Interest element of lease rentals paid		(5,105)	–
Other interest paid		(396,220)	(190,128)
Net cash used in operating activities		(868,117)	(886,401)
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		(477,376)	(286,760)
Proceeds from disposals of property, plant and equipment and intangible assets		2,971	54,863
Payment for purchase of other financial assets		–	(2,358,815)
Net cash flow from disposals of subsidiaries		150,289	80,541
Payment for acquisition of interests in associates		(400,380)	(1,588,394)
Payment for acquisition of interest in a joint venture		(23,379)	–
Proceeds from disposal of associates		160,063	–
Repayment from associates		370,679	–
Decrease/(increase) in deposits with banks with maturity of more than three months		596,526	(716,517)
Dividends received from associates		76,496	18,940
Dividend received from unlisted equity securities		1,096	–
Interest received		96,204	93,529
Redemption of other financial assets		–	440,496
New loans to an associate		(6,930)	–
Net cash generated from/(used in) investing activities		546,259	(4,262,117)

Consolidated Cash Flow Statement

For the year ended 31 December 2019

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Financing activities			
Capital element of lease rentals paid	23(c)	(24,140)	–
Proceeds from loans	23(c)	6,117,745	4,642,039
Proceeds from capital contribution of non-controlling interest		196,000	–
Repayment of loans	23(c)	(5,570,571)	(3,353,646)
Decrease/(increase) in pledged deposits		13,523	(754,950)
Increase of restricted cash for REIT programme	23	(4,826)	–
Dividend paid to non-controlling interests		–	(100,228)
Distribution to the holders of perpetual capital securities		(237,085)	(227,342)
Dividend paid to shareholders of the Company		(144,829)	(318,431)
Net cash generated from/(used in) financing activities		345,817	(112,558)
Net increase/(decrease) in cash and cash equivalents		23,959	(5,261,076)
Cash and cash equivalents at 1 January		1,744,196	6,898,256
Effect of foreign exchange rate changes		29,919	107,016
Cash and cash equivalents at 31 December	23(a)	1,798,074	1,744,196

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

The notes on pages 130 to 242 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"s), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS"s) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(aa)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(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 HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 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 of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalized leases are primarily in relation to property as disclosed in note 31(b). For an explanation of how the Group applies lessee accounting, see note1(k)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was within a range from 3.81% to 6.38%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

b. Lessee accounting and transitional impact *(continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 31(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	115,310
Less: total future interest expenses	(18,041)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	**97,269**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

b. Lessee accounting and transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	**Carrying amount at 1 January 2019 RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Investment property	2,877,838	42,569	**2,920,407**
Other property, plant and equipment	2,074,898	28,880	**2,103,778**
Finance lease receivables	230,870	24,168	**255,038**
Total non-current assets	13,512,534	95,617	**13,608,151**
Finance lease receivables	65,342	1,652	**66,994**
Current assets	11,566,273	1,652	**11,567,925**
Lease liabilities (current)	–	26,243	**26,243**
Current liabilities	10,567,865	26,243	**10,594,108**
Net current assets	998,408	(24,591)	**973,817**
Total assets less current liabilities	14,510,942	71,026	**14,581,968**
Lease liabilities (non-current)	–	71,026	**71,026**
Total non-current liabilities	1,605,285	71,026	**1,676,311**
Net assets	12,905,657	–	**12,905,657**

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element (see note 23(c) and interest element. Capital elements is classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. And interest element is classified as operating cash outflows as under HKAS 17 were treated. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see note 23(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019					2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 Depreciation and interest expense (B)	Deduct: HKFRS 16 Income from finance lease (C)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1)* (D)	Hypothetical amounts for 2019 as if under HKAS 17 (E=A+B-C-D)	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:						
Profit from operations	574,939	21,968	(619)	(29,245)	567,043	592,276
Finance costs	(268,732)	5,105	–	–	(263,627)	(175,061)
Profit before taxation	604,120	27,073	(619)	(29,245)	601,329	1,065,453
Profit for the year	249,606	20,329	(464)	(21,934)	247,537	858,555
Reportable segment profit for the year ended 31 December 2019 *(note 3(b))* impacted by the adoption of HKFRS 16:						
– Comprehensive development business	90,337	10,164	(464)	(12,044)	87,993	607,395

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 *(notes 1 & 2)* (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(114,308)	(29,245)	(143,553)	(468,843)
Interest element of lease rentals paid	(5,105)	5,105	–	–
Net cash used in operating activities	(868,117)	(24,140)	(892,257)	**(886,401)**
Capital element of lease rentals paid	(24,140)	24,140	–	–
Net cash generated from/(used in) financing activities	345,817	24,140	369,957	**(112,558)**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if HKAS 17 still applied.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

HKFRS 16, Leases (continued)

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be stated at cost less accumulated depreciation and impairment losses.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d. above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q), (r), (s) or (t) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture(after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(viii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1(x)(v).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 years.

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– other items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Other property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life	Residual value %
Buildings held for own use	20 to 32 years	0% to 5%
Plant and machinery	5 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Other property, plant and equipment	2 to 10 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%
Trademarks	7 years	0%

Both the period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill) *(continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy Applicable From 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily in relation office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(x)(v).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

- lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivables.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(ix) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. 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 events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(i) Comprehensive development business (continued)

– 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 Group, 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.

(ii) Other contract costs

Other 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 inventory (see note 1(m)(i)).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(ii) Other contract costs (continued)

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 inventory 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 Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been 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 1(x).

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(x) Revenue and other income

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

Revenue 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 takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

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

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, 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 statement of financial position under contract liabilities (see note 1(n)).

For contracts where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component. If the advance payments by the customer 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 delivery. 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 *HKAS 23, Borrowing costs*, in accordance with the policies set out in note 1(z).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(w)(ii).

(iv) Sale of tickets of theme park

Revenue from the sale of tickets of theme park is recognised when the services are rendered and the tickets proceeds have been received. Revenue from the sale of tickets excludes sale related tax and is after deduction of any discounts.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(vi) Hotel revenue

Hotel revenue is recognised when the services have been rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(vii) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(x) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Non-current assets held for sale and discontinued operations *(continued)*

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Related parties *(continued)*

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) ECLs for trade and other receivables and lease receivables

As explained in note 1(l)(i), The Group recognises a loss allowance for ECLs for trade and other receivables and lease receivables. ECLs are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

(b) Depreciation and impairment loss for property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The Group makes impairment provision for property, plant and equipment taking into account the Group's estimates of the recoverable amount from such assets. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates. Uncertainty exists in these estimations.

(c) Provision for completed properties held for sale and properties held for future development and under development for sale

The Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Land Appreciation Tax ("LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for LAT according to 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 completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on gross floor area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(g) Determining the lease term

As explained in policy note 1(k), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development, equity investment and fund business and finance lease.

(i) Disaggregation of revenue

Revenue represents the sales value of goods or services supplied to customers (net of value-added tax and business tax). Disaggregation of revenue with customer by business lines is as follows:

	Continuing operations		Discontinued operation		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by business lines						
– Sale of properties	1,329,853	814,226	–	–	1,329,853	814,226
– Sale of tickets of theme park	260,858	304,185	–	–	260,858	304,185
– Construction contracts	47,619	151,327	–	–	47,619	151,327
– Hotel revenue	191,126	90,533	–	–	191,126	90,533
– Consulting services	15,667	46,384	–	–	15,667	46,384
– Paper packaging business	–	–	–	400,258	–	400,258
	1,845,123	1,406,655	–	400,258	1,845,123	1,806,913
Revenue from other sources						
– Rental income from investment properties	205,430	164,850	–	–	205,430	164,850
– Finance lease income	21,350	13,189	–	–	21,350	13,189
	2,071,903	1,584,694	–	400,258	2,071,903	1,984,952

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iv) respectively.

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue in 2019.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for properties such that the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is Nil.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following four reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, construction services, development and management of properties, property investment and operation of hotel.
- Equity investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, and education.
- Finance lease business: this segment engaged in the finance lease business.
- Paper packaging business (discontinued): this segment engaged in the manufacture and sale of paper cartons and products.

The operating results of paper packaging business for the year ended 31 December 2018 are presented as discontinued operation in the consolidated financial statements. Further details of the discontinued operation are set out in note 34.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Continuing operations						Paper packaging business (discontinued)		Total	
	Comprehensive development business		Equity investment and fund business		Finance lease business					
	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15										
Disaggregated by timing of revenue recognition										
Point in time	1,797,504	1,255,328	-	–	-	–	-	400,258	1,797,504	1,655,586
Over time	47,619	151,327	-	–	-	–	-	–	47,619	151,327
	1,845,123	1,406,655	-	–	-	–	-	400,258	1,845,123	1,806,913
Revenue from other sources	205,430	164,850	-	–	21,350	13,189	-	–	226,780	178,039
Revenue from external customers	2,050,553	1,571,505	-	–	21,350	13,189	-	400,258	2,071,903	1,984,952
Reportable segment revenue	2,050,553	1,571,505	-	–	21,350	13,189	-	400,258	2,071,903	1,984,952
Reportable segment profit for the year	90,337	607,395	150,710	50,789	2,508	4,375	-	68,272	243,555	730,831

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Continuing operations						Paper packaging business (discontinued)		Total	
	Comprehensive development business		Equity investment and fund business		Finance lease business					
	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*	2019	2018 *(Note)*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income										
– Bank deposits	7,805	10,588	183	144	666	42	-	1,207	8,654	11,981
– Amount due from associates	22,217	13,333	-	–	-	–	-	–	22,217	13,333
Interest expense	(164,491)	(82,417)	(60,199)	(90,135)	(8,463)	(2,509)	-	–	(233,153)	(175,061)
Depreciation and amortisation for the year	(334,385)	(299,385)	-	–	-	–	-	(3,549)	(334,385)	(302,934)
Share of profits less losses of associates	221,969	378,491	84,094	40,503	-	–	-	–	306,063	418,994
Share of (loss)/profit of joint ventures	(8,157)	229,244	7	–	-	–	-	–	(8,150)	229,244
Reportable segment assets	20,803,489	18,353,661	3,194,700	2,898,604	486,381	307,872	-	45,844	24,484,570	21,605,981
Additions to non-current segment assets during the year	2,839,053	2,265,193	-	–	-	–	-	6,314	2,839,053	2,271,507
Reportable segment liabilities	9,702,587	6,784,503	2,386,942	2,615,678	75,764	38,610	-	10,234	12,165,293	9,449,025
Interests in associates	3,994,185	3,468,824	1,416,511	1,451,007	-	–	-	–	5,410,696	4,919,831
Interests in joint ventures	279,174	287,330	23,386	–	-	–	-	–	302,560	287,330

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect. See note 1(c).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment profit or loss

	2019	2018
		(Note)
	RMB'000	RMB'000
Reportable segment profit derived from Group's external customers	243,555	730,831
Unallocated head office and corporate gains	6,051	195,996
Consolidated profit	249,606	926,827

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect. See note 1(c).

(iii) Reconciliations of reportable segment assets and liabilities

	2019	2018
		(Note)
	RMB'000	RMB'000
Assets		
Reportable segment assets	24,484,570	21,605,981
Elimination of inter-segment receivables	(25,311)	–
	24,459,259	21,605,981
Unallocated head office and corporate assets	1,996,143	3,472,826
Consolidated total assets	26,455,402	25,078,807

	2019	2018
		3
	RMB'000	RMB'000
Liabilities		
Reportable segment liabilities	12,165,293	9,449,025
Elimination of inter-segment payables	(25,311)	–
	12,139,982	9,449,025
Unallocated head office and corporate liabilities	1,395,972	2,724,125
Consolidated total liabilities	13,535,954	12,173,150

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect. See note 1(c).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, interests in leasehold land held for own use, intangible assets, goodwill and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interests in leasehold land held for own use and investment properties, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other financial assets, and the location of operations, in the case of interest in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2019	2018	**2019**	2018 *(Note)*
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**2,070,316**	1,984,952	**16,033,336**	12,851,575
Hong Kong	**1,587**	–	**251,853**	236,601
	2,071,903	1,984,952	**16,285,189**	13,088,176

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect. See note 1(c).

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(Expressed in Renminbi)

4 OTHER INCOME AND NET GAINS

(a) Other income

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest income on financial assets measured at amortised cost:						
– Bank deposits	**68,300**	100,341	**–**	1,207	**68,300**	101,548
– Amount due from associates	**22,217**	13,333	**–**	–	**22,217**	13,333
Total interest income	**90,517**	113,674	**–**	1,207	**90,517**	114,881
Government grants	**1,908**	306	**–**	2	**1,908**	308
Forfeiture income on deposit on pre-sale of properties	**315**	10,277	**–**	–	**315**	10,277
Dividend income from unlisted equity securities	**1,096**	–	**–**	–	**1,096**	–
	93,836	124,257	**–**	1,209	**93,836**	125,466

(b) Other net gains

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Gain on disposal of subsidiaries	**–**	55,650	**–**	62,757	**–**	118,407
Gain on previously held interest in a subsidiary upon loss of control	**–**	40,101	**–**	–	**–**	40,101
Gain on partial disposals of an associate *(note 15)*	**72,374**	–	**–**	–	**72,374**	–
Gain on previously held interest in an associate upon loss of significant influence *(note 15)*	**54,090**	–	**–**	–	**54,090**	–
Net realised and unrealised gains on unlisted equity securities	**12,190**	116,474	**–**	–	**12,190**	116,474
Net gain/(loss) on disposal of property, plant and equipment	**40**	1,641	**–**	(636)	**40**	1,005
Net exchange gain/(loss)	**88,578**	162,016	**–**	(554)	**88,578**	161,462
Others	**(1,279)**	(6,952)	**–**	85	**(1,279)**	(6,867)
	225,993	368,930	**–**	61,652	**225,993**	430,582

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(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank and other loans	**261,652**	161,411	**–**	–	**261,652**	161,411
Interest on lease liabilities	**5,105**	–	**–**	–	**5,105**	–
Interest on related party loans	**111,773**	92,093	**–**	–	**111,773**	92,093
Accrued interest on significant financing component of contract liabilities	**10,812**	–	**–**	–	**10,812**	–
Total interest expense	**389,342**	253,504	**–**	–	**389,342**	253,504
Less: amount capitalised*	**(120,610)**	(78,443)	**–**	–	**(120,610)**	(78,443)
	268,732	175,061	**–**	–	**268,732**	175,061

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect. See note 1(c).

* The borrowing costs have been capitalised at a weighted average rate of 4.38% per annum (2018: 3.81%).

(b) Staff costs

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Contributions to defined contribution retirement plan	**23,650**	20,323	**–**	2,611	**23,650**	22,934
Salaries, wages and other benefits	**361,875**	274,771	**–**	53,702	**361,875**	328,473
	385,525	295,094	**–**	56,313	**385,525**	351,407

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(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amortisation of intangible assets	**9,392**	1,027	**–**	16	**9,392**	1,043
Depreciation *(note 11(a))*						
– owned property, plant and equipment*	**203,798**	298,358	**–**	3,533	**203,798**	301,891
– right-of-use assets*	**139,226**	–	**–**	–	**139,226**	–
	343,024	298,358	**–**	3,533	**343,024**	301,891
Impairment losses/(Reversal of impairment losses)						
– trade and other receivables	**1,085**	(3,082)	**–**	(71)	**1,085**	(3,153)
– finance lease receivables	**2,929**	3,541	**–**	–	**2,929**	3,541
	4,014	459	**–**	(71)	**4,014**	388

	2019	2018
	RMB'000	RMB'000
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**–**	24,748
Auditors' remuneration		
– audit services	**2,900**	2,410
– other services	**2,492**	1,850
	5,392	4,260
Rentals receivable from investment properties less direct outgoings of RMB23,457,000 (2018: RMB11,773,000)	**(181,793)**	(153,076)
Cost of inventories# *(note 20(b))*	**1,089,777**	1,159,375

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

\# Cost of inventories includes RMB256,673,000 (2018: RMB257,000,000) relating to staff costs, depreciation and amortisation expenses, and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

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(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current tax						
Provision for corporate income tax ("CIT") for the year	**67,324**	80,202	**–**	19,302	**67,324**	99,504
Under/(over)- provision in respect of prior years	**17,527**	(25,594)	**–**	(608)	**17,527**	(26,202)
	84,851	54,608	**–**	18,694	**84,851**	73,302
PRC LAT	**306,245**	182,050	**–**	–	**306,245**	182,050
	391,096	236,658	**–**	18,694	**391,096**	255,352
Deferred tax						
Origination and reversal of temporary differences	**(36,582)**	(29,760)	**–**	789	**(36,582)**	(28,971)
	354,514	206,898	**–**	19,483	**354,514**	226,381

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2018: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2019 and 2018.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2018: 25%).

Additionally, a 10% withholding tax is levied for income derived from or accruing in the PRC. However, as for the dividend income, due to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries, associates and joint ventures to Hong Kong holding companies of the Group are subject to 5% withholding income tax since 1 January 2008 and onwards.

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(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit before taxation	**604,120**	1,065,453	**–**	87,755	**604,120**	1,153,208
Notional tax on profit before taxation, calculated at the PRC CIT rate of 25%	**151,030**	266,363	**–**	21,939	**151,030**	288,302
Tax effect of tax rate difference	**(2)**	786	**–**	(5,926)	**(2)**	(5,140)
Tax effect of non-deductible expenses	**86,518**	63,099	**–**	4,184	**86,518**	67,283
Tax effect of non-taxable income	**(140,935)**	(260,585)	**–**	(106)	**(140,935)**	(260,691)
Tax effect of temporary difference not recognised	**24,775**	27,064	**–**	–	**24,775**	27,064
Tax effect of temporary difference not previously recognised	**(14,083)**	(772)	**–**	–	**(14,083)**	(772)
Under/(over)-provision in respect of prior years	**17,527**	(25,594)	**–**	(608)	**17,527**	(26,202)
	124,830	70,361	**–**	19,483	**124,830**	89,844
PRC LAT	**306,245**	182,050	**–**	–	**306,245**	182,050
Tax effect of PRC LAT	**(76,561)**	(45,513)	**–**	–	**(76,561)**	(45,513)
	229,684	136,537	**–**	–	**229,684**	136,537
Income tax expense	**354,514**	206,898	**–**	19,483	**354,514**	226,381

Notes to the Consolidated Financial Statements

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7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Chairman					
He Haibin	–	–	–	–	–
Executive directors					
Xie Mei	–	1,996	721	152	2,869
Lin Kaihua	–	1,489	554	152	2,195
Non-executive director					
Zhang Jing	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	211	–	–	–	211
Lam Sing Kwong Simon	211	–	–	–	211
Lu Gong *(note (i))*	106	–	–	–	106
Chu Wing Yiu *(note (ii))*	113	–	–	–	113
	641	3,485	1,275	304	5,705

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(Expressed in Renminbi)

7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Chairman					
He Haibin	–	–	–	–	–
Executive directors					
Xie Mei	–	1,296	1,195	168	2,659
Lin Kaihua	–	999	942	149	2,090
Non-executive director					
Zhang Jing	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	142	–	–	–	142
Lam Sing Kwong Simon	142	–	–	–	142
Lu Gong *(note (i))*	152	–	–	–	152
	436	2,295	2,137	317	5,185

Notes: (i) Resigned on 19 June 2019.

(ii) Appointed on 19 June 2019.

Neither the chairman nor any of the directors waived any emoluments during the year (2018: Nil).

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 1 (2018: 1) director whose emolument is reflected in the analysis presented in note 7 to the consolidated financial statements above. The emoluments of all the five highest paid individuals are set out below:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	5,296	3,778
Discretionary bonuses	14,088	12,157
Retirement scheme contributions	539	524
	19,923	16,459

The emoluments of the 5 (2018: 5) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$3,000,001 – HK$3,500,000 (RMB2,639,000 – RMB3,079,000)	3	2
HK$3,500,001 – HK$4,000,000 (RMB3,079,000 – RMB3,519,000)	–	1
HK$4,000,001 – HK$4,500,000 (RMB3,519,000 – RMB3,959,000)	–	1
HK$5,000,001 – HK$5,500,000 (RMB4,399,000 – RMB4,839,000)	–	1
HK$5,500,001 – HK$6,000,000 (RMB4,839,000 – RMB5,279,000)	1	–
HK$6,500,001 – HK$7,000,000 (RMB5,719,000 – RMB6,158,000)	1	–

No individual received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: Nil). No individual waived or agreed to waive any emoluments during the year (2018: Nil).

9 OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Exchange differences – on translation of financial statements of overseas subsidiaries	(164,501)	(203,218)
Share of other comprehensive income of associates	11,246	(84,124)
Cumulative exchange differences reclassified to profit or loss upon disposal of an associate	(1,440)	–
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	166,598	(176,404)
Other comprehensive income	11,903	(463,746)

There is no tax effect for each of the other comprehensive income item.

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10 EARNINGS PER SHARE

(a) Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company (basic)

	Continuing operations		Discontinued operation		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Profit for the year, attributable to equity holders of the Company	**266,961**	730,430	**–**	68,272	**266,961**	798,702
Less: Profit attributable to the holders of perpetual capital securities *(note 29(d))*	**(238,615)**	(228,694)	**–**	–	**(238,615)**	(228,694)
Profit attributable to the holders of convertible preference shares *(note 29(b))*	**–**	(15,576)	**–**	–	**–**	(15,576)
Profit attributable to ordinary shareholders (basic)	**28,346**	486,160	**–**	68,272	**28,346**	554,432

(ii) Weighted average number of ordinary shares (basic)

	2019 '000	2018 '000
Issued ordinary shares at 1 January *(note 29(c))*	**748,366**	652,366
Effect of conversion of convertible preference shares *(note 29(c))*	**–**	65,753
Weighted average number of ordinary shares at 31 December *(note 29(c))*	**748,366**	718,119

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10 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit attributable to ordinary shareholders (basic)	**28,346**	486,160	**–**	68,272	**28,346**	554,432
Preference shares dividends saving on conversion of convertible preference shares	**–**	15,576	**–**	–	**–**	15,576
Profit attributable to ordinary shareholders (diluted)	**28,346**	501,736	**–**	68,272	**28,346**	570,008

(ii) Weighted average number of ordinary shares (diluted)

	2019	2018
	'000	'000
Weighted average number of ordinary shares at 31 December	**748,366**	718,119
Effect of dilutive potential ordinary shares arising from convertible preference shares *(note 29(c))*	**–**	30,247
Weighted average number of ordinary shares (diluted) at 31 December	**748,366**	748,366

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use	Other properties leased for own use	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Sub-total	Investment property	Investment property under development	Sub-total	Interests in leasehold land held for own use	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:												
At 1 January 2018	1,172,458	–	728,859	29,001	159,624	100,844	2,190,786	2,696,550	309,801	3,006,351	726,903	5,924,040
Exchange adjustments	–	–	–	–	70	–	70	11,694	–	11,694	–	11,764
Additions	2,182	–	17,073	2,711	67,930	78,179	168,075	19,311	89,040	108,351	2,032	278,458
Disposals	(85)	–	(113,822)	(8,961)	(12,494)	–	(135,362)	–	–	–	–	(135,362)
Disposal of subsidiaries	(28,462)	–	(43,141)	(1,471)	(3,695)	–	(76,769)	–	(22,832)	(22,832)	(28,042)	(127,643)
Transfer from construction in progress	21,977	–	110,067	–	41,903	(173,947)	–	–	–	–	–	–
Transfer to investment property	(129,101)	–	–	–	–	–	(129,101)	511,399	(296,885)	214,514	(85,413)	–
Transfer from inventories	941,134	–	–	–	–	–	941,134	3,791	–	3,791	1,018,307	1,963,232
At 31 December 2018	1,980,103	–	699,036	21,280	253,338	5,076	2,958,833	3,242,745	79,124	3,321,869	1,633,787	7,914,489
Impact on initial application of HKFRS 16 *(Note)*	–	28,880	–	–	–	–	28,880	42,569	–	42,569	–	71,449
At 1 January 2019	1,980,103	28,880	699,036	21,280	253,338	5,076	2,987,713	3,285,314	79,124	3,364,438	1,633,787	7,985,938
Exchange adjustments	-	540	-	-	44	-	584	5,692	-	5,692	-	6,276
Additions	-	3,335	350	204	39,361	42,740	85,990	3,302	232,778	236,080	164,172	486,242
Disposals	-	-	(12,909)	(5,035)	(9,561)	-	(27,505)	-	-	-	-	(27,505)
Transfer from construction in progress	-	-	808	-	11,860	(12,668)	-	7,655	(7,655)	-	-	-
Transfer from inventories	-	-	-	-	-	-	-	2,124,043	161,555	2,285,598	-	2,285,598
Cost adjustment	(17,722)	-	329	-	17,393	-	-	(36,711)	-	(36,711)	-	(36,711)
At 31 December 2019	1,962,381	32,755	687,614	16,449	312,435	35,148	3,046,782	5,389,295	465,802	5,855,097	1,797,959	10,699,838

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Ownership interests in buildings held for own use RMB'000	Other properties leased for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation:												
At 1 January 2018	322,038	-	497,351	23,503	113,322	-	956,214	261,606	-	261,606	147,249	1,365,069
Exchange adjustments	-	-	-	-	10	-	10	772	-	772	-	782
Charge for the year	63,507	-	72,736	2,353	26,654	-	165,250	98,942	-	98,942	37,699	301,891
Written back on disposals	(31)	-	(94,596)	(8,456)	(11,384)	-	(114,467)	-	-	-	-	(114,467)
Disposal of subsidiaries	(20,235)	-	(38,080)	(820)	(2,864)	-	(61,999)	-	-	-	(7,650)	(69,649)
Transfer to investment property	(61,073)	-	-	-	-	-	(61,073)	77,319	5,392	82,711	(21,638)	-
Transfer to inventories	-	-	-	-	-	-	-	-	-	-	(5,784)	(5,784)
At 31 December 2018 and 1 January 2019	304,206	-	437,411	16,580	125,738	-	883,935	438,639	5,392	444,031	149,876	1,477,842
Exchange adjustments	-	171	-	-	5	-	176	496	-	496	-	672
Charge for the year	68,729	14,541	35,815	1,504	49,226	-	169,815	124,831	-	124,831	51,104	345,750
Written back on disposals	-	-	(12,278)	(4,602)	(7,695)	-	(24,575)	-	-	-	-	(24,575)
Cost adjustment	(6,701)	-	125	-	6,576	-	-	-	-	-	-	-
At 31 December 2019	366,234	14,712	461,073	13,482	173,850	-	1,029,351	563,966	5,392	569,358	200,980	1,799,689
Accumulated impairment losses:												
At 1 January 2018	-	-	1,986	-	-	-	1,986	-	-	-	-	1,986
Written off on disposals	-	-	(1,986)	-	-	-	(1,986)	-	-	-	-	(1,986)
At 31 December 2018, 1 January 2019 and 31 December 2019	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount:												
At 31 December 2019	1,596,147	18,043	226,541	2,967	138,585	35,148	2,017,431	4,825,329	460,410	5,285,739	1,596,979	8,900,149
At 31 December 2018	1,675,897	-	261,625	4,700	127,600	5,076	2,074,898	2,804,106	73,732	2,877,838	1,483,911	6,436,647

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(b) Right-of-use assets

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

	31 December 2019 RMB'000	1 January 2019 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	1,608,430	1,495,942
Other properties leased for own use, carried at depreciated cost	18,043	28,880
Investment property, carried at depreciated cost in the PRC, with remaining lease term of:		
– between 10 and 50 years	3,086,619	1,888,006
Included in "Inventories and other contract costs":		
Leasehold land held for development for sale	77,927	77,927
Property held for/under development for sale	1,750,811	2,008,907
Completed properties for sale	944,896	1,173,218
	2,773,634	3,260,052
	7,486,726	6,672,880

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 *(Note)* RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
Ownership interests in leasehold land	51,684	–
Other properties leased for own use	14,541	–
Investment property	73,001	–
	139,226	–
Interest on lease liabilities *(note 5(a))*	5,105	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	155	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	24,748

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(b) Right-of-use assets *(continued)*

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were RMB1,173,883,000. This amount included the purchase of a leasehold property of RMB1,168,555,000 and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(d) and 26, respectively.

(c) Ownership interests in leasehold land and buildings held for own use

(i) The Group owns several buildings for its housing for hotel business and office building. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) According to the Stated-owned Land Use Rights Grant Contract, leasehold land held for own use with carrying amount of RMB428,116,000 (2018: RMB443,714,000) located in the PRC held by 成都天府華僑城實業有限公司 (Chengdu Tianfu OCT Industry Development Company Limited) ("Chengdu OCT"), a subsidiary of the Group is non-transferable.

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(d) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)	**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**
	RMB'000	RMB'000
Offices	15,433	30,083

(e) Investment properties

(i) The Group leases out investment properties. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019	2018
	RMB'000	RMB'000
Within 1 year	**131,681**	35,273
After 1 year but within 2 years	**100,322**	52,830
After 2 years but within 3 years	**76,639**	34,325
After 3 years but within 4 years	**48,217**	26,203
After 4 years but within 5 years	**36,168**	2,505
After 5 years	**79,417**	116,315
	472,444	267,451

(ii) During the year, the Group participated in a REIT programme and the rental and operational income of certain investment properties with carrying amount of RMB2,107,000,000 as at 31 December 2019 were securitised (See note 25 (a)(ii)). As the Group still retained the control and residual value of the investment properties under the terms of the REIT programme, the respective investment properties were not de-recognised.

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12 INTANGIBLE ASSETS

	Software and copyright RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2018	3,150	–	3,150
Additions	5,827	–	5,827
Disposals	(164)	–	(164)
At 31 December 2018 and 1 January 2019	8,813	–	8,813
Additions	41	56,000	56,041
At 31 December 2019	8,854	56,000	64,854
Accumulated amortisation:			
At 1 January 2018	1,553	–	1,553
Charge for the year	1,043	–	1,043
Written back on disposals	(56)	–	(56)
At 31 December 2018 and 1 January 2019	2,540	–	2,540
Charge for the year	1,392	8,000	9,392
At 31 December 2019	3,932	8,000	11,932
Carrying amount:			
At 31 December 2019	4,922	48,000	52,922
At 31 December 2018	6,273	–	6,273

13 GOODWILL

	RMB'000
Cost:	
At 31 December 2018,1 January 2019 and 31 December 2019	266,183
Accumulated impairment losses:	
At 31 December 2018,1 January 2019 and 31 December 2019	265,613
Carrying amount:	
At 31 December 2018 and 2019	570

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14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳華僑城港亞控股發展有限公司 (Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd.) *(notes (i)&(ii))*	The People's Republic of China ("PRC")	Paid-up capital of HK$180,000,000	100%	–	100%	Consulting and management of corporation
安徽華力包裝有限公司 (Anhui Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) *(notes (ii)&(iv))*	PRC	Paid-up capital of RMB3,000,000	100%	–	100%	Investment management
惠州華力包裝有限公司 (Huizhou Huali PackagingCo., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$168,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
Forever Galaxies Limited	British Virgin Islands ("BVI")	1 share of US$1 each	100%	100%	–	Investment holding
Max Surplus Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Fortune Crown International Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Miracle Stone Development Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Grand Signal Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Huali Holdings Company Limited	Hong Kong	1,000,000 shares	100%	–	100%	Property investment
OCT Investments Limited	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
Power Shiny Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Bantix International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Wantex Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Barwin Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Excel Founder Limited	Hong Kong	1 share	100%	100%	–	Investment holding

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hanmax Investment Limited	Hong Kong	100 shares	100%	–	100%	Investment holding
Great Tec Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Verdant Forever Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Regal China Enterprises Limited	Hong Kong	1 share	100%	–	100%	Investment holding
華秦發展有限公司 Phoenix Ocean Developments Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
華昌國際有限公司 City Legend International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
成都天府華僑城萬匯商城管理有限公司 (Chengdu Tianfu OCT Wanhui Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Real estate development
成都天府華僑城公園廣場管理有限公司 (Chengdu Tianfu OCT Park Plaza Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Properties investment
成都天府華僑城創展商業區管理有限公司 (Chengdu Tianfu OCT Chuangzhan Business District Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Consulting and management of entertainment project
成都天府華僑城商業廣場管理有限公司 (Chengdu Tianfu OCT Commercial Plaza Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Consulting and management of entertainment project
成都天府華僑城大劇院管理有限公司 (Chengdu Tianfu OCT Theater Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Venue rental, management of entertainment project
成都天府華僑城純水岸商業管理有限公司 (Chengdu Tianfu OCT Riverside Business Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Consulting and management of entertainment project

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
成都天府華僑城都市娛樂有限公司 (Chengdu Tianfu OCT Urban Entertainment Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Consulting and management of entertainment project
成都天府華僑城酒店管理有限公司 (Chengdu Tianfu OCT Hotel Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	50.99%	–	50.99%	Hotel management of entertainment project
Chengdu OCT *(note (iv))*	PRC	Paid-up capital of RMB1,500,000,000	50.99%	–	50.99%	Tourism and real estate development
OCT Shanghai Land *(note (iv))*	PRC	Paid-up capital of RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 (Shenzhen Huajing Investment Limited) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB1,000,000	100%	–	100%	Investment holding and real estate development
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB20,000,000	100%	–	100%	Investment management
華僑城（常熟）實業發展有限公司 （前稱"蘇州華力環保包裝科技有限公司"） (OCT (Changshu) Industry Development Co., Ltd.) (Formerly Known As "(Suzhou Huali Environmental Packaging Technology Co., Ltd.) *(notes (i) & (ii))*	PRC	Paid-up capital of US$27,800,000	100%	–	100%	Development of self-owned land industrial parks and property management
西安華僑城置地有限公司 (Xi'an OCT Real Estate Limited) ("Xi'an OCT Land") *(notes (i)&(ii))*	PRC	Paid-up capital of US$90,000,000	100%	–	100%	Property investment
華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) *(notes (i) & (ii))*	PRC	Registered capital of US$200,000,000	100%	100%	–	Finance lease
華僑城（常熟）投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	Registered capital of RMB1,000,000,000	100%	–	100%	Tourism and real estate development

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
共青城華僑城華鑫一號投資合夥企業(有限合夥) (Gongqingcheng OCT Huaxin No.1 Investment Partnership (Limited Partnership)) *(note (ii))*	PRC	Paid-up capital of RMB5,000,000	100%	–	100%	Project and industrial investment
上海首馳企業管理有限公司 (Shanghai Shouchi Enterprise Management Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB1,000,000	50.5%	–	50.5%	Enterprise management
中聯前源– 華僑城租賃住房一號第一期私募股權投資基金 (Zhonglian Qianyuan –Private Equity Investment Fund Phase I of OCT Rental House No.1) *(note (ii))*	PRC	Paid-up capital of RMB2,150,000,000	5.05%	–	5.05%	Property investment
中聯前海開源– 華僑城租賃住房一號第一期資產支持專項計劃 (Zhonglian Qianhaikaiyuan – Special Plan For Asset Support Phase I Of OCT Rental House No.1.) *(note (ii))*	PRC	Paid-up capital of RMB2,150,000,000	5.05%	–	5.05%	Property investment
合肥華僑城環巢文旅置業發展有限公司 (Hefei OCT Huanchao Cultural Tourism Real Estate Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB400,000,000	51%	–	51%	Tourism and real estate development
深圳華僑城港華投資控股有限公司 (Shenzhen OCT Ganghua Investment Holdings Co., Ltd.) *(notes (i) & (ii))*	PRC	Registered capital of HK$4,000,000,000	100%	–	100%	Consulting and management of corporation
合肥華僑城實業發展有限公司 (Hefei OCT Industry Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	Registered capital of RMB10,000,000,000	51%	–	51%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The company is a sino-foreign joint venture with limited liability established in the PRC.

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Name	Chengdu OCT		OCT Shanghai Land	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal place of business	PRC		PRC	
NCI percentage	49.01%		49.5%	
Current assets	**1,034,128**	1,415,795	**4,895,994**	6,325,964
Non-current assets	**4,186,964**	3,902,929	**4,144,866**	2,044,592
Current liabilities	**(2,886,236)**	(2,340,527)	**(1,422,990)**	(3,802,155)
Non-current liabilities	**(48,393)**	(574,000)	**(3,058,359)**	–
Net assets attributable to equity holders	**2,286,463**	2,404,197	**4,559,511**	4,568,401
Carrying amount of NCI	**1,120,364**	1,178,056	**2,256,958**	2,261,359
Revenue	**1,383,754**	654,050	**553,786**	822,661
(Loss)/profit for the year attributable to				
– Equity holders	**(26,535)**	88,315	**(8,890)**	171,437
– NCI of subsidiaries	**–**	(21)	**–**	–
	(26,535)	88,294	**(8,890)**	171,437
Total comprehensive income	**(26,535)**	88,294	**(8,890)**	171,437
(Loss)/profit allocated to NCI	**(13,005)**	43,264	**(4,401)**	84,861
Dividend distributed to NCI	**44,687**	47,471	**–**	263,384
Cash flows from operating activities	**698,410**	(279,162)	**(16,544)**	(294,529)
Cash flows from investing activities	**(172,577)**	(55,241)	**(203,302)**	(71,759)
Cash flows from financing activities	**(511,198)**	(122,137)	**352,103**	218,184

Note: These subsidiaries have initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB69,421,000 relating to leases which were previously classified as operating leases under HKAS 17 respectively. Under this approach, the comparative information is not restated.

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15 INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Listed investments *(note 1)*:		
– Share of net assets	2,775,095	2,640,164
– Goodwill	642,420	663,347
	3,417,515	3,303,511
Unlisted investments:		
– Share of net assets	1,749,319	1,605,940
– Goodwill	10,380	10,380
	1,759,699	1,616,320
Amount due from an associate *(note 2)*	233,482	–
	5,410,696	4,919,831

Note 1: As at 31 December 2019, the fair value of interests in associates whose shares are listed amounted to RMB2,909,404,000 (2018: RMB2,752,905,000).

Note 2: As at 31 December 2019, the amount due from an associate are unsecured, interest bearing at 8% per annum and repayable in 2022.

Details of the Group's individually material associates at 31 December 2019 are as follows:

Name of associate	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
Capital Converge Holdings Limited ("Capital Converge")	BVI	100 shares of US$1 each	49%	49%	–	Investment holding
民生教育集團有限公司 (Minsheng Education Group Company Limited) ("Minsheng Education")	Cayman Islands	4,017,720,000 shares of US$0.00001 each	8.2634%	–	8.2634%	Education services
禹洲地產股份有限公司 (Yuzhou Property Company Limited) ("Yuzhou Property")	Cayman Islands	5,221,550,662 shares of HK$0.1 each	9.9318%	–	9.9318%	Property development
易居(中國)企業控股有限公司 (E-House (China) Enterprise Holdings Limited) ("E-House")	Cayman Islands	1,389,955,100 shares of US$0.00001 each	5.2787%	–	5.2787%	Real estate agency service, data and consulting services, brokerage network services
成都體育產業有限責任公司 (Chengdu Sports Industry Co, Ltd) ("CSI Company")	PRC	RMB75,000,000	25%	–	49%	Stadium operation and management

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15 INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Name	CSI Company		Capital Converge		Minsheng Education		Yuzhou Property		E-House	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Group's effective interest	49%	49%	49%	49%	8.2634%	8.2634%	9.9318%	9.9848%	5.2787%	4.9905%
At 31 December:										
Current assets	604,287	579,632	4,161,715	4,238,685	1,494,790	1,578,023	120,766,150	91,898,614	15,075,835	10,106,114
Non-current assets	1,126,588	1,093,247	28,858	31,579	5,582,812	5,046,451	25,453,339	24,208,409	2,089,681	1,212,283
Current liabilities	(16,092)	(20,089)	(2,199,356)	(2,453,080)	(1,482,443)	(1,507,081)	(74,851,322)	(64,520,129)	(5,653,219)	(3,306,960)
Non-current liabilities	(69,472)	(7,986)	(1,165,403)	(956,198)	(1,719,366)	(1,587,996)	(42,856,179)	(29,112,523)	(3,448,049)	(73)
Perpetual bond	–	–	–	–	–	–	(1,911,986)	(1,937,669)	–	–
NCI	–	–	–	–	(113,361)	(120,987)	(5,824,482)	(1,943,762)	(188,850)	(143,727)
Equity attributable to shareholders	1,645,311	1,644,804	825,814	860,986	3,762,432	3,408,410	20,775,520	18,592,940	7,875,398	7,867,637
Group's share of net assets of the associate	806,202	805,954	404,649	421,883	310,904	281,651	2,063,391	1,856,474	400,800	392,633
Goodwill	–	–	–	–	135,688	135,688	–	–	506,732	491,812
Carrying amount in the consolidated financial statements	806,202	805,954	404,649	421,883	446,592	417,339	2,063,391	1,856,474	907,532	884,445

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15 INTERESTS IN ASSOCIATES *(continued)*

Name	CSI Company		Capital Converge		Minsheng Education		Yuzhou Property		E-House	
								For the period from the date of acquisition to 31 December		For the period from the date of acquisition to 31 December
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	16,509	18,499	55,881	1,694,439	1,005,436	623,143	23,243,508	14,291,490	9,094,682	877,256
Profit for the year	507	8,672	1,224	84,716	346,607	332,839	2,279,006	1,975,261	860,872	120,862
Other comprehensive income	–	–	(36,395)	(4,685)	7,417	49,884	271,720	(861,762)	–	–
Total comprehensive income	507	8,672	(35,171)	80,031	354,024	382,723	2,550,726	1,113,499	860,872	120,862
Dividend receivable/received from the associate	–	–	–	–	–	–	152,133*	–	14,634	–
Bargain purchase of interest in an associate	–	–	–	–	–	–	–	156,899	–	–
Group's share of profit	248	4,249	600	41,511	28,641	27,504	223,376	197,227	45,443	6,032
Group's share of total comprehensive income	248	4,249	(17,234)	39,215	29,254	31,626	250,363	111,182	45,443	6,032

* Dividends of RMB118,086,000 were converted into shares of Yuzhou Property under the script dividend scheme.

As at 31 December 2019, a prolonged and significant shortfall in fair value of one of the listed associates compared to its carrying amount constituted an indication of impairment. For the purpose of impairment testing, the directors re-assessed the recoverable amount of the associate with reference to its value-in-use, which is derived by estimating the Group's share of the present value of the estimated future cash flows expected to be generated by the associate. The key assumptions for the value-in-use calculation mainly include the discount rates and the expected long-term growth rate. The directors of the Group estimated discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific relating to the associate. The discount rate and long-term growth rate adopted in the value-in-use calculation were 14.2% and 3% respectively. As the value-in-use of the associate is higher than its carrying amount, no impairment loss was recognised by the Group at 31 December 2019.

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15 INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**548,848**	533,736
Amounts due from an associate	**233,482**	–
Aggregate amounts of the Group's share of those associates'		
Profit/(loss) for the year	**7,755**	(14,428)
Other comprehensive income	**1,480**	95
Cumulative exchange differences reclassified to profit or loss upon disposal of an associate	**(1,440)**	–
Total comprehensive income	**7,795**	(14,333)

The Group disposed an aggregate of 57,334,000 shares of Tianli Education International Holdings Limited ("Tianli") in a series of transactions in 2019, which represented approximately 2.76% of the issued share capital of Tianli. The aggregate sale proceeds from the disposals are RMB160,063,000, resulting a gain on disposals of RMB72,374,000. Upon the decrease in equity interest in Tianli and the resignation of representative on the Board of Directors in Tianli, the directors consider that it had lost significant influence on Tianli and accordingly, the investment in Tianli was transferred from interests in associates to financial asset measured at FVPL of the Group. A gain of RMB54,090,000, representing the difference between the fair value and the carrying amount of the remaining interest in Tianli upon the time of the transfer was recognised as other net income in the consolidated statement of profit or loss.

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16 INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Unlisted investments:		
– Share of net assets	**302,560**	287,330

Details of the Group's interests in the joint ventures at 31 December 2019 are as follows:

			Proportion of ownership interest			
Name of joint venture	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
成都保鑫泉盛房地產開發有限公司 (Chengdu Baoxin Quansheng Real Estate Development Company Limited) ("Chengdu Baoxin Quansheng")	PRC	Paid-up capital of RMB50,000,000	25.50%	–	50%	Property investment and property development for sales or lease
成都天府華僑城湖濱商業管理有限公司 (Chengdu Tianfu OCT Lakeside Business Management Co. Ltd.) ("OCT Lakeside")	PRC	Paid-up capital of RMB10,000,000	24.99%	–	49%	Consulting and management of entertainment project
廈門華僑城潤禹投資合夥企業 (Xiamen OCT Runyu Investment Partnership (Limited Partnership)) ("Xiamen Runyu")	PRC	Paid-up capital of RMB1,500,000,000	77.93%	–	77.93%	Investment Holding

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16 INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed as follows:

Name	Chengdu Baoxin Quansheng	
	2019	2018
	RMB'000	RMB'000
Principal place of business	PRC	
Principal activities	Property investment and property development for sale or lease	
Group's effective interest	50%	
Current assets	**727,495**	987,075
Non-current assets	**6,444**	956
Current liabilities	**(265,224)**	(502,950)
Net assets	**468,715**	485,081
Group's share of net assets of the joint venture	**234,357**	242,540
Carrying amount in the consolidated financial statements	**234,357**	242,540
Revenue	**71,732**	2,138,513
(Loss)/profit for the year	**(16,366)**	458,487
Total comprehensive income	**(16,366)**	458,487
Group's share of (loss)/profit and total comprehensive income	**(8,183)**	229,244

Aggregate information of joint ventures that are not individually material:

	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**68,203**	44,790
Aggregate amounts of the Group's share of joint ventures		
Profit for the year	**33**	–
Other comprehensive income	**–**	–
Total comprehensive income	**33**	–

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17 OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Equity securities listed in Hong Kong *(note)*	1,328,434	1,161,836
Financial assets measured at FVPL		
– Unlisted equity securities	289,858	275,689
	1,618,292	1,437,525

Note: The Group designated its investment in listed equity securities at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2018: Nil).

18 TRADE SECURITIES

	2019 RMB'000	2018 RMB'000
Listed equity securities at FVPL *(note 30(e))*		
– in Hong Kong *(note 15)*	118,480	–

The listed equity securities at FVPL are fully disposed in early January 2020.

19 FINANCE LEASE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Finance lease receivables	499,459	296,212
Less: due within one year	(117,206)	(65,342)
	382,253	230,870

As at 31 December 2019, the total future minimum lease payments receivables under finance leases were as follows:

	2019				2018 *(Note)*			
	Lease payments receivable RMB'000	Unearned finance income RMB'000	Allowance of bad debt RMB'000	Carrying amount RMB'000	Lease payments receivable RMB'000	Unearned finance income RMB'000	Allowance of bad debt RMB'000	Carrying amount RMB'000
Within 1 year	141,508	(22,784)	(1,518)	117,206	80,398	(14,275)	(781)	65,342
After 1 year but within 5 years	426,134	(38,929)	(4,952)	382,253	257,138	(23,508)	(2,760)	230,870
	567,642	(61,713)	(6,470)	499,459	337,536	(37,783)	(3,541)	296,212

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated in this respect. See note 1(c).

Notes to the Consolidated Financial Statements

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20 INVENTORIES AND OTHER CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Inventories:		
Comprehensive development business		
Properties held for future development and under development for sale	3,728,645	4,227,428
Completed properties held for sale	2,027,614	2,821,182
Other inventories	7,247	7,113
	5,763,506	7,055,723
Other contract costs	3,584	–
	5,767,090	7,055,723

(a) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2019 RMB'000	2018 RMB'000
In the PRC		
– medium-term leases (between 10 and 50 years)	4,809,945	6,205,340
– long leases (over 50 years)	946,314	843,270
	5,756,259	7,048,610

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	1,089,827	1,159,519
Write-down of inventories	–	168
Reversal of write-down of inventories	–	(312)
Write-off of write-down of inventories	(50)	–
	1,089,777	1,159,375

The reversal of write-down of inventories made in prior years arose upon use of inventories.

The amount of completed properties held for sale, land held for future development for sale and properties under development for sale expected to be recovered after more than one year is RMB5,256,391,000 (2018: RMB6,409,192,000). All of the other inventories are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

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20 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

(c) Contract costs

Contract costs capitalised as at 31 December 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

All of the contract costs are expected to be recovered within one year.

21 CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Comprehensive development business	**512,781**	143,949

Comprehensive development business payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives deposits and sale proceeds from customers after they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and transfer control to the customers.

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21 CONTRACT LIABILITIES *(continued)*

Movements in contract liabilities

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**143,949**	371,815
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(42,829)**	(245,588)
Net increase in contract liabilities as a result of receiving deposits and sale proceeds in respect of properties still under construction as at 31 December less amounts returned to customers during the year	**400,849**	17,722
Increase in contract liabilities as a result of accruing interest expense on advances	**10,812**	–
Balance at 31 December	**512,781**	143,949

None of forward sales deposits received expected to be recognised as income after more than one year. (2018: RMB41,363,000).

22 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade debtors and bills receivable		
– Amounts due from fellow subsidiaries	**16,345**	6,974
– Amounts due from third parties	**13,630**	42,129
Less: allowance for doubtful debts *(note 30(a))*	**(1,095)**	(1,545)
	28,880	47,558
Other receivables:		
– Amounts due from associates *(note i)*	**95,360**	583,227
– Amounts due from intermediate parents	**–**	1,157
– Amounts due from fellow subsidiaries	**17,007**	15,385
– Amounts due from other related parties	**–**	9,444
– Amounts due from third parties	**64,384**	212,568
Less: allowance for doubtful debts *(note 30(a))*	**(12,717)**	(11,182)
	164,034	810,599
Financial assets measured at amortised cost	**192,914**	858,157
Deposits and prepayments *(note ii)*	**688,769**	366,574
	881,683	1,224,731

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22 TRADE AND OTHER RECEIVABLES *(continued)*

Presenting as:

	2019 RMB'000	2018 RMB'000
Non-current assets *(note iii)*	**1,623**	2,476
Current assets	**880,060**	1,222,255
	881,683	1,224,731

Note:

(i) Except for amounts of RMB16,891,000 (2018: RMB437,872,000) which are interest bearing at 2.5% (2018: 2.5% to 6%) per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

(ii) During the year ended 31 December 2018, the Group entered into one land grant contract for acquisition of the land in the PRC. As at 31 December 2018, a total consideration of RMB204,000,000 was paid and recognised as deposit for the acquisition of the land. During the year ended 31 December 2019, the acquisition of the land was completed and respective land use right certificate was obtained.

During the year ended 31 December 2019, the Group entered into one land grant contract for acquisition of the land in the PRC and as at 31 December 2019, a total consideration of RMB510,000,000 was paid and recognised as deposit for the acquisition of the land.

(iii) Apart from prepayment of RMB1,623,000 under non–current assets (2018: RMB2,476,000) is expected to be recovered after one year, all of the trade and other receivables are expected to be recovered within one year.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**28,734**	45,809
1 to 2 years	**146**	890
2 to 3 years	**–**	859
	28,880	47,558

Further details on the Group's credit policy are set out in note 30(a).

Notes to the Consolidated Financial Statements

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand represents:

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand on the consolidated statement of financial position	**2,681,489**	3,222,953
Less: Cash at bank pledged for bank loans *(note 25(c))*	**(753,425)**	(754,951)
Cash at bank pledged for certain mortgage facilities	**(5,174)**	(7,290)
Restricted cash for REIT programme *(note 25(a)(ii))*	**(4,826)**	–
Bank deposits with maturity of more than three months	**(119,990)**	(716,516)
Cash and cash equivalents on the consolidated cash flow statement	**1,798,074**	1,744,196

Notes to the Consolidated Financial Statements

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2019 RMB'000	2018 RMB'000 *(Note)*
Profit before taxation from:			
– Continuing operations		**604,120**	1,065,453
– Discontinued operation	34	**–**	87,755
		604,120	1,153,208
Adjustments for:			
Depreciation and amortisation	5(c)	**352,416**	302,934
Interest income	4(a)	**(90,517)**	(114,881)
Finance costs	5(a)	**268,732**	175,061
Net gain on disposal of property, plant and equipment	4(b)	**(40)**	(1,005)
Net realised and unrealised gains on unlisted equity securities	4(b)	**(12,190)**	(116,474)
Dividend income from unlisted equity securities		**(1,096)**	–
Reversal of write downs of inventories	20(b)	**–**	(144)
Share of profits less losses of associates		**(306,063)**	(418,994)
Share of loss/(profit) of joint ventures		**8,150**	(229,244)
Gain on disposals of subsidiaries	4(b)	**–**	(118,407)
Gain on previously held interest in a subsidiary upon loss of control	4(b)	**–**	(40,101)
Gain on partial disposals of an associate	4(b)	**(72,374)**	–
Gain on previously held interest in an associate upon loss of significant influence	4(b)	**(54,090)**	–
Impairment losses/(reversals of impairment losses) on trade and other receivables	5(c)	**1,085**	(3,153)
Impairment loss on finance lease receivables	5(c)	**2,929**	3,541
Changes in working capital:			
Increase in inventories and other contract costs		**(887,167)**	(727,584)
Increase in finance lease receivables		**(180,356)**	(299,753)
Increase in trade and other receivables		**(293,187)**	(88,002)
Increase in trade and other payables		**176,508**	282,021
Increase/(decrease) in contract liabilities		**368,832**	(227,866)
Cash used in operations		**(114,308)**	(468,843)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB24,748,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, all rentals paid on leases are now split into capital element and interest element and capital element classified as financing cash outflows (see note 23(c)) when interest element classified as operation activities cash outflows as under HKAS 17 were treated. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	5,009,705	1,385,700	–	6,395,405
Changes from financing cash flows:				
Proceeds from new loans	4,090,039	552,000	–	4,642,039
Repayment of loans	(2,953,646)	(400,000)	–	(3,353,646)
Total changes from financing cash flows	1,136,393	152,000	–	1,288,393
Exchange adjustments	244,559	–	–	244,559
Transfer from other payables to related party loans	–	500,000	–	500,000
At 31 December 2018	6,390,657	2,037,700	–	8,428,357
Impact on initial application of HKFRS 16 *(Note 1)*	–	–	97,269	97,269
At 1 January 2019	6,390,657	2,037,700	97,269	8,525,626
Changes from financing cash flows:				
Proceeds from new loans	5,386,395	731,350	–	6,117,745
Repayment of loans	(3,774,271)	(1,796,300)	–	(5,570,571)
Capital element of lease rentals paid	–	–	(24,140)	(24,140)
Total changes from financing cash flows	1,612,124	(1,064,950)	(24,140)	523,034
Exchange adjustments	112,896	–	373	113,269
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	5,328	5,328
At 31 December 2019	8,115,677	972,750	78,830	9,167,257

Note 1: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 1(c) and 23(b).

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23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019	2018 *(Note)*
	RMB'000	RMB'000
Within operating cash flows	1,009,488	24,748
Within investing cash flows	164,172	–
Within financing cash flows	24,140	–
	1,197,800	24,748

Note: As explained in the note to note 23(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	2018
	RMB'000	RMB'000
Lease rentals paid	29,245	24,748
Purchase of leasehold property	1,168,555	–
	1,197,800	24,748

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24 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade creditors and bills payable:		
– Amounts due to fellow subsidiaries	**24,058**	23,311
– Amounts due to third parties	**1,162,468**	1,158,482
	1,186,526	1,181,793
Other payables and accruals:		
– Amounts due to associates	**132,431**	132,431
– Amounts due to joint ventures	**210,932**	195,087
– Amount due to the intermediate parent	**45,514**	–
– Amounts due to fellow subsidiaries	**331,014**	311,956
– Amount due to other related party	**249,900**	–
– Amounts due to third parties *(note i)*	**535,187**	612,711
	1,504,978	1,252,185
Interest payables:		
– Amount due to an associate	**36,417**	32,876
– Amount due to a joint venture	**7,686**	–
– Amounts due to the intermediate parent	**21,369**	23,717
– Amounts due to fellow subsidiaries	**71**	57,723
– Amounts due to other related parties	**13,737**	–
– Amounts due to third parties	**29,915**	17,674
	109,195	131,990
Financial liabilities measured at amortised cost	**2,800,699**	2,565,968
Deposits *(note ii)*	**74,437**	91,478
	2,875,136	2,657,446

Notes:

(i) Chengdu OCT received advances amounting to RMB550,000,000 for construction of infrastructure facilities in previous years. As at 31 December 2019, the balance of the advances received deducting the carrying amount of the related infrastructure facilities was RMB135,742,000 (2018: RMB145,394,000), which was included in other payables.

(ii) At 31 December 2019, deposits of RMB73,558,000 (2018: RMB55,591,000) are expected to be settled after more than one year. All of the other payables and accrued expenses and deposits are expected to be settled within one year.

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24 TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**1,118,073**	1,101,819
1 to 2 years	**33,552**	20,956
2 to 3 years	**2,640**	31,041
Over 3 years	**32,261**	27,977
	1,186,526	1,181,793

25 LOANS

(a) At 31 December 2019, the loans are repayable as follows:

		2019 RMB'000	2018 RMB'000
(i)	Bank and other loans		
	Within 1 year or on demand *(note i)*	**2,099,413**	4,979,886
	After 1 year but within 2 years	**–**	282,954
	After 2 years but within 5 years	**3,096,264**	1,127,817
	After 5 years	**985,000**	–
		4,081,264	1,410,771
		6,180,677	6,390,657
(ii)	Related party loans		
	Within 1 year or on demand	**521,400**	2,037,700
	After 2 years but within 5 years	**59,350**	–
		580,750	2,037,700
(iii)	Non controlling interest loan		
	Within 1 year or on demand	**392,000**	–
(iv)	Loan in respect of REIT programme		
	After 2 years but within 5 years *(note ii)*	**1,935,000**	–
		9,088,427	8,428,357

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25 LOANS *(continued)*

(a) At 31 December 2019, the loans are repayable as follows: *(continued)*

Notes:

(i) Notwithstanding the specified repayment schedules as stated in the facility letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional right to call the bank loans at any time ("repayable on demand clause"). Certain bank loans subject to the repayable on demand clause amounted to RMB716,624,000 as at 31 December 2019 (2018: RMB2,549,742,000) were classified as current liabilities in the consolidated statement of financial position.

(ii) On 30 November 2019, OCT Shanghai Land, a subsidiary of the Group, participated in a real estate investment trust (the "REIT") programme in the Shenzhen Stock Exchange. The funds raised under the REIT programme totals RMB2,150,000,000, consist of preferential asset-backed securities amounted to RMB1,935,000,000 from qualified investors other than the Group who enjoy a fixed return of income from the REIT of 4.24% per annum, and secondary asset-backed securities amounted to RMB215,000,000 subscribed by the Group which entitle the Group to receive any residual income from the REIT. Income of the REIT are derived from the rental and operational income from the investment properties with carrying amount of RMB2,107,295,530 securitised by OCT Shanghai Land. In the event that the rental and operating income is not sufficient to cover the expected return payable to preferential asset-backed securities holders, OCT Shanghai Land is obliged to compensate the shortfall so that the preferential asset-backed securities holders will still enjoy the fixed return of 4.24% per annum. The REIT has a term of three years with an option to extend further three years by the REIT scheme manager. Upon expiry of the term, the principal amount of RMB1,935,000,000 and the outstanding fixed return as of on that date shall be returned to the preferential asset-backed securities holders, and the residual amounts are to be retained by OCT Shanghai Land.

As the underlying investment properties did not meet the criteria of de-recognition, the Group did not de-recognise the investment properties, and the net proceeds of RMB1,935,000,000 received from the preferential asset-backed securities holders were treated as financial liabilities of the Group. The secondary asset-back securities invested by the Group was eliminated upon consolidation.

In accordance with the terms of the REIT, OCT Group, the ultimate holding company of the Group, may be required to settle the returns or principal amount to the holder of preferential asset-back securities if OCT Shanghai Land is unable to settle the due balances.

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(Expressed in Renminbi)

25 LOANS *(continued)*

(a) At 31 December 2019, the loans are repayable as follows: *(continued)*

The average interest rates at 31 December were as follow:

	2019	2018
Bank loans	1 month HIBOR + 0.7% to 4.99%	1 month HIBOR + 0.9% to 4.99%
Other loans	–	6.38%
Related party loans	4.35% to 4.56%	4.35% to 5.00%
Non controlling interest loan	9%	–
Loan in respect of REIT programme	4.24%	–

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25 LOANS *(continued)*

(b) Details of the loans are analysed as follows:

	2019 RMB'000	2018 RMB'000
Current		
Secured		
– Bank and other loans	726,624	700,960
Guaranteed		
– Bank and other loans	70,318	120,000
Unsecured		
– Bank and other loans	1,302,471	4,158,926
– Related party loans	521,400	2,037,700
– Loan from a non-controlling interest	392,000	–
	2,215,871	6,196,626
	3,012,813	7,017,586
Non-current		
Secured		
– Bank and other loans	985,000	–
Guaranteed		
– Bank and other loans	2,648,374	1,127,817
Unsecured		
– Bank and other loans	447,890	282,954
– Related party loans	59,350	–
– Loan in respect of REIT programme	1,935,000	–
	2,442,240	282,954
	6,075,614	1,410,771
	9,088,427	8,428,357

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25 LOANS *(continued)*

(b) Details of the loans are analysed as follows: *(continued)*

At 31 December 2019, guaranteed bank loans are guaranteed by related parties as follow:

	2019 RMB'000	2018 RMB'000
Shenzhen Overseas Chinese Town Co., Ltd.	–	560,000
Overseas Chinese Town (HK) Co., Ltd.	2,718,692	687,817
	2,718,692	1,247,817

(c) The secured loans are secured by the following assets:

	2019 RMB'000	2018 RMB'000
Pledged deposits *(note 23(a))*	753,425	754,951
Ownership interests in buildings held for own use	879,518	–
Interests in leasehold land held for own use	970,640	–
	2,603,583	754,951

(d) Details of loans from related parties are as follows:

	2019 RMB'000	2018 RMB'000
Current		
– Loan from an associate	421,400	860,000
– Loan from a fellow subsidiary	–	1,177,700
– Loan from an intermediate parent	100,000	–
– Loan from a non-controlling interest	392,000	–
	913,400	2,037,700
Non-current		
– Loan from an intermediate parent	59,350	–
	972,750	2,037,700

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26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 *(Note)*	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	26,489	27,102	26,243	27,612
After 1 year but within 2 years	18,407	19,924	23,473	25,997
After 2 years but within 5 years	33,934	42,223	37,842	47,627
After 5 years	–	–	9,711	14,074
	52,341	62,147	71,026	87,698
	78,830	89,249	97,269	115,310
Less: total future interest expenses		(10,419)		(18,041)
Present value of lease liabilities		78,830		97,269

Note: The Group has initially applied HKFRS 16 using the modified retrospective 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 HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

27 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Huizhou, Shanghai, Changshu, Anhui, Xi'an, Suzhou and Chengdu where the Group is required to make contributions to the Schemes at a rate ranging from 13% to 20% (2018: 13% to 20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

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28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
PRC CIT	79,891	155,373
PRC LAT	711,957	593,511
	791,848	748,884

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accounting depreciations in excess of depreciation allowances RMB'000	Credit loss allowance RMB'000	Provision RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Receipts in advance of pre-sale of properties RMB'000	Capitalisation of contract cost RMB'000	Undistributed profits of subsidiaries and associates RMB'000	Fair value adjustment from business combinations RMB'000	Fair value change of other financial assets RMB'000	Total RMB'000
Deferred tax arising from:											
At 1 January 2018	34,589	5,198	100	94,939	17,339	11,931	–	(23,625)	(172,699)	–	(32,228)
(Credited)/charged to profit or loss	(5,016)	(1,057)	(36)	47,498	(2,297)	(11,931)	–	–	2,482	(672)	28,971
Disposals of subsidiaries	–	(193)	(52)	–	–	–	–	–	–	–	(245)
At 31 December 2018	29,573	3,948	12	142,437	15,042	–	–	(23,625)	(170,217)	(672)	(3,502)
At 1 January 2019	29,573	3,948	12	142,437	15,042	-	-	(23,625)	(170,217)	(672)	(3,502)
(Credited)/charged to profit or loss	(4,158)	1,068	(12)	37,296	(3,194)	-	(896)	3,078	6,942	(3,542)	36,582
At 31 December 2019	25,415	5,016	-	179,733	11,848	-	(896)	(20,547)	(163,275)	(4,214)	33,080

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28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	222,012	191,012
Net deferred tax liability recognised in the consolidated statement of financial position	(188,932)	(194,514)
	33,080	(3,502)

(c) Deferred tax liabilities not recognised

As set out in note 6(a), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB636,988,000 (2018: RMB646,122,000). Deferred tax liabilities of RMB31,849,000 (2018: RMB32,306,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB252,414,000 (2018: RMB185,256,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

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29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018		67,337	36,884	248,970	32,449	5,293,313	2,403,306	8,082,259
Changes in equity for 2018:								
Total comprehensive income for the year		–	–	–	–	228,694	374,112	602,806
Distribution to the holders of perpetual capital securities	29(d)	–	–	–	–	(227,342)	–	(227,342)
Dividends approved in respect of the previous year	29(b)(ii)	–	–	–	–	–	(318,431)	(318,431)
Balance at 31 December 2018 and 1 January 2019	35	67,337	36,884	248,970	32,449	5,294,665	2,458,987	8,139,292
Changes in equity for 2019:								
Total comprehensive income for the year		-	-	-	-	238,615	(236,090)	2,525
Distribution to the holders of perpetual capital securities		-	-	-	-	(237,085)	-	(237,085)
Dividends approved in respect of the previous year	29(b)(ii)	-	-	-	-	-	(144,829)	(144,829)
Balance at 31 December 2019	35	67,337	36,884	248,970	32,449	5,296,195	2,078,068	7,759,903

Note: The Group, including the Company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 35.

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of HK1.25 cents per ordinary share (equivalent to RMB1.12 cents per ordinary share) (2018: HK22.00 cents per ordinary share (equivalent to RMB19.28 cents per ordinary share))	8,380	144,285

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK22.00 cents per ordinary share (equivalent to RMB19.71 cents per ordinary share) (2018: HK48.00 cents per ordinary share (equivalent to RMB40.47 cents per ordinary share))	144,829	302,855
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil cents per convertible preference share (equivalent to RMBNil cents per convertible preference share) (2018: HK20.25 cents per convertible preference share (equivalent to RMB16.23 cents per convertible preference share))	–	15,576
	144,829	318,431

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(Expressed in Renminbi)

29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

Authorised and issued share capital

Authorised:

	2019			2018		
	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January	–	2,000,000	200,000	96,000	2,000,000	209,600
Conversion of convertible preference shares	–	–	–	(96,000)	–	(9,600)
At 31 December	–	2,000,000	200,000	–	2,000,000	200,000

Issued and fully paid:

	2019			2018		
	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January	–	748,366	67,337	96,000	652,366	67,337
Conversion of convertible preference shares	–	–	–	(96,000)	96,000	–
At 31 December	–	748,366	67,337	–	748,366	67,337

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29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

Authorised and issued share capital (continued)

Note:

Convertible preference shares of HK$0.1 each ("CPS") are non-voting shares and shall not carry any right of preference save as set out herein the Articles of Association of the Company.

According to the terms of the CPS, the CPS shall be non-redeemable, each CPS holder is entitled to a preferential dividend at a rate of 5 per cent per annum on HK$4.05, being the price at which each CPS would be initially issued ("the Preferential Dividend") pari passu with other shares ranking pari passu as regards income with the CPS but otherwise in priority to any other class of shares in the capital of the Company from time to time in issue (including the ordinary shares of the Company). The Board of Directors of the Company may, in its sole discretion, elect not to pay any Preferential Dividend in any given year. In the event that the Company elects not to pay the Preferential Dividend in any given year, the Preferential Dividend not paid shall be extinguished and not be carried forward. The CPS shall not entitle the shareholders of the CPS thereof to any further or other right of participation in the profits of the Company.

During the period of existence of the CPS, subject to some conversion restriction, each holder of the CPS shall have the right to convert all or part of any CPSs into new ordinary shares at any time at the initial conversion price of HK$4.05 per CPS.

On 26 April 2018, the holders of CPS of the Company, Pacific Climax Limited ("Pacific Climax"), the immediate parent of the Company, converted all the 96,000,000 CPS to ordinary shares of the Company at the conversion price of HK$4.05 per ordinary share. After the conversion of the CPS, the Company did not have any outstanding CPS.

(d) Perpetual capital securities

On 28 September 2017, the Company issued senior guaranteed perpetual capital securities with a principal amount of US$800,000,000.

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. After 10 October 2020, the distribution rate would be reset to a percentage per annum equal to the sum of (a) 2.708%, (b) the Treasury Rate and (c) a margin of 5% per annum. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part. While any distribution payments are unpaid or deferred, the Company cannot declare or pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

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29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

(ii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(u)(ii) to the consolidated financial statements.

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

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29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(y) to the consolidated financial statements.

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

(vi) Other reserves

Other reserves mainly include merger reserve and enterprise expansion fund.

Merger reserve arose from the differences between the consideration paid and the carrying amount arising on the original acquisition of the subsidiaries as recorded in the controlling party's financial statements in the consolidated financial statements.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including bills payable and loans divided by total assets.

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29 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio at a level of industry average. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's gearing ratio. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's gearing ratio at 31 December 2019 and 2018 was as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Total borrowings	9,088,427	8,428,357	8,428,357
Total assets	26,455,402	25,176,076	25,078,807
Gearing ratio	34.4%	33.5%	33.6%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 32.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In respect of receivables of mortgage sales, no credit terms will be granted to the purchasers. In respect of other trade receivables, the Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables are normally due within 60-120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

For other receivables, regular review and follow-up actions are carried out on long-aged other receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

For lease receivables, the Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

The Group measures loss allowances for trade receivables, lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables:

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.04%	28,601	11
Less than 1 year past due	0.34%	291	1
Over 3 years past due	100%	1,083	1,083
		29,975	1,095

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.06%	45,834	26
Less than 1 year past due	13.91%	1,093	152
1-2 years past due	16.62%	656	109
2-3 years past due	40.05%	437	175
Over 3 years past due	100%	1,083	1,083
		49,103	1,545

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**1,545**	8,107
Impairment loss recognised	**315**	1,176
Impairment loss reversed	**(765)**	(3,192)
Uncollectible amounts written off	**–**	(4,546)
Balance at 31 December	**1,095**	1,545

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

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(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

	2019 Contractual undiscounted cash outflow						2018 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	2,875,136	-	-	-	2,875,136	2,875,136	2,657,446	-	-	2,657,446	2,657,446
Bank and other loans	2,153,952	543,527	5,531,026	859,379	9,087,884	8,115,677	3,125,805	1,994,150	1,804,163	6,924,118	6,390,657
Related party loans	940,556	2,706	60,666	-	1,003,928	972,750	2,133,995	-	-	2,133,995	2,037,700
Lease liabilities *(note)*	27,102	19,924	42,223	-	89,249	78,830	-	-	-	-	-
	5,996,746	566,157	5,633,915	859,379	13,056,197	12,042,393	7,917,246	1,994,150	1,804,163	11,715,559	11,085,803
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	249,350	(11,330)	(274,966)	-	(36,946)		2,102,880	(1,548,780)	(621,605)	(67,505)	
	6,246,096	554,827	5,358,949	859,379	13,019,251		10,020,126	445,370	1,182,558	11,648,054	

Note: The Group has initially applied HKFRS 16 using the modified retrospective 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 HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

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For the year ended 31 December 2019

(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and cash equivalent, pledged and restricted deposits and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk. As at 31 December 2019, the Group's outstanding bank and other loans of RMB9,088,426,900 (2018: RMB6,390,657,000) are issued at variable rates.

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB18,108,000 (2018: RMB13,190,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2018.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2019		2018	
	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash at bank and on hand	206,702	1,568,212	55,380	2,179,318
Inter-company trade and other receivables within the Group	5,655,838	–	5,408,938	–
Trade and other receivables	80,921	16,379	334,712	20,984
Inter-company trade and other payables within the Group	(187,724)	–	(87,449)	–
Trade and other payables	(36,109)	(1)	(25,252)	–
Loans	(6,443,793)	–	(4,543,097)	–
Net exposure arising from recognised assets and liabilities	(724,165)	1,584,590	1,143,232	2,200,302

(ii) *Sensitivity analysis*

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. For inter-company balances eliminated on consolidation, the related foreign exchange gains or losses will not be eliminated, unless the receivables or payables form part of the Group's net investment in the subsidiaries. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% (2018: 5%) depreciation of United States dollars/Hong Kong dollars against Renminbi, the Group's profit would be decreased by RMB43,021,000 (2018: decreased by RMB167,177,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting periods for presentation purposes.

(e) Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

a. Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

The Group employed valuer to perform valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at the reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2019	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Trading securities:				
– Listed equity securities	118,480	118,480	–	–
Other financial assets:				
– Listed equity securities	1,328,434	1,328,434	–	–
– Unlisted equity securities	289,858	–	–	289,858
	1,736,772	1,446,914	–	289,858

	Fair value at 31 December	Fair value measurements as at 31 December 2018 categorised into		
	2018	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
– Listed equity securities	1,161,836	1,161,836	–	–
– Unlisted equity securities	275,689	–	–	275,689
	1,437,525	1,161,836	–	275,689

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

b. Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Rate**
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	20% – 30%

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB1,735,000(2018: RMB1,794,000).

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2019 RMB'000	2018 RMB'000
Unlisted equity securities:		
At 1 January	**275,689**	599,711
Transfer from associate		
Disposed during the period	**–**	(326,711)
Changes in fair value recognised in profit or loss during the period	**14,169**	2,689
At 31 December	**289,858**	275,689
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**14,169**	2,689

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**20,261**	17,970
Investment property	**303,394**	569,390
Inventories	**2,924,249**	357,463
Investment	**1,771,518**	1,000
	5,019,422	945,823

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000
Within 1 year	27,612
After 1 year but within 5 years	73,624
After 5 years	14,074
	115,310

The Group is the lessee in respect of a number of land and properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(k), and the details regarding the Group's future lease payments are disclosed in note 26.

32 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

32 CONTINGENT LIABILITIES *(continued)*

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2019, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB322,022,000 (2018:RMB823,991,000).

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
Shenzhen Overseas Chinese Town Co., Ltd.	Intermediate parent
Overseas Chinese Town (HK) Co., Ltd.	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Creative Culture Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen OCT Hake Culture Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary
Shanghai Huahe Real Estate Development Co., Ltd.	Joint venture of intermediate parent
Nanjing Overseas Chinese Town Co., Ltd.	Fellow subsidiary

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

33 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, major related party transactions entered by the Group during the year are as follows:

	2019 RMB'000	2018 RMB'000
Sales of goods and provide services	80,949	71,856
Purchase of goods and services	22,623	22,355
Rental income	11,196	6,158
Rental expense	3,912	3,586
Interest expense *(note)*	111,773	92,093
Interest income	22,217	–
Repayment of loans *(note)*	3,124,950	1,450,480
New borrowings *(note)*	2,060,000	1,602,480
New loans to an associate	6,930	18,940
Repayment from associates	370,679	109,448
Finance lease receivable	250,000	–

Note: For the year ended 31 December 2019, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	17,008	11,703
Post-employment benefits	726	595
	17,734	12,298

Total remuneration is included in "staff costs" (see note 5(b)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

33 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 22, 24 and 25 to the consolidated financial statement.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

34 DISCONTINUED OPERATION

Starting from 2017, the Group pushed forward transformation strategy by gradually stripping down its paper packaging business, so as to adjust and optimise its industrial structure.

On 15 December 2017, the Group placed 85% of its equity interest of Huali Packaging (Huizhou) Co., Ltd. ("Huali Packaging (Huizhou)") on China Beijing Equity Exchange for sale through an open tender with a floor price of RMB71,809,000. The disposal was completed in April 2018 after the Group entering into an equity transfer agreement with independent third parties at a consideration of RMB71,809,000.

On 28 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose part of its subsidiary, Suzhou Huali Environmental Packaging Technology Co., Ltd.'s assets at a consideration of RMB19,000,000. The disposal of assets was completed on 9 January 2018.

Following the completion of transfer of 85% equity interest in Huali Packaging (Huizhou), the Group entered into another equity transfer agreement with the independent third party to dispose the remaining 15% equity interest in Huali Packaging (Huizhou) at a consideration of RMB12,916,000 in June 2018. Upon completion of the disposal in July 2018, the Group no longer hold any equity interest in Huali Packaging (Huizhou).

In October 2018, the Group entered into an agreement with the third party to dispose of the entire interest of its wholly-owned subsidiary, Zhongshan Huali Packaging Co., Ltd ("Zhongshan Huali") for a consideration of RMB150,289,000. The disposal of Zhongshan Huali was completed in December 2018 and the Group's paper packaging business ceased thereafter. As such, the results of the Group's paper packaging business were presented as discontinued operation in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

34 DISCONTINUED OPERATION *(continued)*

Results of discontinued operation are set out as follows:

	2018 RMB'000
Revenue	400,258
Cost of sales	(314,803)
Gross profit	85,455
Other income	1,209
Other net losses	(1,105)
Distribution costs	(25,976)
Administrative expenses	(34,656)
Other operating expenses	71
Profit from operations	24,998
Finance costs	–
Profit before taxation	24,998
Income tax	(9,719)
Net operating gain for the year from discontinued operation, net of tax	15,279
Gain on disposal of discontinued operation	62,757
Tax of gain on disposal of discontinued operation	(9,764)
Net gain on disposal of discontinued operation	52,993
Profit from discontinued operation, net of tax	68,272
Attributable to:	
Ordinary shareholders of the Company	68,272

Cash flows generated from discontinued operation are set out as follows:

	2018 RMB'000
Net cash generated from operating cash flows	64,198
Net cash generated in investing cash flows	15,527
Net cash used in from financing cash flows	(43,166)
Net cash flows for the year	36,559

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019 RMB'000	2018 *(Note)* RMB'000
Non-current assets		
Property, plant and equipment	16,485	1,748
Other property, plant and equipment	25,614	–
Investments in subsidiaries	679,899	679,899
Interest in an associate	379,412	379,412
	1,101,410	1,061,059
Current assets		
Other receivables	10,382,485	10,523,328
Cash at bank and on hand	879,931	1,439,459
	11,262,416	11,962,787
Current liabilities		
Other payables	506,869	341,457
Lease liabilities	9,855	–
Bank loans	985,358	3,706,326
	1,502,082	4,047,783
Net current assets	9,760,334	7,915,004
Total assets less current liabilities	10,861,744	8,976,063
Non-current liabilities		
Bank loans	3,096,263	836,771
Lease liabilities	5,578	–
	3,101,841	836,771
NET ASSETS	7,759,903	8,139,292
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,296,195	5,294,665
Reserves	2,396,371	2,777,290
TOTAL EQUITY	7,759,903	8,139,292

Approved and authorised for issue by the board of directors on 27 April 2020.

He Haibin
Director

Xie Mei
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in Renminbi)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(continued)*

Note:

The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 29(b).

(b) On 6 March 2020, Shenzhen OCT Huaxin Equity Investment Management Limited ("Shenzhen OCT Huaxin") and Shenzhen Huayou Investment Co., Ltd.("Shenzhen Huayou"), entered into the Limited Partnership Agreement with Dongguan Industrial Investment, Songshan Lake Venture Capital and Dongguan Industrial M&A in relation to the establishment of the Partnership for the purpose of investment.

The total capital contribution to be subscribed by all Partners to the Partnership is RMB300 million. As the general partner of the Partnership, the Group is committed to contribute 1% capital to the Partnership, and also committed to contributed another 43% capital to the Partnership as a limited partner. Based on preliminary assessment by the directors, the Group's investment in the Partnership will be accounted for as an interest in associate in the financial statements of the Group.

(c) Since the outbreak of the coronavirus (COVID-19) epidemic, a number of provinces and cities in the People's Republic of China (the "PRC") have adopted public health measures for emergencies, including but not limited to limitation on the travel of citizens in the PRC and implementation of conditional resumption of work after the Chinese New Year holidays, so as to curb the spread of the epidemic.

Taken into account the impact of the epidemic as described above and responding to relevant requirements of the government authorities at all levels for the epidemic prevention and control, the Group is actively taking relevant measures to prevent the spread of the epidemic. Nevertheless, the epidemic is expected to lead to some degree of adverse impact on our operation and the operating environment in the PRC in the short-run.

The Board will continue to closely monitor the development of the epidemic and assess its impact on the Group's operations. In view of the risks and uncertainties arising from the epidemic, the Group will make further announcement as and when appropriate to provide further information as to the impact of the epidemic on the Group.

Notes to the Consolidated Financial Statements

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37 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard HKFRS 17, *Insurance contracts,* which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

For the year ended 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Continuing operations					
Revenue	**2,071,903**	1,584,694	4,109,462	5,358,174	6,436,110
Cost of sales	**(1,306,174)**	(1,026,106)	(2,561,837)	(3,712,045)	(4,414,956)
Gross profit	**765,729**	558,588	1,547,625	1,646,129	2,021,154
Other income	**93,836**	124,257	26,431	44,033	46,717
Other net gains/(losses)	**225,993**	368,930	1,058,258	10,373	(9,669)
Distribution costs	**(103,200)**	(124,736)	(215,451)	(285,833)	(284,517)
Administrative expenses	**(403,405)**	(334,304)	(265,228)	(248,930)	(249,613)
Other operating expenses	**(4,014)**	(459)	(954)	(103,855)	(122,770)
Profit from operations	**574,939**	592,276	2,150,681	1,061,917	1,401,302
Finance costs	**(268,732)**	(175,061)	(187,942)	(254,777)	(222,935)
Share of profits less losses of associates	**306,063**	418,994	104,060	480,926	188,307
Share of (loss)/profit of joint ventures	**(8,150)**	229,244	(8,322)	(5,456)	–
Profit before taxation	**604,120**	1,065,453	2,058,477	1,282,610	1,366,674
Income tax	**(354,514)**	(206,898)	(642,388)	(665,952)	(704,731)
Profit for the year from continuing operations	**249,606**	858,555	1,416,089	616,658	661,943
Discontinued operation					
Profit for the year from discontinued operation	**–**	68,272	9,662	–	–
Profit for the year	**249,606**	926,827	1,425,751	616,658	661,943
Attributable to:					
Equity holders of the Company	**266,961**	798,702	1,106,804	385,511	273,042
Non-controlling interests	**(17,355)**	128,125	318,947	231,147	388,901
Profit for the year	**249,606**	926,827	1,425,751	616,658	661,943
Earnings per share (RMB)					
Basic	**0.04**	0.77	1.59	0.57	0.40
Diluted	**0.04**	0.76	1.41	0.52	0.37

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018 and HKFRS 16 at 1 January 2019 using the modified retrospective approach respectively. Under this approach, the comparative information is not restated.

Five-Year Financial Summary

As at 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets					
Fixed assets	8,900,149	6,436,647	4,556,985	4,221,933	2,640,860
Intangible assets	52,922	6,273	1,597	2,092	2,125
Goodwill	570	570	570	570	103,740
Interests in associates	5,410,696	4,919,831	2,638,854	1,634,164	394,588
Interests in joint ventures	302,560	287,330	11,222	19,544	–
Other financial assets	1,618,292	1,437,525	599,711	247,320	4,320
Finance lease receivables	382,253	230,870	–	–	–
Trade and other receivables	1,623	2,476	–	–	–
Deferred tax assets	222,012	191,012	164,096	154,251	160,947
Other long-term deposits	–	–	–	–	1,107,843
	16,891,077	13,512,534	7,973,035	6,279,874	4,414,423
Current assets					
Inventories and other contract costs	118,480	7,055,723	8,237,853	10,490,803	13,183,088
Finance lease receivables	5,767,090	65,342	–	–	–
Trade and other receivables	117,206	1,222,255	365,154	530,196	1,107,857
Other financial assets	880,060	–	–	1,159,700	–
Cash at bank and on hand	2,681,489	3,222,953	6,927,464	2,077,758	3,374,156
	9,564,325	11,566,273	15,530,471	14,258,457	17,665,101
Assets of disposal groups classified as held for sale	–	–	242,010	–	–
	9,564,325	11,566,273	15,772,481	14,258,457	17,665,101
Current liabilities					
Trade and other payables	2,875,136	2,657,446	3,074,121	4,269,561	3,517,417
Contract liabilities	512,781	143,949	–	–	–
Bank and other loans	2,099,413	4,979,886	3,989,954	2,559,663	1,313,139
Related party loans	913,400	2,037,700	1,385,700	1,212,000	1,373,752
lease liabilities	26,489	–	–	–	–
Current taxation	791,848	748,884	722,847	421,618	766,481
	7,219,067	10,567,865	9,172,622	8,462,842	6,970,789
Liabilities directly associated with assets of disposal groups classified as held for sale	–	–	43,878	–	–
	7,219,067	10,567,865	9,216,500	8,462,842	6,970,789
Net current assets	2,345,258	998,408	6,555,981	5,795,615	10,694,312
Total assets less current liabilities	19,236,335	14,510,942	14,529,016	12,075,489	15,108,735
Non-current liabilities					
Bank and other loans	6,016,264	1,410,771	1,019,751	1,716,975	2,817,516
Related party loans	59,350	–	–	3,380,348	5,283,346
Lease liabilities	52,341	–	–	–	–
Deferred tax liabilities	188,932	194,514	196,324	211,464	234,948
	6,316,887	1,605,285	1,216,075	5,308,787	8,335,810
NET ASSETS	12,919,448	12,905,657	13,312,941	6,766,702	6,772,925
Equity attributable to equity holders of the Company	9,346,075	9,466,242	9,672,327	3,026,948	3,035,855
Non-controlling interests	3,573,373	3,439,415	3,640,614	3,739,754	3,737,070
TOTAL EQUITY	12,919,448	12,905,657	13,312,941	6,766,702	6,772,925

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018 and HKFRS 16 at 1 January 2019 using the modified retrospective approach respectively. Under this approach, the comparative information is not restated.