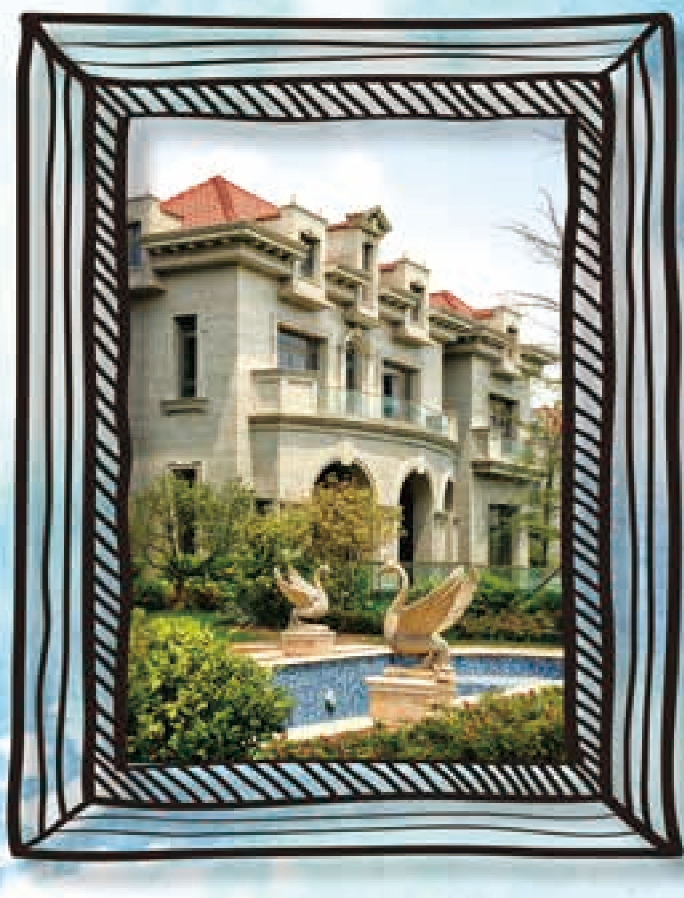
SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司

(Stock Code: 1207)

Annual Report 2019



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Corporate Information

Board of Directors

Lei Dechao	*(Chairman) (appointed on 28 February 2020)*
Liu Feng	*(resigned on 18 July 2019)*
Chen Chao	*(retired on 3 June 2019)*
Zhu Qiang	*(Acting Chief Executive Officer)*
Qin Wenying	
Jiang Qi	
Jiang Chuming	*(appointed on 18 July 2019)*
Zong Shihua	*(appointed on 10 September 2019)*
Peng Xinkuang	*(suspension of duties on 28 February 2020)*
Chen Donghui	*(suspension of duties on 28 February 2020)*
Zhuo Fumin*	
Chan, Charles Sheung Wai*	
Ma Lishan*	
Han Gensheng*	

* *Independent Non-executive Directors*

Authorized Representatives

Lei Dechao
Zhu Qiang

Company Secretary

Chu Hoe Tin

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Hong Kong:	Agricultural Bank of China
	China CITIC Bank International Limited
PRC:	Industrial and Commercial Bank of China
	Agricultural Bank of China
	China Construction Bank
	Shanghai Pudong Development Bank
	Xiamen International Bank
	China Minsheng Bank
	China Merchants Bank

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

Level 11
Admiralty Center Tower II
18 Harcourt Road Admiralty
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

1207

Internet Web Site

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Introduction of the Group

SRE Group Limited (the "Company") and its subsidiaries (the "Group") is an integrated real estate developer focusing on real estate investment and development business in first and second-tier cities in the PRC, particularly in the Shanghai Metropolitan Area, which is geographically the base for the Group's property development business and popular cities in the Yangtze River Economic Belt. The Group is committed to expanding the project by virtue of integration development of "Industry + Real Estate + Finance" under the models of the Financial City and the "Primary and secondary co-development in industrial-urban integration". The Group will also expand its investment businesses, accelerate the investment-withdrawal and profit-making process by adopting the "financing, investment, management and exit" approach, and operate in a "light and heavy assets in parallel" model. The Group also focuses on investment opportunities in the high-growth regions along the "One Belt, One Road", striving to become a fully integrated trans-sector finance and real estate group.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 December 1999.

Financial Summary

Summary of Results

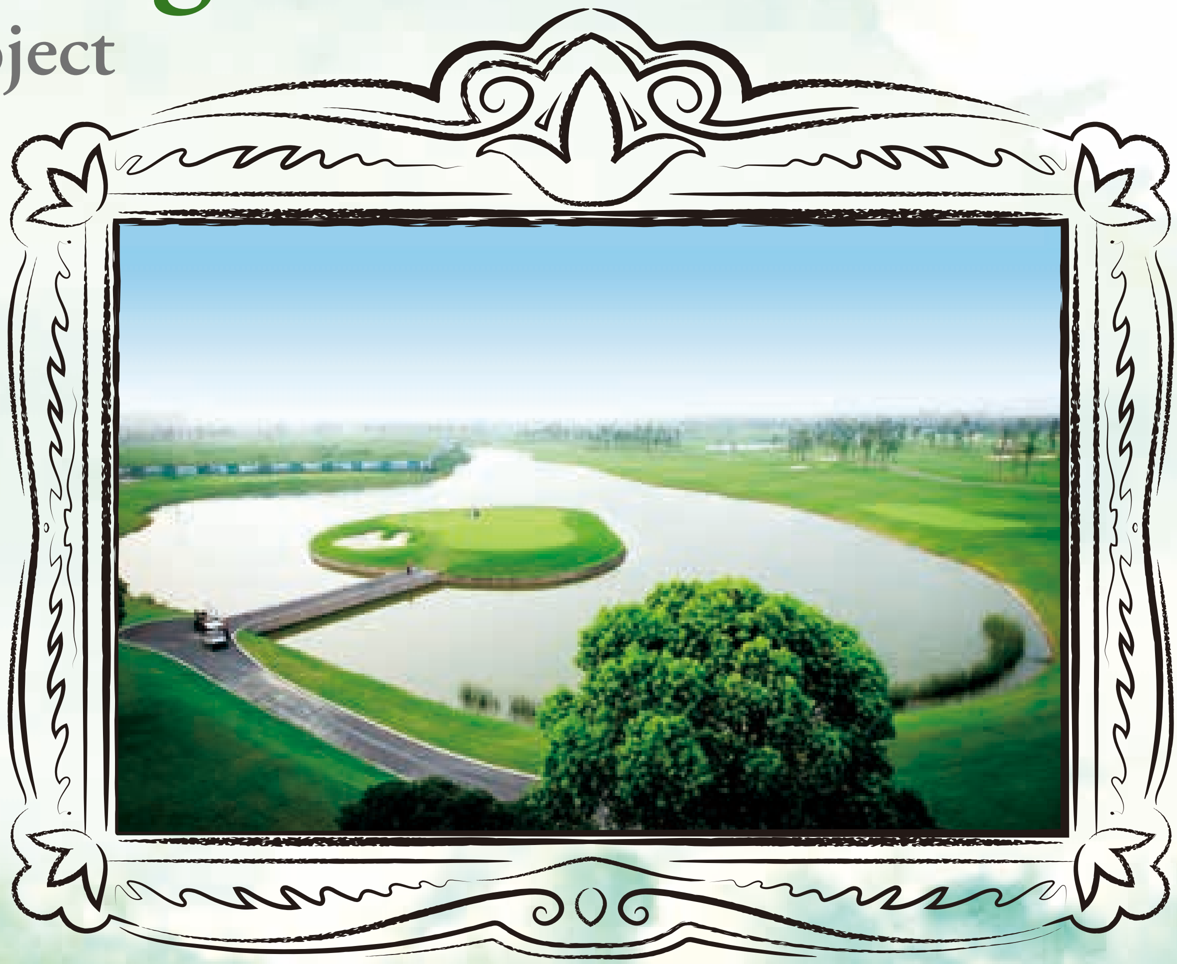
	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Revenue	**651**	1,551	1,620	3,403	1,419
Gross profit/(loss)	**187**	474	384	612	(1,093)
Profit/(loss) before income tax	**(2,236)**	207	878	684	(2,168)
Income tax (expense)/credit	**(45)**	(108)	(158)	(341)	185
Profit/(loss) for the year	**(2,281)**	99	720	343	(1,983)
Non-controlling interests	**25**	15	(30)	(111)	83
Profit/(loss) attributable to owners of the Company	**(2,256)**	114	691	232	(1,900)
Proposed dividends	**–**	–	–	–	–
Earnings/(loss) per share					
– Basic (RMB)	**(0.11)**	0.01	0.03	0.01	(0.28)
– Diluted (RMB)	**(0.11)**	0.01	0.03	0.01	(0.28)

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Total assets	**15,481**	20,890	22,385	22,711	29,155
Total liabilities	**9,995**	13,072	14,571	15,659	22,420
Net assets	**5,486**	7,818	7,814	7,052	6,735
Cash and bank balances (including restricted cash)	**522**	701	1,453	1,513	2,555
Equity attributable to owners of the Company	**5,181**	7,445	7,380	6,674	6,403

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Return on equity (%)	**(44%)**	2%	9%	3%	(31%)
Current ratio (times)	**1.27x**	0.96x	1.28x	1.17x	1.24x
Total liabilities to net assets ratio (times)	**1.82x**	1.67x	1.86x	2.22x	3.33x

Note: The data for years 2015 to 2016 set out above are extracted from the audited consolidated financial statements of the Group for the relevant years after adjusting retrospectively for the effects of change in presentational currency from Hong Kong dollar to Renminbi adopted in year 2016, while for year 2016, adjustments are also made to reflect the results of discontinued operation in those years on a line by line basis instead of as a single line item. The adjustments made on the results of discontinued operation is not a standard presentation method under Hong Kong Financial Reporting Standards.

Shanghai
Project



Chengdu
Project

Changsha
Project

Jiaxing
Project

Overseas
Project

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I would like to present the annual report of SRE Group Limited for the year ended 31 December 2019 to you.

BUSINESS REVIEW

In 2019, the PRC central government consistently adhered to the long-term mechanism of "Stabilizing land prices, housing prices and expectations", and not using real estate as a short-term economic stimulus. It has repeatedly emphasized the comprehensive implementation of "targeted policy for specific city" and the policy level has eased, and "four limits" have been partially relaxed. The financing environment was still difficult. Trust, overseas debt, development loans and other channels continue to be limited. The financing cost of the overall interest-bearing debt balance of real estate enterprises continues to rise. The overall pressure was significant. Real estate enterprises paid more attention to the collection of sales receivables and the construction of innovative financing products. In 2019, the sales of new houses by the top 30 real estate enterprises accounted for half of the country's total. The overall concentration of the industry has further increased; the growth rate of sales has slowed down; and the industry's profits have entered into a stable period.

Facing external environmental pressure, the Group maintained a strategic and steady focus on the optimization and upgrading of existing assets. In terms of sales, the Group increased sales efforts. As for operations, the Group has strengthened its cost control and optimized procedures, pursuing the stability of cash flow while ensuring the progress of the projects. In terms of investment, the Group was more cautious in making investments and managed to catch the right moment for exit. During the year, the Group grasped the market opportunity to realize return from some of its assets in advance. The Group implemented the financial real estate model successfully, to ensure the stability of the Group's cash flow and the orderly development of various operations. At the same time, the Group further optimized the Company's asset structure and further consolidated its value.

In 2019, the Group's major projects available for sale were Beijing Chenfang Garden, Shanghai Masters Mansions, Jiaxing Project, Shanghai Albany Oasis Garden, Chengdu Albany Oasis Garden, Phnom Penh Romduol City and the Atelier. In 2019, the Group together with its joint ventures and associates had contracted sales amounting to approximately RMB2.809 billion, with a total gross floor area of approximately 102,855 m^2.

Project	**Monetary Amount of Sales Contracts Signed** (RMB'000)	**Contractual Gross Area** (m^2)
Beijing Chenfang Garden	1,122,262	36,483
Jiaxing Project	317,680	28,464
Shanghai Masters Mansions	738,687	27,465
Shanghai Albany Oasis Garden	505,425	4,744
Chengdu Albany Oasis Garden	15,160	983
The Atelier in the UK	48,488	117
Phnom Penh Romduol City	47,312	4,315
Others	13,553	284
Total	2,808,567	102,855

Chairman's Statement

In 2019, the Group recorded net revenue of approximately RMB651 million (2018: RMB1,551 million). Gross profit for 2019 amounted to approximately RMB187 million (2018: RMB474 million).

Revenue	**2019 (RMB'000)**	2018 (RMB'000)
Revenue from sale of properties	**451,378**	1,280,765
Revenue from property leasing	**114,312**	161,785
Revenue from property management	**22,885**	18,311
Revenue from construction of infrastructure for an intelligent network	**1,837**	4,985
Other revenue	**70,714**	99,611
	661,126	1,565,457
Less: Tax and surcharges	**(9,791)**	(14,148)
Total revenue	**651,335**	1,551,309

DEVELOPMENT PROJECTS

Our development projects mainly included Shanghai Rich Gate I, Chengdu Albany Oasis Garden, Changsha Fudi Albany Project, Jiaxing Project, Dalian Oasis City Garden, 75 Howard Project in the USA and Phnom Penh Romduol City.

Progress of Relocation

Shanghai Rich Gate I (Qinhai Oasis Garden)

As at the end of 2019, contracts were signed for 964 certificates of households (including certificates of individuals) in aggregate, representing a signing rate of 96%; 923 certificates of households (including certificates of individuals) were relocated in aggregate, representing a relocating rate of 92%; 34 certificates of enterprises signed contracts, accounting for 87% for the total 39 certificates, among which 23 certificates were relocated and settled representing 59%; the expropriation work was effectively promoted.

Changsha Fudi Albany Project

As at October 2019, the phase I land delivery has been processed; the sales office's engineering construction work planning permit has been obtained during the year; the on-site temporary power installation has been completed; and the phase I construction work planning permit is being processed.

Shanty Town Renovation Project in Zhangjiakou

As at the end of 2019, contracts were signed for 806 households, and the remaining 151 households have not signed a contract, representing a signing rate of approximately 84.22%, of which 182 households have been signed for the "North District + Road" land plot, representing a signing rate of 72%.

Progress of Construction

Chengdu Albany Oasis Garden

In 2019, for Phase II of Chengdu Albany Oasis Garden, interior refined decoration for Blocks No. 3 and 4 were completed successfully and the delivery rate reached 99%. The goals at the beginning of the year were completed in advance, and the cost control work performed well.

Jiaxing Project

In 2019, the structure of the buildings on the north side of the Jiaxing Lanwan Project Phase II has been completed, and the three-story building structure on south side has been completed. The north side and the south side were opened for sale in September and December 2019, respectively, and the sales were good.

Dalian Oasis City Garden

Dalian Oasis City Garden is located in Wafangdian City and divided into 9 sections. During the first half of 2019, land certificates for 9 sections of the project have been obtained. The demolition of the free underground oil pipelines has been completed, and related projects such as project design were being carried out during the year.

75 Howard Project in the USA

75 Howard Project in the USA is located in the CBD of the northeast corner of San Francisco, adjacent to the Harbour Bridge. The project has a total saleable area of approximately 20,000 m^2 and is planned to be a high end apartment with 120 units. As at the end of 2019, engineering structure of six floors of the project were completed, and a pre-sale permit was obtained in December, and presale has officially commenced in January of the following year.

The Atelier in the UK

The Atelier in the UK is located at Kensington, London, with 43 saleable units and saleable area of 3,259 m^2. The project was completed in 2019, and the previously signed properties are being delivered successively. The remaining 6 properties are currently in phase of storage clearance sales.

Phnom Penh Romduol City Project

Phnom Penh Romduol City Project is located in the Sen Sok District, west of the Cambodian capital, Phnom Penh. It is an emerging area for Phnom Penh development. It is adjacent to Russian Boulevard, the only main road that runs through the east and west and connecting the airport to the urban area. The project has saleable area of approximately 90,321 m^2, including residential and business properties. In 2019, the phase I supporting construction has been completed, and earthwork construction has been started. The project has been opened for pre-sale.

Land Bank

As at 31 December 2019, the Group owned a land bank with a total gross floor area of approximately 1.83 million m^2 in Shanghai, Changsha, Jiaxing, Dalian, San Francisco and Phnom Penh etc. The Company stays abreast of industry development dynamics, explores its own resources and advantage and is committed to discovering assets which are underestimated or with growth potential.

COMMERCIAL PROPERTY OPERATION

In 2019, the Group continued to enhance the management and operation of its self-owned properties to cope with the changing market conditions and opportunities, expeditiously adjusted the operation strategies, utilized its brand advantages and management capabilities, and strived to improve profitability with the benefits of the experiences earned.

Oasis Central Ring Centre

As a landmark of the Shanghai Central Ring business district, Oasis Central Ring Centre is designed as a composite eco-business cluster in the form of a circular commercial street connected with office building. In 2019, the Oasis Central Ring Centre introduced quality merchants and continued to optimize the commercial structure and format. The occupancy rate continued to be 100%, representing a steady increase in operating revenue and profits as compared with last year.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall is committed to become a one-stop integrated center with business, leisure and life elements, accommodating for shopping, leisure & entertainment, and food & beverage needs and requirements. The project continued to make tremendous efforts in attracting tenants. In 2019, the leased area reached 79,400 m2 in aggregate, overall rent level has increased as compared with same period of last year, and the operation is relatively stable.

Shanghai Lake Malaren Golf Course Project

Shanghai Lake Malaren Golf Course is a high-level professional golf course in Northern Shanghai and has been rated as the ninth of the top 100 golf courses in Mainland China during the year. Popularity of the stadium continued. It is also relatively steady in both operating revenue and gross profits as compared with last year.

Exit from Investment after Making a Profit

The UK Office Project

Two UK office buildings were acquired in 2016. After the acquisition, asset valuations were increased through financing, planning and demonstration and leasing optimization. In 2018, 48.9% equity of the project has been exited. During the first half of 2019, the entire exit from the remaining equity was smoothly implemented with a collection of funds of GBP30.90 million, and the Group obtained a reasonable return on investment.

Laogang Project

In 2017, the Group and Shanghai Evergrande jointly acquired the debenture of Laogang Logistics Real Estate asset package, which the Group contributed RMB45.05 million. After the acquisition, we continued to negotiate with the debtor to settle the payment plan and contact the buyer. In 2019, the creditor's rights were transferred at a premium, and the funds collected by us were RMB53 million. The financial real estate model was successfully implemented again.

Shenyang Albany Garden Project

Shenyang Albany Garden Project is located in Heping District, Shenyang City Center. The developed property has a construction area of 338,000 m^2, and the permitted gross floor area of the property under development is 216,000 m^2. During 2019, in order to better achieve strategic focus, focus on existing assets and seek to fully realize the potential of funds, after continuous negotiations with a number of interested parties, the Group transferred all the equity and certain debts in Shenyang Albany Garden Project for a consideration of RMB1,832 million, which achieved a greater appreciation than the original project's valuation.

MAJOR TRANSACTIONS

1. On 30 May 2019 (after trading hours), Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company) entered into an agreement with, among others, Ronghe International Group Limited (榮和國際集團有限公司) (a connected person of the Company at the subsidiary level) and Well Win Holding Trading Limited (佳成控股貿易有限公司), pursuant to which Sinopower Investment Limited agreed to sell, and Ronghe International Group Limited and Well Win Holding Trading Limited agreed to purchase, an aggregate of 51.1% of the equity interest in and of the total outstanding shareholder loan due from Profit Concept Investments Limited (潤斯投資有限公司) for a total consideration of approximately GBP31.76 million. This disposal transaction was aggregated with another disposal transaction of the Company which took place in 2018 as a series of transactions pursuant to Rule 14.22 of the Listing Rules. Further details are set out in the Company's announcement dated 30 May 2019 and circular dated 12 July 2019.

2. On 11 June 2019 (after trading hours), Konmen Investment Limited (康明投資有限公司) (an indirect wholly-owned subsidiary of the Company), Shenyang Luyi Hotel Management Co., Ltd. (瀋陽綠怡酒店管理有限公司) (an indirect wholly-owned subsidiary of the Company) and Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership) (上海亞羅企業管理合夥企業(有限合夥)) as sellers and Hong Kong Chong Dei Company Limited (香港創地有限公司) and Shenyang Ruiguang Trading Co., Ltd. (瀋陽瑞光貿易有限公司) as purchasers entered into a sale and purchase agreement, pursuant to which (i) the sellers agreed to sell and the purchasers agreed to purchase 100% equity interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. (遼寧高校後勤集團房地產開發有限公司) for an aggregate price of RMB1,152 million; and (ii) the purchasers agreed to pay to Konmen Investment Limited and Shenyang Luyi Hotel Management Co., Ltd. the total outstanding loan due from Liaoning Gao Xiao Support Group Property Development Co., Ltd. to the Group, which amounted to approximately RMB135.16 million as at 30 April 2019. The purchasers also agreed to pay the loan and the related interest owed by Liaoning Gao Xiao Support Group Property Development Co., Ltd. to China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company), which amounted to approximately RMB269.79 million as at 30 April 2019. Further details are set out in the Company's announcement dated 11 June 2019 and circular dated 25 July 2019.

THE GROUP'S AWARDS

1. The Shanghai Lake Malaren Convention Centre was awarded 2019 "Quality Service Compliance Unit" by the Tourism Development Association of Baoshan District of Shanghai

2. The Shanghai Lake Malaren Convention Centre was awarded the "Advanced Unit" by the Tourism Development Association of Baoshan District of Shanghai

3. The Shanghai Lake Malaren Convention Centre was awarded the "Best Business Hotel" by Ctrip in 2019

4. The Shanghai Lake Malaren Convention Centre was awarded the "Food Safety Advanced Unit in Catering Services in Baoshan District" in Baoshan District by Shanghai Baoshan Catering Association

5. Shanghai Lake Malaren Golf Course Project ranked top ten of top 100 golf courses in Mainland China by "GolfDigest"

Chairman's Statement

BUSINESS OUTLOOK

In 2019, the PRC central government consistently adhered to the long-term management regulation mechanism of "Stabilizing land prices, housing prices and expectations", promoting the stable and healthy development of the real estate market. Urbanization is the fundamental driving force for the development of real estate. At present, real estate is facing regulation and control. Although there are fluctuations, China's urbanization rate is still lower than that of the developed countries such as the United States, Japan, and Britain while the leverage ratio of residents is also lower than that of main developed countries, there is a lot of room for improvement. Since 2019, urban renewal represented by the transformation of old communities has risen to the level of national policy, and has become a new round of market hotspots. In general, there is still much room for development in the real estate market.

In 2020, the Group will combine its own advantages and thoroughly grasp the policy direction. Based on the Company's sustainable development, safeguarding the interests of shareholders and investors, the Group will continue its layout in the real estate development and real estate investment sectors. The Group will work with annual business goals as the guide, capital as the link, and asset pricing as the starting point to increase performance evaluation and create a win-win situation. At the same time, the Group will focus on strategy, further optimize the asset structure, and explore diversified financing channels for financing; the Group will accelerate the pace of development for development properties, improve operations and valuations for holding properties, and lay a solid foundation for project expansion and external financing; and ensure smooth progress of various tasks.

The Company plans to invest in 2-3 real estate development projects in 2020. The source of funds is mainly the activation and exit from inefficient assets and external financing (mergers and acquisitions loans, development loans, etc.); project selection, in principle, priority is given to standardized, short-term residential projects. It is expected that the land reserve capacity will increase about 300,000 square meters in 2020 to meet the development needs of the Group in the coming year.

Acknowledgement

I would like to take this opportunity to express my gratitude to the colleagues in the Board and the management team, and convey my respect to all front-line staff members. We will face various challenges in the new year, but we firmly believe that under the guidance of the strategies and with the unremitting efforts of all staff, the SRE Group will surely enjoy a brighter future.

Lei Dechao
Chairman

14 May 2020

Management Discussion and Analysis

Financial Review

Revenue and profit attributable to shareholders

In 2019, the Group recorded net revenue of approximately RMB651 million (2018: RMB1,551 million), which represents a decrease by approximately 58% compared with that of 2018. Loss attributable to owners of the Company in 2019 was approximately RMB2,257 million while profit attributable to owners of the Company in 2018 was approximately RMB114 million. Such loss is mainly attributable to the downward pressures on macro-economy on property business, the Group provided large impairment losses for some properties, investments and receivables after careful consideration.

Dividend

The Board has resolved not to recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: Nil).

Financial Resources and Liquidity

As at 31 December 2019, cash and bank balances (including cash and cash equivalents and restricted cash) amounted to approximately RMB522 million (2018: RMB701 million). Working capital (net current assets) of the Group as at 31 December 2019 amounted to approximately RMB1,254 million (2018: RMB-345 million), representing an increase of 463% as compared with the preceding year, and the current ratio was approximately 1.27x (2018: 0.96x).

As at 31 December 2019, the Group's total liabilities to total equity increased to 1.82x (2018: 1.67x). As at 31 December 2019, the Group's gearing ratio was approximately 43% (2018: 47%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over total capital (total equity and net borrowings).

Employees

As at 31 December 2019, the Group had 419 (2018: 482) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year 2019 amounted to approximately RMB133 million (2018: RMB82 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

As at 31 December 2019, total bank and other borrowings of approximately RMB1,743 million (2018: RMB3,504 million) were secured by pledge of the Group's assets including leasehold land, investment properties, property, plant and equipment, properties held or under development for sale, or by pledge of equity interests in certain subsidiaries or bank deposits.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted by the banks and end when the purchasers pledge related property ownership certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB118 million and these contracts were still effective as at the close of business on 31 December 2019.

The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2019, such guarantee amounted to approximately RMB3,414 million (31 December 2018: approximately RMB3,259 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$34.95 million as at 31 December 2019 (2018: Nil). Relevantly, the Group provided a deposit of US$24.92 million as at 31 December 2019 (31 December 2018: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

In addition, the Group's certain equity interests in subsidiaries have been frozen in connection with a litigation against a subsidiary. The Group also has some other litigations in relation to certain prior transactions. The Directors consider that it is very remote for the Group to incur any losses arising from these litigations and thus not meaningful to provide further details.

Information on Business Review

The Group is committed to supporting the environmental sustainability. Being an integrated real estate developer, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

Details of properties under development for sale:

Project	Location	Land Use	GFA(sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing, Zhejiang Province, the PRC	Phase II Residential	42,662	2021	70%	100%
		Phase II Commercial	10,513	2021	30%	100%
		Phase II Facility	2,157	2021	0%	100%
		Phase II Underground	20,029	2021	90%	100%
Shanghai Rich Gate I	Daxing Street, Huangpu District, Shanghai, the PRC	Residential	72,660	2023	0%	51%
		Commercial	9,244	2023	0%	51%
		Office	48,600	2023	0%	51%
		Underground	44,000	2023	0%	51%
Changsha Fudi Albany Garden	Pengjia Lane, Laodaohe Street, Kaifu District, Changsha, Hunan Province, the PRC	Phase I Residential	197,081	2022	0%	49.5%
		Phase I Commercial	5,085	2022	0%	49.5%
		Phase I Underground	52,129	2022	0%	49.5%
		Phase II Residential	82,068	2023	0%	49.5%
		Phase II Underground	31,100	2023	0%	49.5%
		Phase III Residential	41,858	2024	0%	49.5%
		Phase III Commercial	2,877	2024	0%	49.5%
		Phase III Underground	15,242	2024	0%	49.5%

Management Discussion and Analysis

Project	Location	Land Use	GFA(sqm)	Expected Date of Completion	Completion Rate of Construction	Group's Holding Proportion
Dalian Oasis City Garden	West of West Outer Ring Street and South of North Ring Road, Xincheng District, Wafangdian City, Dalian, Liaoning Province, the PRC	Phase I Facilities	1,474	2022	0%	51%
		Phase I Residential	105,784	2022	0%	51%
		Phase I Commercial	5,076	2022	0%	51%
		Phase I Underground	39,150	2022	0%	51%
		Phase II Residential	82,399	2023	0%	51%
		Phase II Underground	63,691	2023	0%	51%
		Phase III Residential	90,642	2025	0%	51%
		Phase III Commercial	25,000	2025	0%	51%
		Phase III Underground	31,486	2025	0%	51%
		Phase IV Residential	104,508	2026	0%	51%
		Phase IV Commercial	3,600	2026	0%	51%
		Phase IV Underground	23,016	2026	0%	51%
		Phase V Residential	125,535	2029	0%	51%
		Phase V Underground	23,716	2029	0%	51%
Shanghai Albany Oasis Garden	No.699, Zhongxing Road, Jingan District, Shanghai, the PRC	Phase IV Residential	40,000	2025	0%	40%
		Phase IV Commercial	40,000	2025	0%	40%
		Phase IV Office	100,500	2025	0%	40%
		Facility	24,292	2025	0%	40%
Shanghai Malaren World	No.8, Meilanhu Road, Baoshan District, Shanghai, the PRC	Phase II Commercial	63,625	2021	0%	72.63%
		Phase II Facility	736	2021	0%	72.63%
		Phase II Underground	29,257	2021	0%	72.63%
Shanghai Shengnan International Garden	Yongfa Road, Pudong New District, Shanghai, the PRC	Residential	58,492	Not yet decided	0%	100%
75 Howard	75 Howard Street, San Francisco, the USA	Residential	20,318	2021	50%	65%
		Commercial	456	2021	70%	65%
		Underground	3,306	2021	95%	65%
		Facility	7,063	2021	0%	65%
Napa	Devlin Road, Napa, San Francisco, the USA	Hotel	27,247	Not yet decided	0%	79.33%
Romduol	Bourei Muoy Roy Khnang villages, Tuek Thla Commune, Sen Sok District, Phnom Penh City, Cambodia	Residential	83,736	2023	0%	100%
		Commercial	6,586	2023	0%	100%
		Facility	4,811	2023	0%	100%
		Carpark	27,498	2022	15%	100%

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Holding Proportion of SRE
Shenyang Richgate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, the PRC	Commercial	245,252	100%
Oasis Central Ring Center	No. 915, Zhenbei Road, Putuo District, Shanghai the PRC	Retail	1,782	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	32,566	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Retail	6,499	97%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	57,045	97%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, the PRC	Car Park	4,048	97%
Transportation Hub of Lake Malaren	No. 1088, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	29,389	72.63%
Retail Street of Lake Malaren	Lane 989, Luofen Road and Lane 555, Luofen Road, Baoshan District, Shanghai, the PRC	Commercial	72,943	72.63%

Environmental, Social and Governance Report

About this ESG Report

SRE Group Limited (the "Company") hereby releases the environmental, social and governance report ("ESG Report") on the Company and its subsidiaries (the "Group" or "we"). The ESG Report will introduce the Group's concepts and practices of sustainable development and social responsibility as they pertain to environmental and social issues to their stakeholders.

The Group has effected policies and procedures to assess and improve the functions of risk management and internal control, and the Board will review the design, implementation and monitoring of these risk management and internal control systems. For details, please refer to the Corporate Governance Report.

Reporting Scope

The ESG Report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period"). Its scope includes real estate development and property leasing – the principal businesses of the Group – as well as commercial properties. Key environmental performance indicators disclosed during the Reporting Period pertain to the Group's Lake Malaren Golf Course (referred to as the "Golf Course") and Lake Malaren Obstetrical and Gynecological Hospital (referred to as the "Obstetrical and Gynecological Hospital") commercial properties in Shanghai, and the Shenyang Rich Gate Shopping Mall (referred to as the "Shenyang Rich Gate Shopping Mall").

Compared to the ESG report published in the 2018 Annual Report of SRE Group Limited, no material scope adjustment was made to the report.

Reporting Standards and Principles

The Group prepared the 2019 ESG Report according to the requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). The ESG Report is in full compliance with the "Comply or explain" disclosure requirements and explains the inapplicable disclosure rules. The ESG Report was prepared in accordance with the following reporting principles:

- Materiality: The Group identified key ESG topics through stakeholder engagement and materiality assessment, which has been disclosed in this ESG Report;
- Balance: The ESG Report presented the Group's environmental and social performance in an unbiased manner;
- Quantitative: The ESG Report discloses standards and methodologies for the calculation of emissions and energy consumption, as well as the sources of conversion factors;
- Consistency: The methodology for disclosing key environmental performance indicators is consistent with that of the previous year.

GOVERNANCE

ESG Governance

The Group maintains a sound system of ESG management, and its board of directors supports the Group's commitments to fulfil enterprise social responsibilities, assumes full responsibility for the Group's ESG strategies and their reporting. The Board is responsible for formulating ESG governance guidelines and strategies, including evaluating, ordering and managing important ESG-related matters and risks exposed to the Company's business. The Board regularly reviews the Group's ESG performance and approves the annual ESG report.

The senior management is responsible for assessing the Group's ESG risk and ensuring that an appropriate and effective system of ESG risk management and internal control is in place. Senior management also reports risks and opportunities associated with ESG to the Board and provides confirmation of the ESG system's effectiveness.

The Group maintains an ESG working group comprising the risk management, quality management, comprehensive management, cost and contract and financial departments as well as others. The working group is responsible for implementing the Board's ESG strategies and policies, performing ESG management and reporting progress to the senior management.

Stakeholder Engagement

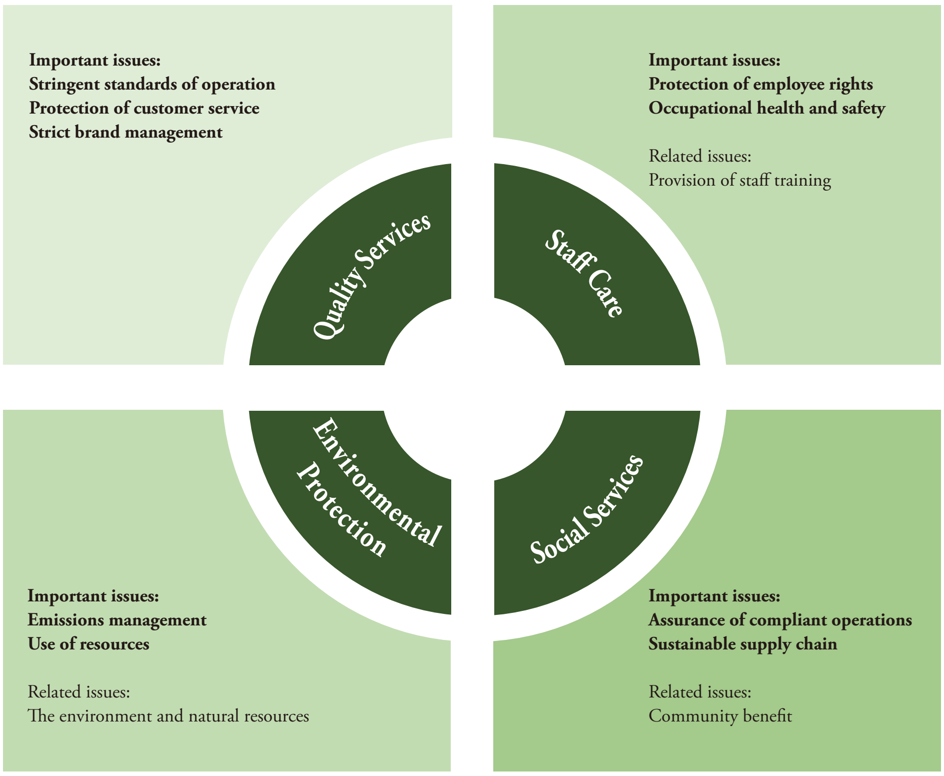
The Group believes that its long-term success depends on the effective involvement and continuing support of its stakeholders. It has therefore established a communications mechanism through which stakeholders may express their views and offer suggestions on the Group's sustainability and development strategies.

The Group's stakeholders comprise a wide range of parties, including government regulators, shareholders, employees, suppliers, consumers, non-governmental organisations and local communities. Their opinions and recommendations are also within the scope of this ESG Report.

- We fully comply with the requirements of regulatory and governmental authorities and conduct compliance operations;
- We standardise our corporate governance, protect our corporate reputation and communicate with our shareholders and investors through the shareholders' general meeting and regular financial reports;
- We provide our employees with a good workplace, and listen to their views through staff satisfaction surveys, etc;
- We have adopted sustainable office practices to use resources more efficiently and protect the environment;
- We interact with our suppliers by means of on-site communications and daily meetings, creating an atmosphere of mutual trust and cooperation;
- We created a communications platform through satisfaction surveys, customer service and customer activities, in order to understand the needs of our customers and improve the quality of our services;
- We participate in community activities, promote community development, and engage in public service.

Materiality Assessment

Through discussion with management, communications with stakeholders and observation of actual operations, we have recognised the following material ESG and related issues as making a material impact on the Group:



Compliant Operation

The Group operates in full compliance with all relevant laws and regulations, including the Group Law of the People's Republic of China, the Bidding Law of the People's Republic of China, the Regulation on the Management of Construction, Tendering and Bidding of Project Construction, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Briberies, and the Anti-Money Laundering Law of the People's Republic of China. The Group's "Code of Conduct for the Integrity of SRE Group Limited" clearly describes external communication, day-to-day work and commercial ethics requirements for employees.

The Group requires staff members to sign an Integrity Agreement to ensure a high standard of professional quality and ethical behaviour and diminish operational and ethical risks. The Group also includes a Performance Guarantee and Integrity Agreement in bidding documents and requires Party A and Party B to jointly abide by integrity commitments. This enables the Group to effectively implement relevant laws and regulations on anti-commercial bribery, ensure fair competition, protect the legitimate interests of the parties involved, and prevent inequitable conduct.

To maintain normal production and operation, orderly work procedures, and to improve its inspection and reporting work, the Group follows the System on the Management of Inspection and Reporting of SRE Group and the Notice on Strengthening the Company's Integrity Management. These provide Group staff as well as companies and persons with business relationships with the Group with a special email channel through which any problems affecting the Group's normal operation may be reported. The Group self-monitors its own behaviour and that of its subsidiaries and invested companies for any violations of law or state regulations, or of the Company's own management systems. The Company also monitors for any behaviours or actions which may jeopardise the normal benefits of the Company, particularly including key processes such as bidding and tendering, procurement of materials, financial capital management, significant investment management, selection and appointment of employees, project visa management, commercial operation management, relocation management and marketing management.

Additionally, the Group continuously strengthens integrity education, and requires employees at all levels to maintain a high standard of personal conduct and a working style of integrity, honesty, self-discipline, dedication and legality. It has established a complete anti-corruption mechanism through institutional prevention, behaviour restriction and ideological education.

OPERATION

Stringent Standards of Operation

The Group fully complies with all relevant laws and regulations, including but not limited to the Law of the People's Republic of China on the protection of Consumer Rights and Interests, the Urban Real Estate Administration Law of the People's Republic of China, the Regulations on the Administration of Urban Real Estate Development and Operation of Real Estate, the Regulations on Quality Control of Construction Work, the Standards on Construction Safety Inspection and the Regulations on the Technical of Fire Safety at Construction Work. In order to improve its project quality control requirements, the Group established a series of policies and systems which standardise project construction management. These include but are not limited to:

- Construction technology management regulations
- Guidelines for inspection and operation of key points of project quality
- Key points of construction project quality control
- Project work assessment
- Administrative measures for construction files
- Project management regulations
- Guidelines for on-site management
- Administration of project completion and delivery management
- Operational guidelines for construction safety inspections

The Group continues to improve its safety management system and improve its safety management performance. It requires safety management objectives to be set for each construction site, establishes a work safety responsibility system, sets safety rules and regulations, and assigns dedicated safety personnel to meet its requirements. Safety measures are also taken into account in the design of the construction organisation. We also provide three-level safety education for on-site staff, conduct annual safety training for management staff, collect pre-work safety records, regularly inspect their special work permits and compile work-related accident management records.

We require project companies to carry out, at least once a month, a site safety and civil engineering inspection by a leading organisation led by the project manager, main contractor and person in charge of the supervision unit. The inspection covers the entire construction site, including civil construction, lifts, tower hoists, scaffolding, base pits, water and electricity installation, fire safety and other potential sources of danger. Items under inspection are listed, graded, and counted toward a final inspection score. The supervision unit issues suspension notices to sites whose scores are unsatisfactory. Their operations may not resume until identified shortcomings have been rectified and pass re-inspection.

During the construction process, the Group requires each project company to submit a monthly and half-year reports on the work. The Group closely monitors project progress and specifies the implementation of various guidelines and management measures to ensure construction quality.

Upon completion of their project, project companies report to government authorities for completion inspection and acceptance. A completion acceptance team comprising design units, the main construction contractor, construction subcontractors and the supervision unit, is responsible for supervising the relevant department for acceptance. The Group maintains stringent acceptance standards for completion inspection. In addition to referencing project completion acceptance regulations issued by local governmental construction authorities, the Group's guide on acceptance for houses sets criteria on a total of 43 items and 99 sub-items, including public space, entrance space, decoration and components, doors and windows, kitchens, living room items, sanitation, and meter readings. An inspection and acceptance team comprising property companies and marketing and engineering departments examines various basic conditions prior to project delivery, in accordance with local administration requirements and the agreement with the property company. Each project is implemented with reference to the completion acceptance requirements of the local construction department.

Customer Protection

We actively protect the legal interests of our customers, with the relevant requirements being integrated into the Group's Customer Information Management System. We require the offices of all operational divisions to define a level of confidentiality for customer information. All divisions must maintain these levels of confidentiality when referring to such information from different divisions, and their effectiveness in doing so is periodically reviewed. The Group forbids all operation divisions from retaining client information on paper, except under special circumstances. The printing of client information will occur only after approval from the responsible person of the operations division. Corresponding permits are required for client information in electronic form. If others are found to have divulged or may divulge client information, Group employees are obliged to prevent such from occurring, while management is obliged to take immediate remedial measures to prevent or reduce the resulting losses.

The Golf Course clarifies the court order and terms of use in its "Course Rules", "Club Rules" and "Reservation Management System", and specifies measures for unacceptable behaviour in order to provide customers with a comfortable, civilised and safe environment for play. The Golf Course regularly maintains natural areas such as bunkers and grass areas in the course, and ensures excellent lawn quality and maintenance.

The Golf Course conducts annual client satisfaction surveys, carries out detailed investigations into every aspect of the service process, collects customer comments and opinions on service areas such as fitting rooms, starting stations, driving ranges, training ranges, tentacles and pitches, and submits them to the appropriate authorities for rectification. During the Reporting Period, customer satisfaction at the Golf Course was 86.08%.

In 2019, the Golf Course's master tournament course was rated as one of the "Top 100 Courses in China" by Golf Masters Magazine. It also successfully hosted the "China Junior Golf Masters", receiving high praise from the organisers.

The Obstetrical and Gynecological Hospital emphasises the importance of customer service in its “Customer Satisfaction Management System”, and has also created a satisfaction survey system to gain a full understanding of customer opinion. The Hospital has established special posts to receive and respond to customer complaints and ensure that they can be resolved decisively. After a complaint has been received, a commissioner is designated for following it up. This measure has greatly increased the feedback mechanism’s efficiency and enhanced customer satisfaction. The Hospital also regularly offers public maternal and child education and pre-natal education courses, creating the best possible environment for client treatment and rehabilitation. In 2019, 100% of customer complaints received by the Obstetrical and Gynecological Hospital were satisfactorily resolved.

Case: The 106th Member Friendship Tournament and the 2019 McAllen Cup Golf Tournament

In December 2019 the Golf Course thanked old and new customers for their support by inviting them to a special Member Friendship Tournament and the 2019 McAllen Cup Golf Tournament.

Brand management

The Group follows a rigorous brand management and promotional strategy which complies with relevant laws and regulations including the Advertising Law of the People’s Republic of China. The Group’s press release system regulates the content of external promotional material and the materials of each operating entity, and standardises promotional materials. All publicity material is reviewed and approved internally before release. We will standardize this process in the Notice on Strengthening the Relevant Work of Brand Management.

The “Measures on Confidentiality of SRE Group” – formulated with reference to the Anti-Unfair Competition Law of the People’s Republic of China and other relevant laws and regulations – are designed to strengthen the Group’s protection of commercial secrets and raise employee awareness of confidentiality. Under the “Measures”, employees are required to sign a confidential agreement which affirms that they understand the confidential contents, the rights and obligations, the period of the agreement and the responsibilities upon breaching their employment contract with the Company.

Partnership

The Group strives to provide products and services with high cost performance and quality to the market. It consistently upholds the concept of product responsibility, and works in close cooperation with suppliers to ensure that their contributions meet its high standards. By tightly managing and controlling the full property development value chain, the Group creates value for clients through services in design, construction, promotion and other facets of the process.

The Group has standardised its tender procurement procedures by adopting the following systems:

- Details on the operation of invited bidding of SRE Group
- Measures on bidding and procurement of SRE Group
- Details on the operation of easy bidding

- Procurement management and supervision system of the Lake Malaren assets package
- Guidelines for the management of suppliers of the SRE Group and the attachments thereto
- SRE Group cost management method

We standardised the tender process, clearly specified the division of responsibilities for inviting tenders, and formulated a series of model tendering procedures. Forms for examining the eligibility of tenderers with specific tender evaluation criteria were prepared in accordance with the different types of work such as construction, supply and installation, equipment supply, supervision and design. The Group has imposed control on the supply chain and integrated the Safety Responsibility Agreement into tender documents, performance bonds and clean-up agreements, and provides construction subcontractors with environmental, health and safety (EHS) requirements, in order to instill the concept of safety and environmental protection in all business segments.

To regulate the procurement organisations and their responsibilities and clarify the responsibilities of procurement personnel, new renovation projects of fixed assets, low-value consumables, materials for items, raw materials, etc, will be managed centrally. The Group also intends to establish a self-owned supplier base with a view to further strengthening the management of the environmental and social risks faced by suppliers.

The Group has standardised the management of suppliers throughout their entire life-cycle, including supplier selection, register management and performance assessment. The Group has also strengthened power management and its responsibility for cost management and procurement contract positions.

The Group endeavours to maintain a harmonious and cooperative relationship with its suppliers. To that end, it maintains good communications and listens to their opinions and concerns. Suppliers may use a dedicated email address to communicate with and transmit complaints to the Group, and the Group in turns tracks its responses to issues raised by them.

Community Investment

The Group formulated its "Measures on Charitable & Public Welfare Activities of SRE Group" to standardise its charitable and public welfare activities. Through regular appraisal, the Group examines the relationship between its business activities and the interests of communities, then uses this as a basis for its provision of public welfare activities with brand characteristics. These activities are generally aimed at promoting social development and progress.

Case: Free Pregnancy-related Courses Provided by the Obstetrics and Gynecology Hospital at the Community Health Centre

In 2019, the Obstetrics and Gynecology Hospital provided free pregnancy-related courses at the local community health centre. The programme included analyses of obstetric inspections, answering questions about pregnancy, information on nutrition, and an emphasis on the importance of pregnancy testing at an early stage. A total of 1,680 women took advantage of the programme.

STAFF

Based on our sound human resources infrastructure and team management, the Group follows the guidance of system improvement and cultural construction, systematically balance the common development aspirations of the Company and the staff, and guide the staff to actively integrate their personal pursuits into the long-term development of the Company to build a simple, transparent, positive and motivating working atmosphere. The Group strives continuously to ensure its staff are satisfied and imbued with a sense of belonging, using such tools as performance appraisals, remuneration, welfare systems, improvements to the working environment, and diverse staff activities.

Protection of Employee Rights

The Group attaches great importance to communicating and exchanging ideas with employees. It has standardised its employment management and actively protects the rights and interests of employees. During the Reporting Period, the Group operates in total compliance with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. With reference to the above, the Group has established policies and systems including but not limited to:

- Measures on recruitment of SRE Group Limited
- Employee dismissal process of SRE Group
- Measures on attendance and holidays of SRE Group Limited
- Measures on staff performance assessment of SRE Group
- Measures on positions and levels of SRE Group
- Remuneration system of SRE Group

Recruitment and Dismissal

The Group has determined that recruitment shall be open, fair and impartial. Members of the recruitment group shall be objective and impartial when considering interviewees. Under the principles of advance planning, extensive recruitment and stringent screening processes matching people with positions, and fairness and transparency, the Group recruits with the orientation of human resources, attracts talent through a range of channels and unified procedures to hire the best of the candidates. The Group has also created a "Hunt for Talent Prize" to encourage existing staff to recommend peers to partnership experiences. We also established a talent pool to collect relevant data for recruitment. Relevant information of applicants are categorized in chronological order and based on professional skills and departmental needs, indexed and filed into the talent pool.

The Group has implemented a complete Dismissal Process which ensures that the interests of employees and the Company are not infringed. Dismissal interviews are conducted with departing employees to gain their insights on the Company.

Remuneration and Incentives

The Group has put into place a standard remuneration system which formulates total cash remunerations and medium-and long-term incentives. The Group follows the principles of "two equalities" – referring to internal and external equality – and "three matchings", referring to the assurance that individual remuneration matches the relative value of the position, ability, performance and potential, and that the total remuneration matches the benefits to the Group.

In performance evaluations, the Group ensures "fairness, objectivity, open communication and compulsory distribution". Employees are assessed for decision-making ability, leadership, accountability, steadiness and innovativeness in a fair and open manner, and actively promoted the improvement of the performance of the Group and personal growth of our employees, so as to drive the Group to achieve its strategic objectives.

Working Hours and Holidays

The "Measures on Attendance and Holidays of SRE Group Limited" were developed in accordance with the Regulations of the State Council on Employee Working Hours, and are the basis of the Group's standard working hours system. When work demands overtime from a staff member, that member will apply to the department's responsible person and complete an Approval for Working Overtime for Staff form. It will come into effect after being signed and approved by the department's responsible person.

Group staff members enjoy statutory holidays, specific provisions for which are adjusted according to relevant laws and policies of their Company location. Also available to staff members are marital, maternity and breastfeeding leaves, sick and medical treatment leaves, leaves for work-related injuries, funeral leaves and annual paid leaves.

Diversity and Non-discrimination

The Group prides itself on being an equal employer. All departments, organisations and individuals are required to comply with national and local laws and regulations, and are prohibited from discriminating against any individual employees in matters of recruitment, labour, salary, training, promotion and compensation on the basis of gender, colour, age, family, culture, religion, appearance or nationality.

Other Treatments and Welfare

Besides statutory holidays, leaves, other social insurances and the housing provident fund, the Group provides staff with annual medical check-ups, commercial insurance, heatstroke prevention subsidies, meal and transportation subsidies, communication subsidies, birthday considerations and other welfare.

The Group also organises various athletic competitions to maintain the physical and mental well-being of employees.

Case: BBQ Party at the Golf Course

In August 2019, the Golf Course was the scene of the first employee BBQ party. As well as plenty of delicious food, the programme included games and singing challenges which brought employees of all levels together in a spirit of friendly competition.

Labour Standards

The Group fully complies with the Provisions on the Prohibition of Using Child Labor and other relevant laws and regulations. To ensure continuous compliance, the Group appoints third-party companies to conduct background survey reports on each employee to prevent academic and age fraud.

The Group's strict use of applications for overtime work is another measure of maintaining legal labour standards. Further provisions in the "Measures on Attendance and Holidays of SRE Group Limited" are in place to eliminate forced labour.

Health and Safety

The Group places great emphasis on providing employees with a safe, healthy and environmentally friendly working environment. The Group also provides education and training to cultivate employees' awareness of health, safety and environmental issues. During the Reporting Period, the Group did not experience any casualty incidents related to work.

The Group operates in full compliance with all laws and regulations relevant to health and safety, including but not limited to the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. In its "Employee Manual", the Group requires employees to fully implement production safety rules and regulations, diligently perform their own safety-related duties, and cooperate with management to complete safety inspections. Our employees have the obligation to prohibit unsafe behaviours and report hidden dangers. They also have the right to refuse commands which are contrary to rules on production safety.

The Group has also identified potential health and safety risks in the office environment, such as fire hazards and lift faults. In response, the Group uses targeted solutions, strengthened employee training and education, and regular medical examinations for employees. The Group has developed emergency procedures for personal injuries and Rescue Plan for Fire Emergencies, takes first aid measures for wounded personnel to protect the physical health of employees. As part of the emergency rescue plan, each rescue team undergoes training to ensure its timely response and ability to provide safety to personnel and significant materials during the emergency.

To avoid damages and injuries to customers caused by lightning, the Golf Course requires all employees to understand the operation of the site's lightning warning equipment. Lightning storms are forecast at three levels, each with a distinct alarm. Operational processes for all warning alarm levels are in place to give customers a timely reminder to seek suitable shelter. Additional lightning rods have also been emplaced in the southern and northern courses.

The Obstetrics and Gynecology Hospital has also established emergency response plans for each risk point in its operation. It regularly conducts employee safety training, including for self-cleaning, emergency response plans and fire protection knowledge.

Case: Fire Drill Training at the Golf Course

The Golf Course strengthened its fire safety management and enhanced employee awareness with fire frill training. The exercise was used to broaden employees' firefighting knowledge, improve fire safety inspection capabilities, and provide education on suppressing fires at an early stage and evacuating personnel.

Development and Training

The Group provides a clear career development path for all employees. Training is used to consistently improve the quality of employee teams, as well as to inspire employees to realise their full professional potential. We consistently build up clear career development paths for employees. Depending on our operation and management needs and focus of our strategic development, we offer dual channels in management and professional skills to employees to switch their future career development through training and work practice. This enables us to maintain our leading advantages in labor performance and the comprehensive benefits of human resources and fully guarantee and promote the achievement of the strategic goals of the Company.

To facilitate new employees' rapid understanding of their positions and work processes, the Group provides "Measures on the Training of New Employees". This standardises training and introduces new employees to Company policies, culture and long-term plans. Employees in turn can better understand their development path and participate in appropriate high-quality training organised by the Group.

Case: Business Speech and Presentation Training

In February 2019, the Group organised an employee training session in business speech and presentation.

Training is both internal and external with curricula focused on a range of vocational skills. Programmes are offered in a variety of series, including "SRE Gathering", "Corporate Culture Training" and "SRE Plan", each of which is based on a different focal point:

- SRE Gathering: Understand industry trends and share the frontier dynamics of the real estate industry;

- Corporate Culture Training: Strengthen emotional ties, optimise the working atmosphere, strengthen employees' sense of belonging;

- SRE Plan: Improve professional competence through general training, such as workplace etiquette and time management.

Each Group department also organises its own special training and knowledge-sharing activities to help employees improve their professional quality and strengthen their capabilities. The Group also organizes external training for both staff and leadership, aiming to improve management capabilities and enable employees to access the latest industry trends. Various employee activities are also held to further enhance corporate cohesion.

Case: Hiking on the Wuxi Junzhang Ancient Path

In September 2019, all employees took to the Wuxi Junzhang Ancient Path to both strengthen muscles and trust between each other and Company departments.

Case: Obstetrics and Gynecology Hospital Business Training

Clinics of The Obstetrics and Gynecology Hospital regularly carry out business training to enhance the medical staff's business ability through "service concept", "etiquette training", "medical safety training" and other general-level courses. Regular simulated disease drills are also held to expand the medical staff's emergency response capacity.

ENVIRONMENT

The Group is keenly aware of the impact of corporate operations on the environment. It has responded by implementing an environmental protection management system, a range of environmental protection measures, and striving to use resources more efficiently. The Group integrates measures to save energy, water, land and materials with interior environmental technologies, green construction, operational management and project positioning to reduce the negative effects of its activities on the environment.

In the course of our operations, we comply fully with relevant laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, and the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise. The Group takes full responsibility for the environment in every detail of its routine operations.

Reduction of Emissions

Waste Water, Gas Emissions and Noise

The Group's emissions requirements for general construction contractors are outlined in the "Measures on the Assessment of Project Management". Such requirements are aimed to prevent environmental pollution at the source. The Group has also adopted requirements for the control of dust, noise and water pollution as outlined in the "Guidelines on Safe and Civilised Construction and Inspection".

The Group's waste gas emissions are mainly from fuel combustion during building construction and the operation of properties, dust from construction work, and kitchen fumes. The Group has taken various measures to prevent and control these emissions: for example, the Golf Club has installed equipment to purify fumes and emit them through a special high altitude chimney.

The Group's waste water discharges are mainly industrial waste water and domestic waste water from the operation of properties. The Group fully abides by the Law of the People's Republic of China on the Prevention and Control of Water Pollution, and has adopted corresponding control and prevention measures. The Golf Course employs separate systems for the discharge of rainwater and waste water. Waste water (including oil from kitchens) is processed by oil separators or oil-water separators to meet the Standard on the Quality of Water to be Discharged into Urban Sewers before emission. The Obstetrics and Gynecology Hospital monitors various indicators of waste water discharge and issues monthly reports to ensure that discharging standards are being met.

Details of the waste water discharged by the Group during the Reporting Period are shown below:

Indicator[1]	Emission volume in 2019	Emission volume in 2018
Waste water (tonnes)	150,551.10	157,165.40
COD (tonnes)	12.80	12.07
N-NH_3 (tonnes)	1.06	0.99
Residual chlorine (tonnes)	0.03	0.06

Note:

1. All domestic waste water produced by the operation of Shenyang Rich Gate Shopping Mall is discharged to the municipal pipe network. As a result, we cannot monitor its emission volume of COD, N-NH_3 and residual chlorine. To ensure the accuracy of data, the three indicators of COD, N-NH_3 and residual chlorine pertain only to the Golf Course and The Obstetrics and Gynecology Hospital.

Greenhouse gases

The Group's greenhouse gas emissions are mainly comprised of direct emissions from the consumption of fuels and indirect emissions from the consumption of electricity by construction and operational activity. The Group has taken a range of active measures to implement green production, save energy and reduce emissions.

Details of the Group's greenhouse gas emissions during the Reporting Period are shown below:

Indicator[1]	Emission volume in 2019	Emission volume in 2018
Scope 1: Greenhouse gas direct emissions (tCO_2e)	779.38	793.55
Scope 2: Greenhouse gas energy indirect emissions (tCO_2e)	21,841.42	19,149.97
Total greenhouse gas emissions (tCO_2e)	22,620.80	19,943.52
Greenhouse gas emissions intensity (tCO_2e/revenue of RMB1 million)	161.45	112.52

Note:

1. Greenhouse gas is presented in terms of carbon dioxide equivalent and the calculation method and conversion factors come from the "Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions of Public Building Operating Enterprises" issued by the National Development and Reform Commission.

Waste

The Group's solid waste discharges mainly comprise non-hazardous waste such as earthwork and construction waste, domestic waste, kitchen waste and other harmless wastes generated in the process of property operation, and hazardous waste from Golf Course and The Obstetrics and Gynecology Hospital. All the above are collected and entrusted to qualified units designated by the city environmental sanitation departments. For construction waste, the Group requires the general contractor to comply with both national and industry laws and regulations for their disposal, and also includes timely rubbish cleanup as an assessment item in its "Engineering Management Assessment Measures".

Both Golf Course and The Obstetrics and Gynecology Hospital have established management processes for hazardous waste. The Golf Course identifies the waste generated from routine operations using a "Hazardous Waste List", and then entrusts waste such as used pesticide bottles to qualified units for recycling. The Obstetrical and Gynecological Hospital's "Systems for the Management of Medical Waste" outline stringent requirements for the treatment of medical waste. These requirements encompass each step of the process, including registration, collection, handing over, transfer, storage, and handing over to qualified third parties for processing. The Hospital has also developed "Responsibilities of the Responsible Person of the Department for Medical Waste", "Requirements on Rewards and Punishments for Management of Medical Wastes in the Hospital", and a "Prescribed Plan for the Occurrence of Loss of Medical Wastes in the Hospital" as parts of a comprehensive system of medical waste management.

Details of the Group's discharge of hazardous and non-hazardous waste during the Reporting Period are as follows:

Hazardous waste	Emission volume in 2019	Emission volume in 2018
Medical waste (tonnes)	4.17	6.99
Waste and discarded pesticide bottles (tonnes)	1.50	0.30
Total hazardous waste (tonnes)	5.67	7.29
Total hazardous waste intensity (Tonne/revenue of RMB1 million)	0.04	0.04
Non-hazardous waste		
Domestic waste (tonnes)	1,658.20	2,526.60
Kitchen oil and grease (tonnes)	0.60	0.60
Kitchen waste (tonnes)	21.60	21.60
Total non-hazardous waste (tonnes)	1,680.40	2,548.80
Total non-hazardous waste intensity (Tonne/revenue of RMB1 million)	11.99	14.38

Use of Resources

The Group is in full compliance with the Energy Conservation Law of the People's Republic of China and other relevant laws and regulations, and implements its environmental responsibilities in all details of its routine operation. The Group requires all staff to take part in saving water, electricity and materials, ensuring that everyone takes personal responsibility and makes their own contributions.

The Group's major areas of resource consumption comprise electricity and domestic water consumed during construction and operational activities. Excepting some surface water used by the Golf Course, the water used by the Group comes from municipal sources. The Group has faced no issues in sourcing water. To strengthen its energy management and develop green industrial chains, the Group monitors energy and water savings made by the general contractor and project companies during the construction process, and has adopted these standards in the "Measures on the Assessment of Project Management".

The Group is continuously working to create a green office by such measures as:

- Reducing electricity consumption by using energy-saving office equipment. New equipment must meet stipulated energy saving standards. All electrical equipment is switched off during non-working hours;

- Improved routine maintenance and management of water equipment and prevention of water running for excessive periods;

- Employees encouraged to adopt e-office practices such as using telephone and email communication, and videoconferencing in place of travel;

- Standardised procurement of office products, approve and issue processes, controlled quantity of office products issued, encouraging recycling, establishing a waste paper collection system.

The Golf Course and The Obstetrical and Gynecological Hospital have also introduced energy consumption monitoring to their operations:

- The Golf Course has implemented an "Energy Management System" to regulate the use of green water, increase use of water-saving methods such sprinkler, micro and trickle irrigation, and regularly analyses and adjusts irrigation water usage according to weather conditions;

- The Obstetrical and Gynecological Hospital's "Water-saving Management System for the Hospital", "Electricity-saving Safety Management System for the Hospital" and "Environmental Sanitation Management System for the Hospital" encourage all departments to practice water, electricity and resource conservation.

The "Official Car Management Measures of SRE Group" has standardised the use of official cars by the Group, while the "Notice on Further Improving Income and Savings" uses quota subsidies to encourage employees to use public transportation. Some old vehicles with high emissions will be disposed of or auctioned, and more reasonable work arrangement will be made to minimize the use of motor vehicles, and reduce greenhouse gas emissions.

Details of the Group's consumption of resources during the Reporting Period are shown below:

Use of resources[1]		2019	2018
Energy consumption	Petrol (MWh)	224.96	367.57
	Diesel (MWh)	300.73	186.23
	Natural gas (MWh)	3,229.93	3,276.10
	Total direct energy consumption (MWh)	3,755.62	3,829.89
	Electricity (MWh)	11,729.04	9,951.31
	Thermal (MWh)	32,998.57	29,815.18
	Total indirect energy consumption (MWh)	44,727.62	39,766.49
	Total energy consumption (MWh)	48,483.24	43,596.38
	Energy consumption intensity (MWh/revenue of RMB1 million)	346.03	245.97
Water consumption	Total water consumption (tonnes)	667,627.00	562,038.00
	Total water consumption intensity (tonne/revenue of RMB1 million)	4,764.87	3,171.04

Notes:

1. Total energy consumption is calculated based on the amount of electricity purchased, natural gas consumption, diesel consumption and petrol consumption, and presented by MWh (kWh in '000s). Relevant conversion factors come from the Appendix 1: default value of fossil fuel and Appendix 2: default density of fossil oil of the "Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions of Public Building Operating Enterprises" issued by the National Development and Reform Commission.

2. Key Performance Indicators A2.5, total packaging material used for finished products and with reference to per unit produced are not applicable to the Group and are therefore not disclosed in this ESG Report.

The Environment and Natural Resources

The Golf Course uses pesticides and fertilisers in its routine operation. To protect the biodiversity surrounding the area and minimise impact on natural resources, the Golf Course has implemented Measures for Ecological and environmental protection management, the requirements includes:

- Using environment-friendly pesticides;
- Strict control of the issuing and collection of pesticides and fertilisers;
- Storage of pesticides by category, and delivery to professional agencies for handling;

Black swans in the Golf Course

- Regular collections of water and soil samples from the Course for professional testing and as an aid to identifying and rectifying environmental issues at the earliest possible stage, and employment of rational fertilising in the coming year;
- Raising the environmental awareness of staff.

Directors and Senior Management

Directors

Executive Directors

Mr. Lei Dechao, aged 55, was appointed as an Executive Director and chairman of the Board on 28 February 2020. He is also the chairman of the Nomination Committee and the Investment Committee of the Company, the authorised representative of the Company. Mr. Lei is currently the chairman of China Minsheng Jiaye Investment Co., Ltd.. Mr. Lei obtained a bachelor's degree in finance profession from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics) in 1987 and a master's degree in economics from the same university in 1999. Mr. Lei has extensive experience in urban construction, corporate management and operations and has held various positions in the past. From 1999 to 2004, he worked in the general office of the Wuhan government. He then worked in the financial management office of the Wuhan government from 2004 to 2008. He served as a general manager of Wuhan Economic Development Investment Group Co., Ltd. (now known as Wuhan Financial Holding Group Co., Ltd.), an independent director of Hankou Bank, the chairman of Wuhan Urban Construction Investment Development Group Co., Ltd. and a general manager of Wuhan Port Aviation Development Group Co., Ltd. from 2008 to 2017. From 2017 to 2018, he served as the general manager of CMIG Huazhong Investment Co., Ltd.* (中民投華中投資有限公司). He was the executive director and vice president of卓爾控股有限公司 (Zall Holdings Limited), from March 2018 until September 2019. He was the non-executive director and the vice chairman of the board of China Infrastructure & Logistics Group Ltd., a listed company in Hong Kong (Stock Code: 1719), from December 2018 until December 2019. He is also a director of other member(s) of the Group.

Mr. Zhu Qiang, aged 40, was appointed as an Executive Director on 4 December 2015. He is also a member of the Investment Committee and authorized representative of the Company. Mr. Zhu was reappointed as acting Chief Executive Officer of the company on 19 January 2020. Mr. Zhu obtained a bachelor's degree in management engineering in 2002 and a master degree in technology economics and management in 2005 from Tongji University. Mr. Zhu has over 10 years of experience in real estate investment and development and had held various positions, including the positions as an vice president of China Minsheng Jiaye Investment Co., Ltd. (中民嘉業投資有限公司), deputy general manager of Franshion Real Estate Changsha Co., Ltd. (方興地產長沙有限公司), the general manager of Changsha Meixi Lake Jinyue Properties Co., Ltd. (長沙梅溪湖金悅置業有限公司), a senior investment manager of the investment and development department of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817), an investment director of the investment management department of Jinmao Group (中國金茂集團) and an industry analyst of the administration department of Yunfeng Group (雲峰集團). He is also a director of other member(s) of the Group.

Ms. Qin Wenying, aged 56, was appointed as an Executive Director on 6 June 2016. Ms. Qin graduated from Fudan University with a Bachelor's degree in Philosophy in July 1986 and obtained an advanced master of business administration degree from Fudan University in April 2004. She has been qualified as a senior human resources professional authenticated by the Ministry of Human Resources and Social Security and as a senior political scientist authenticated by the State-owned Assets Supervision and Administration Commission. Ms. Qin has over 20-year experience in establishment of human resources and corporate culture and operation management and supervision management in property development and hotel management and property management industry. Ms. Qin had held various positions in the past. In 1998, she joined Sinochem Group; from 1998 to 2010, she worked as the deputy head of the chief executive office, general manager of human resources department, vice chairman of labour union and supervisor of China Jin Mao (Group) Limited (currently known as Jinmao (China) Hotel Investments and Management Limited (stock code: 6139)); in May 2010, she was the chairman of labour union, the director of the department of Party-civilian relationship and the officer of the disciplinary and inspection department of Franshion Properties (China) Limited (currently known as China Jinmao Holdings Group Limited) (stock code: 817); in August 2014, she was the deputy general manager of the Shanghai office of China Jinmao; in August 2015, she was appointed as the secretary of the disciplinary committee of Sinochem International Corporation listed on the Shanghai Stock Exchange (stock code: 600500).

Mr. Jiang Qi, aged 37, was appointed as an Executive Director on 13 July 2018. Mr. Jiang graduated from California State Polytechnic University, Pomona in the USA with a bachelor's degree in business administration in 2007. Mr. Jiang has many years of work experience in administrative personnel management, project sites management and marketing planning. Mr. Jiang joined SRE Investment Holding Limited in 2007, and he served as assistant of general manager and deputy general manager in Shenyang Lixiang New Town Development Co., Ltd.* (瀋陽李相新城置業有限公司), a subsidiary of SRE Investment Holding Limited from July 2007 to April 2009. He also served as deputy general manager in Shanghai Shuo Cheng Real Estate Co., Ltd.* (上海碩誠置業有限公司) from May 2009 to August 2012; the person-in-charge of the preparatory working group of The Westin Haikou from August 2012 to June 2013; deputy general manager in Guo Kai Chuan Sha (Shanghai) Urban Investment Development Co., Ltd.* (國開川沙(上海)城鎮投資發展有限公司), a subsidiary of SRE Investment Holding Limited, from September 2013 to December 2017.

Ms. Jiang Chuming, aged 41, was appointed as an Executive Director on 18 July 2019. She is also a member of the Investment Committee of the Company. Ms. Jiang obtained a bachelor's degree in laws from the Shanghai University Law School with in 2000 and from the School of Law of the University of Aberdeen in the United Kingdom with a master's degree in international commercial law in 2004. Ms. Jiang is currently a director of China Minsheng Jiaye Investment Co., Ltd. and chief risk control officer. Ms. Jiang has over ten years of experience in legal consultation and risk management and has held various positions, including worked as a lawyer with Shanghai Keenmore Law Office, worked as company lawyer in Ping An Real Estate Co., Ltd.. and also worked at Shanghai Fosun High Technology (Group) Co., Ltd. as senior director of legal affairs.

Mr. Zong Shihua, aged 38, was appointed as an Executive Director on 10 September 2019. In December 2015, Mr. Zong joined the Group as the general manager of the financial asset department and was appointed the chief financial officer on 1 May 2016. Mr. Zong obtained a bachelor degree in economics from Nantong University in 2003, a master degree in accounting from Shanghai Jiao Tong University in 2013, and a master degree in business administration from Fudan University in 2014. Mr. Zong has over 15 years of work experience in the areas of development and investment of real estate, property leasing and the development of accounting practice. Mr. Zong is also the Chief Financial Officer of Zhongmin Jiaye Investment Co., Ltd.. He worked as an auditor in Jiangsu Gaoshen CPA* (江蘇皋審會計師事務所) in 2003. He was a financial manager of Shanghai Zhong Rong International Business Center Co., Ltd.* (上海中融國際商城有限公司) and Shanghai Zhong Rong Property Management Co., Ltd.* (上海中融物業管理有限公司) from 2004 to 2007. He worked as the vice financial director (hosting) and chief taxation officer of Zhong Rong Group* (中融控股集團) in 2007. Mr. Zong joined China Minsheng Investment Corp., Ltd.* (中國民生投資股份有限公司) in 2015 and worked as the financial general manager of China Minsheng Bund Real Estate Development Co., Ltd.* (中民外灘房地產開發有限公司). Mr. Zong has been appointed as a Non-Executive Director of Yida China Holdings Limited (a company listed on the Stock Exchange (stock code: 3639)) since 24 October 2019. He is also a director of other member(s) of the Group.

Mr. Peng Xinkuang, aged 44, was appointed as an Executive Director and the Chief Executive Officer of the Group on 4 December 2015. Mr. Peng ceased to be the Chief Executive Officer of the Group on 24 October 2017. Mr. Peng was re-appointed as the Chief Executive Officer of the Group on 18 July 2019. Mr. Peng is currently a chairman of the board and general manager of China Minsheng Jiaye Investment Co., Ltd.. Mr. Peng has extensive experience in the real estate development fields, including primary land development, region comprehensive development, new urbanization construction etc. Mr. Peng obtained an executive master of business administration degree at Central South University, and is now pursuing a doctor's degree in finance business administration from Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University. Mr. Peng had held various positions in the past, including the positions as the chairman of Meixi Lake Investment (Changsha) Co., Ltd. (梅溪湖投資(長沙)有限公司), an executive director and the general manager of Changsha Meixi Lake Industrial Co., Ltd. (長沙梅溪湖實業有限公司), the chairman of Changsha Pilot Public Utilities Company (長沙先導公共設施公司) and the chairman of Yango Group Co., Ltd. (陽光城集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000671). Also, Mr. Peng has also been the person-in-charge of the planning and construction department of government. He is also a director or general manager of other members of the Group. At the Board meeting held on 28 February 2020, the Board resolved that with effect from 28 February 2020, all executive duties of Mr. Peng in the Company as executive Director were suspended until further notice. For details, please refer to the announcement of the Company dated 28 February 2020.

Mr. Chen Donghui, aged 46, was appointed as an Executive Director on 6 June 2016. Mr. Chen holds a doctorate degree from the accounting faculty of Renmin University of China. Mr. Chen is currently the chairman of supervisory committee of China Minsheng Jiaye Investment Co., Ltd.. Mr. Chen had served as a supervisor and a vice supervisor of the strategic research office of the R&D center of The People's Insurance Company of China Limited, a deputy general manager and then the general manager of the finance and accounting department of PICC Property and Casualty Company Limited and the deputy general manager of its Jiangsu branch, the general manager of the strategic financing department of China Export & Credit Insurance Corporation, and an executive director of financial sector of China Minsheng Investment Corp., Ltd.. Mr. Chen had served as the chief financial officer of China Minsheng Drawin Technology Group Limited (now known as China Minsheng DIT Group Limited), a company listed on the Stock Exchange (stock code: 726) during the period from September 2015 to May 2016 and Mr. Chen was appointed as a non-executive director of China Minsheng Drawin Technology Group Limited from 28 June 2016 to 8 May 2018. Mr. Chen has been appointed as an executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016. At the Board meeting held on 28 February 2020, the Board resolved that with effect from 28 February 2020, all executive duties of Mr. Chen in the Company as executive Director were suspended until further notice. For details, please refer to the announcement of the Company dated 28 February 2020.

Independent Non-executive Directors

Mr. Zhuo Fumin, aged 68, was appointed as an Independent Non-executive Director on 30 November 2010. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983 and obtained a master degree in economics from Fudan University in 1997. Mr. Zhuo served senior positions such as the assistant officer and the head of the administrative office of the Shanghai Economic System Reform Committee. Subsequently, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo devoted to private equity investment since 2002, and was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group which is a global venture capital fund management company. Mr. Zhuo co-founded SIG Capital Limited. Since 2008, Mr. Zhuo has been a partner of GGV Capital. Mr. Zhuo was previously a director of Grandhope Biotech Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300238), an independent director of Focus Media Holding Limited, a company listed on NASDAQ (former stock code: FMCN, currently privatized), an independent non-executive director of Shenyin Wanguo (H.K.) Limited (now known as Shenwan Hongyuan (H.K.) Limited), a company listed on the Stock Exchange (stock code: 218) and an independent director of China Enterprise Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600675). Currently, Mr. Zhuo is an independent director of Daqo New Energy Corp., a company listed on the New York Stock Exchange (stock code: DQ) and a non-executive director of Besunyen Holdings Company Limited, a company listed on the Stock Exchange (stock code: 926). Mr. Zhuo was appointed as an independent director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629) since September 2015, an independent director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027) since January 2016, and an independent non-executive director of Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) since March 2016. Mr. Zhuo was appointed as an independent director of Shanghai Shine-link International Logistics Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603648) since September 2016. Mr. Zhuo was appointed as an independent director of Dazhong Transportation Group, a company listed on the Shanghai Stock Exchange (stock code: 600611) since May 2018.

Mr. Chan, Charles Sheung Wai, aged 66, was appointed as an Independent Non-executive Director on 10 July 2012. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan obtained a bachelor of commerce degree at the University of Manitoba, Canada in 1977. He is a member of the Chartered Accountants of Canada as well as a member of the Hong Kong Institute of Certified Public Accountants. He started his career as an audit staff at the Canadian office of Arthur Andersen in 1977 and was admitted to partnership in 1988. He subsequently joined the China/Hong Kong office of Arthur Andersen as an audit partner in 1994. For the period from July 2002 to June 2012, he was a partner of the China/Hong Kong Office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Stock Exchange during the period from 1998 to 2001 and also served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants (the "Society"). From January 2016 to April 2016, Mr. Chen was appointed as an independent non-executive director of SPI Energy Co., Ltd., a company listed on NASDAQ (stock code: SPI). From May 2016 to May 2019, Mr. Chan was appointed as an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030)). Mr. Chan is currently an independent non-executive director of Changyou.com Limited, a company listed on NASDAQ (stock code: CYOU). Mr. Chan was appointed as an independent non-executive director of Maoyan Entertainment, a company listed on the Stock Exchange (stock code: 1896) on 22 August 2018, effective on 4 February 2019. Mr. Chan has been appointed as an independent non-executive director of f Hansoh Pharmaceutical Group Company Limited, a company listed on the Stock Exchange (stock code: 3692)) since June 2019.

Mr. Ma Lishan, aged 68, was appointed as an Independent Non-executive Director on 31 March 2016. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Investment Committee of the Company. He has extensive experience in corporate operation and management. Mr. Ma graduated from Beijing Foreign Studies University in the People's Republic of China in 1975. Mr. Ma served in various managerial positions such as chairman, executive director and general manager in certain large-scale joint ventures and under China Oil & Foodstuff Corporation. From January 1996, Mr. Ma served as an executive director of China Foods Limited* (中國食品有限公司), a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and managing director of China Foods Limited. In 2000, Mr. Ma was appointed as the vice president of China Oil & Foodstuff Corporation (COFCO). From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited (now known as Elife Holdings Limited), a company listed on the Stock Exchange (stock code: 223). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). Mr. Ma was appointed as an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as China Minsheng DIT Group Limited), a company listed on the Stock Exchange (stock code: 726) since 28 June 2016 and an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993) since 19 August 2016.

Directors and Senior Management

Mr. Han Gensheng, aged 65, was appointed as an Independent Non-executive Director on 12 October 2016. He is also a member of the Audit Committee of the Company. He has extensive experience in corporate management. Mr. Han graduated from Shanghai Maritime University and obtained a bachelor's degree in Ocean Transport in 1978. Mr. Han has worked in various positions since August 1978, including the director of the logistics and warehousing division of China National Chemicals Import & Export Corporation* (中國化工進出口總公司), the general manager of Sinochem International Storage & Transportation Co., Ltd.* (中化國際儲運有限公司), the vice president of America West Pacific Refinery Co., the general manager of West Rockies Inc., the general manager of petroleum division II of China National Chemicals Import & Export Corporation* (中國化工進出口總公司), the vice president and a party member of Sinochem Group, the general manager of Sinochem International Oil Co., Ltd.* (中化國際石油有限公司), the general manager of Sinochem Petroleum Exploration and Production Co. Ltd.* (中化石油勘探開發有限公司), the general manager of Sinochem Corporation and the general manager of Sinochem Europe Holdings PLC.* (中化歐洲集團公司). Mr. Han was appointed as an independent non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639) since 31 December 2016.

Senior Management

Mr. Lv Yun, aged 44, was appointed the vice president of the Group in 2016. Mr. Lv obtained a bachelor degree in business administration from Tongji University in 2000 and a master degree in finance from Shanghai University of Finance and Economics in 2012. Mr. Lv has over 12 years of experience in the aspect of investment and development in real estate, and had worked in various positions, including the deputy general manager of Changsha Company of China Jinmao Holdings Group Limited, a company listed on the Stock Exchange (stock code: 817) and the general manager of sales planning department of Jinmao Investments (Changsha) Co., Ltd* (金茂投資(長沙)有限公司). He had also worked in companies such as Forte Group Sales Planning* (復地集團營銷策劃), Cushman & Wakefield* (戴德梁行) and Eslite Real Estate* (誠品房地產).

Mr. Peng Xiongwen, aged 50, was appointed as the Chief Financial Officer of the Group on 10 September 2019. Mr. Peng graduated from Tianjin College of Commerce (currently known as Tianjin University of Commerce) in 1992 and obtained a bachelor's degree in accounting. He then obtained a master's degree of EMBA from Xiamen University in 2009. He has been a member of the Association of International Accountants since July 2012. From December 2017 to September 2019. Mr. Peng was the chief financial officer of Tianjin China Minsheng Drawin Technology Co, Limited a company incorporated in the People's Republic of China with limited liability. He was appointed as a non-executive director of China Minsheng DIT Group Limited,(now known as DIT Group Limited), a company listed on The Stock Exchange of Hong Kong Limited (stock code: 726) from July 2018 to September 2019. Mr. Peng was the Deputy General Manager in KunMing Jia Li Ze Tourism Culture Co. Ltd. from October 2012 to December 2017.

Mr. Chu Hoe Tin, aged 37, was appointed as the Company Secretary of the Company on 1 July 2019. He has over 14 years of professional experience in accounting, auditing, taxation and company secretarial work. Mr. Chu graduated with a Bachelor of Arts (Hons) in Accounting from Napier University, United Kingdom in 2007 and obtained the degree of Master of Corporate Governance from the Open University of Hong Kong in 2018. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries. He has been appointed as an independent non-executive director of TBK & Sons Holdings Limited, a company listed on the Stock Exchange (stock code: 1960) since30 September 2019.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities

The Group are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed markets. The principal activities of its principal subsidiaries, joint ventures and associates are respectively set out in notes 47, 23 and 22 to the consolidated financial statements.

Segmental Information

Details of the Group's revenue and profit or loss by principal activity and geographical area for the year ended 31 December 2019 are set out in note 4 to the consolidated financial statements.

Results

Details of the Group's results for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income. No interim dividend was declared by the board of the Directors (the "Board"). The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

Bank Loans, Overdrafts and Other Borrowings

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 33 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are respectively set out in the consolidated statement of changes in equity and in note 48 to the consolidated financial statements.

Distributable Reserves

As computed in accordance with the Companies Act 1981 of Bermuda, the Company does not have retained profits for distribution to shareholders as at 31 December 2019 (2018: Nil). The share premium account with balance of approximately RMB5,046 million (2018: RMB5,046 million) may be distributed when certain conditions are met.

Share Capital

There was no movement in share capital during the year. Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

Financial Summary

A financial summary of the Group is set out on page 5 of this annual report.

Report of the Directors

Business Review

The information on business review of the Group for the year ended 31 December 2019 is provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of Listed Securities

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

Fixed Assets and Investment Properties

Details of the movement in fixed assets and investment properties of the Group are respectively set out in notes 17 and 19 to the consolidated financial statements.

Related Party Transactions

Details of the related party transactions (which also include connected transactions) of the Group for the year ended 31 December 2019 are set out in note 43 to the consolidated financial statements. Except for the connected transaction mentioned below, the related party transactions as set out in note 43 to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Connected Transactions

On 30 May 2019 (after trading hours), Sinopower Investment Limited (華通投資有限公司) (a direct wholly-owned subsidiary of the Company) entered into an agreement with, among others, Ronghe International Group Limited (榮和國際集團有限公司) (a connected person of the Company at the subsidiary level) and Well Win Holding Trading Limited (佳成控股貿易有限公司), pursuant to which Sinopower Investment Limited agreed to sell, and Ronghe International Group Limited and Well Win Holding Trading Limited agreed to purchase, an aggregate of 51.1% of the equity interest in and of the total outstanding shareholder loan due from Profit Concept Investments Limited (潤斯投資有限公司) for a total consideration of GBP31,759,303.62. This disposal transaction was aggregated with another disposal transaction of the Company which took place in 2018 as a series of transactions pursuant to Rule 14.22 of the Listing Rules. Further details are set out in the Company's announcement dated 30 May 2019 and circular dated 12 July 2019.

On 11 June 2019 (after trading hours), Konmen Investment Limited (康明投資有限公司) (an indirect wholly-owned subsidiary of the Company), Shenyang Luyi Hotel Management Co., Ltd. (瀋陽綠怡酒店管理有限公司) (an indirect wholly-owned subsidiary of the Company) and Shanghai Ya Luo Enterprise Management Partnership (Limited Partnership) (上海亞羅企業管理合夥企業(有限合夥)) as sellers and Hong Kong Chong Dei Company Limited (香港創地有限公司) and Shenyang Ruiguang Trading Co., Ltd. (瀋陽瑞光貿易有限公司) as purchasers entered into a sale and purchase agreement, pursuant to which (i) the sellers agreed to sell and the purchasers agreed to purchase 100% equity interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. (遼寧高校後勤集團房地產開發有限公司) for an aggregate price of RMB1,152 million; and (ii) the purchasers agreed to pay to Konmen Investment Limited and Shenyang Luyi Hotel Management Co., Ltd. the total outstanding loan due from Liaoning Gao Xiao Support Group Property Development Co., Ltd. to the Group, which amounted to approximately RMB135,156,907.30 as at 30 April 2019. The purchasers also agreed to pay the loan and the related interest owed by Liaoning Gao Xiao Support Group Property Development Co., Ltd. to China Minsheng Jiaye Investment Co., Ltd (a controlling shareholder of the Company), which amounted to approximately RMB269.79 million as at 30 April 2019. Further details are set out in the Company's announcement dated 11 June 2019 and circular dated 25 July 2019.

Directors

The directors who held office during the year and as of the date when the annual report was published are:

Executive Directors

Mr. Lei Dechao	*(appointed on 28 February 2020)*
Mr. Liu Feng	*(resigned on 18 July 2019)*
Mr. Chen Chao	*(retired on 3 June 2019)*
Mr. Zhu Qiang	
Ms. Qin Wenying	
Mr. Jiang Qi	
Ms. Jiang Chuming	*(appointed on 18 July 2019)*
Mr. Zong Shihua	*(appointed on 10 September 2019)*
Mr. Peng Xinkuang	*(suspension of duties on 28 February 2020)*
Mr. Chen Donghui	*(suspension of duties on 28 February 2020)*

Independent Non-executive Directors

Mr. Zhuo Fumin
Mr. Chan, Charles Sheung Wai
Mr. Ma Lishan
Mr. Han Gensheng

The Company had received confirmation from each of the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considered all Independent Non-executive Directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Lei Dechao, Mr. Zong Shihua, Mr. Zhuo Fumin and Mr. Han Gensheng will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election.

Biographical details for the Directors are set out on pages 44 to 48 of this annual report.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Directors since the disclosure made in the Interim Report 2019 and up to the date of this annual report of the Company is set out below:

Name of Director(s)	Detail(s) of Change
Mr. Lei Dechao	He has been appointed as an executive Director, chairman of the Board, chairman of Nomination Committee, chairman of the Investment Committee and authorized representative on 28 February 2020.
Mr. Peng Xinkuang (Note 1)	He resigned as a director of Yango Group Co., Ltd. (陽光城集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000671) on 24 October 2019.
	He ceased to serve as chairman of the Board, chairman of the Nomination Committee, chairman of the Investment Committee and authorized representative on 28 February 2020.
	All executive duties as executive Director were suspended until further notice on 28 February 2020.
Mr. Zong Shihua	He has been appointed as an executive Director on 10 September 2019.
Mr. Chen Donghui (Note 1)	All executive duties as executive Director were suspended until further notice on 28 February 2020.
Mr. Zhu Qiang	His director's remuneration will be changed from HK$60,000 per year to HK$1,918,400 per year with effect from 10 September 2019.
	Acting as the Company's Acting Chief Executive Officer since 19 January 2020.
Ms. Jiang Chuming	She has been appointed as an executive Director and a member of the Investment Committee on 18 July 2019.
	Her director's remuneration will be changed from HK$60,000 per year to HK$1,354,300 per year with effect from 10 September 2019.
Mr. Liu Feng	He has been resigned as an executive Director on 18 July 2019.
Mr. Chen Chao	He has been retired as an executive Director on 3 June 2019.

Note 1: the Board has resolved on 16 April 2020 to propose resolutions to remove Mr. Peng Xinkuang and Mr. Chen Donghui for approval by shareholders at the forthcoming annual general meeting of the Company, further details will be set out in the circular with respect to the annual general meeting which will be despatched to the shareholders in due course.

Directors' Emoluments

The fixed annual remuneration of the Executive Directors is determined by the Remuneration Committee of the Company. Each Executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all Executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and non-controlling interests as shown in the audited consolidated financial statements of the Company for the relevant year.

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Group which is not determinable within one year without the payment of compensation other than statutory compensation.

Directors' Interest in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director, or an entity connected with a Director, of the Company had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2019.

Directors' Rights to acquire Shares or Debentures

Save as disclosed in the section of Share Option Scheme of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in shares of the Company (the "Shares") and underlying Shares

Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of shareholding**
Peng Xinkuang (suspension of duties on 28 February 2020)	112,000,000 *(Note 1)*	–	–	112,000,000	0.54%
Zhu Qiang	84,000,000 *(Note 1)*	–	–	84,000,000	0.41%
Qin Wenying	84,000,000 *(Note 1)*	–	–	84,000,000	0.41%
Chen Donghui (suspension of duties on 28 February 2020)	56,000,000 *(Note 1)*	–	–	56,000,000	0.27%
Chen Chao (retired on 3 June 2019)	56,000,000 *(Note 1)*	–	–	56,000,000	0.27%
Zhuo Fumin	–	160,000 *(Note 2)*	–	160,000	0.0008%
Jiang Chuming (appointed on 18 July 2019)	500,000	–	–	500,000	0.0024%

Notes:

(1) This refers to the underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.

(2) These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company, nor any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2019, so far as is known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests of the Company or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long positions in the Shares

Name of Shareholders	Capacity/Nature of interest	Notes	Number of issued ordinary Share (Sub-total)	Approximate percentage of shareholding (Sub-total)	Number of issued ordinary Shares (Total)	Approximate percentage of shareholding (Total)
China Minsheng Investment Corp., Ltd.	Interest in controlled corporation	i			15,517,949,128	75.46%
China Minsheng Jiaye Investment Co., Ltd.	Interest in controlled corporation	i			15,517,949,128	75.46%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest in controlled corporation	iv			15,517,949,128	75.46%
Jiasheng (Holding) Investment Limited	Interest in controlled corporation	iv			15,389,659,128	74.84%
Jiashun (Holding) Investment Limited	Beneficial owner	iv			15,389,659,128	74.84%
Zhi Tong Investment Limited Partnership	Beneficial owner	i, ii, iii			2,022,761,390	9.84%
Jia Yun Investment Limited					2,889,659,128	14.05%
	Person having a security interest in Shares	vi	866,897,738	4.21%		
	Interest in controlled corporation	ii, iii	2,022,761,390	9.84%		
Shi Jian					2,902,666,119	14.11%
	Beneficial owner		13,006,991	0.06%		
	Interest in controlled corporation	v	2,889,659,128	14.05%		14.05%
Si Xiao Dong					2,889,661,452	
	Beneficial owner		2,324	0.00%		
	Interest in controlled corporation	v	2,889,659,128	14.05%		
SRE Investment Holding Limited					2,889,659,128	14.05%
	Beneficial owner	vi	866,897,738	4.21		
	Interest in controlled corporation	ii, iiii	2,022,761,390	9.84%		
Starite International Limited	Interest in controlled corporation	ii, iii			2,022,761,390	9.84%
Zuo Xin	Nominee for another person (other than a bare trustee)	ii, iii			2,022,761,390	9.84%
Jiabo Investment Limited	Interest in controlled corporation	ii, iii, vi			2,889,659,128	14.05%
Jiazhi Investment Limited	Interest in controlled corporation	ii, iii			2,022,761,390	9.84%

Notes:

i. China Minsheng Investment Corp., Ltd. holds a 67.40% direct interest in China Minsheng Jiaye Investment Co., Ltd. Pursuant to Part XV of the SFO, China Minsheng Investment Corp., Ltd. and China Minsheng Jiaye Investment Co., Ltd. are respectively deemed to be interested in the Shares directly held or interested in by (a) Jiashun (Holding) Investment Limited (12,500,000,000 Shares), (b) Zhi Tong Investment Limited Partnership (2,022,761,390 Shares), (c) Jia Yun Investment Limited (866,897,738 Shares) and (d) Jiayou Investment Limited (128,290,000 Shares)).

ii. A 100% direct interest in Jia Yun Investment Limited is held by Jiabo Investment Limited, which is 100% indirectly owned by China Minsheng Investment Co., Ltd. Jia Yun Investment Limited holds a 60% direct interest in Jiazhi Investment Limited, which is a general partner of Zhi Tong Investment Limited Partnership. Accordingly, each of Jiabo Investment Limited, Jia Yun Investment Limited and Jiazhi Investment Limited is deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

The remaining 40% interests in Jiazhi Investment Limited is held by Starite International Limited, which is wholly-owned by Zuo Xin (as a nominee and representative of SRE Investment Holding Limited). Therefore, Starite International Limited, Zuo Xin and SRE Investment Holding Limited are deemed to be interested in the Shares held by Zhi Tong Investment Limited Partnership under Part XV of the SFO.

iii. These Shares are held by Zhi Tong Investment Limited Partnership. Jiazhi Investment Limited is a general partner of Zhi Tong Investment Limited Partnership and is held as to 60% by Jia Yun Investment Limited and 40% by Starite International Limited. Jia Yun Investment Limited is also a limited partner of Zhi Tong Investment Limited Partnership.

iv. These Shares are held by Jiashun (Holding) Investment Limited. Jiashun (Holding) Investment Limited is 100% directly owned by Jiasheng (Holding) Investment Limited, which is 100% directly owned by Jiaxin Investment (Shanghai) Co., Ltd. Jiaxin Investment (Shanghai) Co., Ltd. is 100% directly owned by China Minsheng Jiaye Investment Co., Ltd., which is owned as to 67.40% by China Minsheng Investment Corp., Ltd. Therefore, according to Part XV of the SFO, Jiasheng (Holding) Investment Limited, Jiaxin Investment (Shanghai) Co., Ltd., China Minsheng Jiaye Investment Co., Ltd. and China Minsheng Investment Corp., Ltd. are deemed to be interested in the Shares held by Jiashun (Holding) Investment Limited.

v. As each of Mr. Shi Jian and Ms. Si Xiao Dong has one-third or more of the voting rights at shareholders' meetings of SRE Investment Holding Limited, they are deemed to be interested in all the Shares interested in by SRE Investment Holding Limited under the SFO.

vi. 866,897,738 Shares held by SRE Investment Holding Limited are charged to Jia Yun Investment Limited. SRE Investment Holding Limited retains the voting rights attached to the Shares. China Minsheng Investment Corp., Ltd. has confirmed to the Company that if the enforcement of the share charge will result in the Company failing to meet the public float requirement, China Minsheng Investment Corp., Ltd. will use its best efforts to assist the Company to maintain or restore its public float to comply with Rule 8.08(1)(a) of the Listing Rules, such as to sell its Shares in the open market.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Sufficiency of Public Float

As at the date of this report, 5,913,662,332 Shares (representing approximately 28.75% of the issued share capital of the Company) were held by the public. Accordingly, the Company is in compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Share Option Scheme

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016 (the "Date of Grant"), options to subscribe (the "Share Options") for a total of 1,073,717,976 new Shares were offered to certain Directors and employees of the Group (the "Grantees"). The Share Options granted to each Grantee are valid for a period of five years commencing from the Date of Grant and shall be vested in three tranches in accordance with the following vesting dates: (i) 40% of the Share Options granted to each Grantee shall be vested and exercisable from 30 August 2016 to 13 July 2021; (ii) an additional 30% (i.e. up to 70% in total) shall be vested and exercisable from 30 August 2017 to 13 July 2021; and (iii) the remaining 30% (i.e. up to 100% in total) shall be vested and exercisable from 30 August 2018 to 13 July 2021.

The exercise price of the Share Options is HK$0.2132 per Share, which represents the highest of (i) the closing price of the Shares of HK$0.212 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (ii) the average closing prices of the Shares of HK$0.2132 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share, which is HK$0.10.

The Share Options were granted to the following Directors:

Executive Directors	**Number of Share Options Granted**
He Binwu *(resigned on 24 October 2017)*	160,000,000
Peng Xinkuang *(suspension of duties on 28 February 2020)*	160,000,000
Zhu Qiang	120,000,000
Qin Wenying	120,000,000
Chen Donghui *(suspension of duties on 28 February 2020)*	80,000,000
Chen Chao *(retired on 3 June 2019)*	80,000,000
Shi Janson Bing *(resigned on 13 July 2018)*	50,000,000

The grant of the Share Options to each of the above Directors has been approved by the Independent Non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

The fair value of options granted during the period determined on the date on which the options were granted using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options vested on 30 August 2017 and HK$8.21 cents per option for options vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. The Binomial valuation model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

No Share Options were granted, exercised, or cancelled during 2019. 160,000,000 Share Options were lapsed during 2017. 309,115,393 Share Options were lapsed during 2018. 1,400,000 Share Options were lapsed during 2019. The outstanding Share Options as at 1 January 2019 and 31 December 2019 are 604,602,583 and 603,202,583 respectively.

The following is a summary of the principal terms of the Scheme:

1. Purpose of the Scheme:

   The purpose of the Scheme is to reward the contributions made by any Directors or employees of the Group (the "Eligible Employees"), to provide incentive for the Eligible Employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders of the Company as a whole.

2. Participants of the Scheme:

   The Board may at its discretion grant options to the Eligible Employees.

3. Grant of option under the Scheme

   An offer of the grant of an option shall be made to an Eligible Employee by letter in such form as the Board may from time to time determine, requiring the Eligible Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme. The offer shall remain open for acceptance for a period of 14 days from the date of grant. Subject to the terms of the offer letter, there shall be no minimum holding period for the vesting or exercise of the options.

   An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date of grant.

4. Total number of Shares available for issue under the Scheme and percentage of issued share capital as at 31 December 2019:

   As at 31 December 2019, the total number of Shares which may be issued under the Scheme must not exceed 2,056,471,372 Shares, representing approximately 10% of the issued share capital of the Company.

5. Maximum entitlement of each participant under the Scheme:

   Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

6. The period within which the options must be exercised under the Scheme:

   The period during which an option may be exercised in accordance with the terms of the Scheme ("Option Period") shall be a period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Date of Grant.

7. The basis of determining the exercise price:

   The subscription price per Share payable on the exercise of an option is to be determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share on the Date of Grant.

8. The remaining life of the Scheme:

   Subject to early termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme is deemed to take effect in accordance with its terms, after which time no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Scheme.

Competing Interests

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Major Customers and Suppliers

The Group's customers from whom the revenue of continuing operations derived are widely dispersed. No customer nor a single group of customers under common control of continuing operations contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018. During 2019, less than 30% of the Group's revenue was attributable to the Group's five largest customers combined.

During 2019, less than 30% of the Group's purchases was attributable to the Group's five largest suppliers combined.

Public Float

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the public float requirement under the Listing Rules.

Audit Committee

The audited annual consolidated financial statements for the year ended 31 December 2019 has been reviewed by the Audit Committee of the Company.

Pension Scheme

Details of the Group's pension schemes are set out in the section of employee benefits of Note 15 to the consolidated financial statements.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants.

There has been no change in the auditor of the Company during the past three years.

Permitted Indemnity Provision

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

On behalf of the Board
Lei Dechao
Chairman

Hong Kong, 14 May 2020

Corporate Governance Report

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders. The Board and senior management are committed to maintain a high standard of corporate governance which provides a framework and a solid foundation for achieving a high standard of accountability and transparency.

Corporate Governance Practices

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2019, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.2.1

Pursuant to Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Chairman of the Group is responsible for leading the Board to ensure that it operates effectively and performs its duties, while Chief Executive Officer of the Group is responsible for the overall implementation of the Group's business development and general management. The Board had considered the merits of distinguishing between the roles of Chairman and Chief Executive Officer, but believed that it was in the best interest of the Company for Mr. Peng Xinkuang to hold two positions at the same time following the resignation of Mr. Liu Feng as the Chief Executive Officer on 18 July 2019. The Board believed that Mr. Peng holding two positions at the same time would enable the Company to obtain more unified leadership and facilitate the implementation of the Group's business strategies. Mr. Zhu Qiang was reappointed as acting Chief Executive Officer on 19 January 2020. The Board considers that the Company has complied with Code Provision A.2.1 since then.

Code Provision A.2.7

Code Provision of A.2.7 requires the Chairman of the Board to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Chairman of the Board is also an Executive Director, the Company has technically deviated from this Code Provision.

Code Provision A.6.7

Pursuant to Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Han Gensheng, Independent Non-executive Director, did not attend the annual general meeting of the Company for the year 2019 due to other business engagements.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

Board of Directors

Throughout the year ended 31 December 2019, the Company has complied with the Board's practices and procedures as set out in the Listing Rules.

Board Composition

As at 31 December 2019, the Board consists of eleven Directors, including seven Executive Directors, namely Mr. Peng Xinkuang, Mr. Chen Donghui, Mr. Zhu Qiang, Ms. Qin Wenying, Mr. Jiang Qi, Ms. Jiang Chuming and Mr. Zong Shihua; and four Independent Non-executive Directors, namely, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Ma Lishan and Mr. Han Gensheng.

At the Board meeting held on 28 February 2020, the Board resolved that with effect from 28 February 2020, all executive duties of Mr. Peng Xinkuang and Mr. Chen Donghui in the Company as executive Directors were suspended until further notice. On the same date, Mr. Lei Dechao was appointed as an Executive Director and the Chairman of the Board. For details, please refer to the announcement of the Company dated 28 February 2020.

Save as disclosed in the above section "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship amongst the Directors.

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board formulates, approves and monitors Group-wide strategies and policies, evaluates the performance of the Company, and supervises the management of the Company. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Group.

Chairman and Chief Executive Officer

The Chairman of the Company is responsible for formulating, developing and reassessing the Group's strategies and policies and for all Board matters. The Chief Executive Officer of the Group is responsible for the execution of the Group's business strategies and plans. The positions of the Chairman of the Company and the Chief Executive Officer of the Group are held by separate individuals so as to maintain an effective segregation of duties as at the date of this annual report. For the deviation from the Code Provision A.2.1 for the year ended 31 December 2019, please refer to the paragraph titled "Corporate Governance Practices – Code Provision A.2.1" above in this Corporate Governance Report.

Independent Non-executive Directors

As at 31 December 2019, the Board has 11 members with 4 of them being Independent Non-executive Directors. This satisfies both the requirements of having at least 3 Independent Non-executive Directors under Rule 3.10(1) of the Listing Rules, as well as of having Independent Non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The functions of Independent Non-executive Directors include:

- expressing an independent view and judgement at Board meetings;
- taking the lead to identify potential conflicts of interests if any;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The Independent Non-executive Directors have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They gave the Board and the Board committees the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Corporate Governance Report

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and the Directors; and

(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

Meetings

The Board meets at least four times a year at approximately quarterly intervals. During 2019, the Board held eleven meetings to review the financial performance, annual and interim results, material investments, operating report and other significant matters of the Group. The Bye-laws of the Company provides for the convening of the Board or Board committee meetings by way of telephonic or similar communications.

The attendance records of the Directors at the Board meetings, the Board committee meetings, the annual general meeting and special general meeting of the Company for the financial year ended 31 December 2019 are set out below:

		Attendance/Number of Meetings (during Director's tenure)						
		Board	Audit Committee	Nomination Committee	Remuneration Committee	Investment Committee	Annual General	Special General
Executive Directors								
Peng Xinkang	*(Note 5)*	11/11		4/4		1/1	1/1	1/1
Liu Feng	*(Note 1)*	4/5				0/0	1/1	0/0
Chen Donghui	*(Note 5)*	9/11					1/1	0/1
Chen Chao	*(Note 2)*	3/3					1/1	0/0
Zhu Qiang		10/11				1/1	1/1	0/1
Qin Wenying		11/11					1/1	1/1
Jiang Qi		10/11					1/1	1/1
Jiang Chuming	*(Note 3)*	5/5				0/0	0/0	0/1
Zong Shihua	*(Note 4)*	2/3					0/0	0/0
Independent Non-executive Directors								
Zhuo Fumin		9/11	3/3	3/4	3/3		1/1	0/1
Chan, Charles Sheung Wai		10/11	3/3		3/3		1/1	0/1
Ma Lishan		9/11		4/4	3/3	1/1	1/1	1/1
Han Gensheng		9/11	3/3				0/1	0/1

Notes:

1. Mr. Liu Feng resigned as an executive director on 18 July 2019.
2. Mr. Chen Chao retired as an executive director on 3 June 2019.
3. Ms. Jiang Chuming was appointed as an executive Director on 18 July 2019.
4. Mr. Zong Shihua was appointed as an executive Director on 10 September 2019.
5. The executive directors duties of Mr. Peng Xinkang and Mr. Chen Donghui were suspended on 28 February 2020.

Board papers are circulated and the Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company maintains a procedure for the Directors to seek independent professional advice in appropriate circumstances.

Board Committees

The Board has established 4 committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The respective terms of reference are available on the websites of the Company and the Stock Exchange. The Company has provided sufficient resources to the Board committees to perform their duties.

Audit Committee

The Company has established the Audit Committee of the Company. During the financial year ended 31 December 2019, the Audit Committee of the Company comprises three members as follows:

Independent Non-executive Directors
Mr. Chan, Charles Sheung Wai – Chairman
Mr. Zhuo Fumin – Member
Mr. Han Gensheng – Member

The major duties of the Audit Committee of the Company include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board;
- to review the Group's financial controls, risk management and internal control and ensure that the management has discharged its duty to have effective risk management and internal control systems;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- to review and consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, their training programmes and budget, and the changes in the nature and extent of significant risks;
- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor the effectiveness of the internal audit function;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The Audit Committee of the Company has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to reasonable resources and assistance from the management to discharge its duties properly.

In 2019, the Audit Committee of the Company held three meetings to, among other things, review the interim and annual results of the Group, and review other significant matters. The Audit Committee of the Company had reviewed the Group's significant internal control and financial matters, and discussed with the management of the Company and the external auditors. The Audit Committee of the Company had also reviewed the audit plans and findings of the external auditors, the independence of the external auditors, the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting, internal control and risk management. The attendance record of each committee member is shown on page 62 in the section of Meetings of this report.

The Audit Committee of the Company had met the external auditors three times during the financial year ended 31 December 2019. There was no disagreement between the Board and the Audit Committee of the Company regarding the selection and appointment of external auditors. The Audit Committee of the Company is satisfied that the external auditors are able to meet the audit obligations of the Company.

The external auditors of the Company were invited to attend the meeting without the presence of the management to discuss with the Audit Committee of the Company issues arising from the audit and financial reporting matters.

Nomination Committee

The Company has established the Nomination Committee of the Company. During the financial year ended 31 December 2019, the Nomination Committee of the Company comprises three members as follows:

Executive Director
Mr. Peng Xinkuang – Chairman *(suspension of duties on 28 February 2020, Mr. Lei Dechao has been appointed as the Chairman of the Nomination Committee on the same date.)*

Independent Non-executive Directors
Mr. Zhuo Fumin – Member
Mr. Ma Lishan – Member

The major duties of the Nomination Committee of the Company include:

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to review the structure, size and composition (including the diversity of skills, knowledge, experience and perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to develop and review, as appropriate, the Board diversity policy ("Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives;

- develop and review, as appropriate, the policy for nomination of Directors setting out the process and criteria to select and recommend to the Board candidates for directorship;

- to assess the independence of the Independent Non-executive Directors, with regard to the requirements under the Listing Rules; and

- to make 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.

In 2019, the Nomination Committee of the Company held four meetings. The Nomination Committee of the Company had reviewed the structure, size, composition and diversity of the Board, and consider the appointment of directors of the Company. The attendance record of each committee member is shown on page 62 in the section of Meetings of this report.

The Company had also assessed the independence of all the Independent Non-executive Directors and considers that all of them are independent under Rule 3.13 of the Listing Rules, having taken into account (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

Board Diversity Policy

The Board adopted the Board Diversity Policy on 29 August 2013 and amended it on 19 December 2018, setting out the approach to achieve diversity within the Board. In assessing the Board composition, the Nomination Committee of the Company would take into account various aspects set out in the policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, industry and regional experience, and any other factors that the Board may consider relevant and applicable from time to time. In identifying and selecting suitable candidates for directorships, the Nomination Committee of the Company would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. Selection of candidates would be based on the Company's director nomination policy and would also take into account the Board Diversity Policy. The Nomination Committee of the Company would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee of the Company would also monitor the implementation of the Board Diversity Policy by conducting periodic review as appropriate and recommend revisions, if any, to the Board for consideration and approval.

The nomination procedures for the Directors can be accessed from the website of the Company.

Director Nomination Policy

The Group adopted a director nomination policy (the "Director Nomination Policy") on 19 December 2018. A summary of this policy is disclosed as below.

1. Introduction

    1.1 The Company has the Board Diversity Policy in place in compliance with the Listing Rules. This director nomination policy ("Procedures") aims at applying the principles of the Board Diversity Policy and other provisions under the Listing Rules to improve transparency around the process and criteria adopted by the Nomination Committee of the Company in selecting and recommending candidates as Directors of the Company.

1.2 These Procedures shall be reviewed by the Nomination Committee of the Company at least annually to ensure full compliance with the Listing Rules, the Company's Bye-laws ("Bye-laws") and applicable the laws of Bermuda.

2. Applicable Bye-laws

2.1 According to Bye-law 86.(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

2.2 The Board shall give due consideration to the recommendation of the Nomination Committee of the Company applying the following procedures when approving any appointment of Directors.

3. Procedures for nomination of a Director

Any Director may nominate a person for appointment, election or re-election as a Director by the Board or at the general meeting upon first obtaining the following information:

(a) a written consent given by the candidate ("Candidate") to be appointed, elected or re-elected (as the case may be) as a Director stating his consent for acting as a Director and the supply and disclosure of his information as required under the Listing Rules and other applicable laws and regulations;

(b) details of the character, qualifications, background, experience and other business interests of the Candidate for the purpose of Rules 3.09, 3.10 and 3.12 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(c) (for a Candidate who may be nominated as an Non-executive Director or Independent Non-executive Director) details assessing the Candidate's independence under Code Provisions A.3.3 (Best Recommended Practice) and A.4.3 of the CG Code, and Rule 3.13 of the Listing Rules, together with supporting documents evidencing the same (if applicable);

(d) details of the Candidate's information, together with supporting documents evidencing the same (if applicable), as required to be disclosed under Rule 13.51(2) of the Listing Rules;

(e) (for a Candidate who may be nominated as an Independent Non-executive Director at a general meeting) explanation from the Candidate for information required under Code Provision A5.5 of the CG Code;

(f) (for a Candidate who may be nominated to be appointed as a member of the Audit Committee of the Company) details assessing the Candidate's independence under Code Provision C.3.2 of the CG Code, together with supporting documents evidencing the same; and

(g) up-to-date contact details of the Candidate.

4. Criteria for nomination of a Director

4.1 Upon obtaining the information listed in paragraph 3 above, the Nomination Committee of the Company shall review whether the Candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and CG code provisions.

4.2 Upon fulfilment of the condition set out in paragraph 4.1, the Nomination Committee of the Company shall consider the following factors in assessing the suitability of the Candidate for directorship:

(a) reputation for integrity;

(b) accomplishment and experience in the property development sector;

(c) commitment in respect of available time and relevant interest;

(d) whether (and how) the Candidate can contribute his/her perspectives, skills and experience to the Board;

(e) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee of the Company for achieving diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

(f) such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee of the Company has the discretion to nominate any person, as it considers appropriate.

4.3 Upon the Candidate's fulfilment of the above criteria, the Nomination Committee of the Company shall convene a meeting to discuss and consider the recommendation of the Candidate to the Board for appointment as a Director.

Appointment, Re-election and Removal of Directors

Pursuant to the letters of appointment, all Independent Non-executive Directors are appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

The procedures and processes of appointment, re-election and removal of the Directors are laid down in the Bye-laws of the Company. Recommendations for appointments and re-appointments of the Directors and appointments of the members of various Board committees are made by the Nomination Committee of the Company to the Board for consideration and appointment. Any Director appointed by the Board shall hold office only until, and shall retire on, the next following annual general meeting of the Company. The Bye-laws of the Company provides that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. If the Directors obliged to retire who then wish to retire and not offer themselves for re-election account for less than one-third, those who have been longest in office since their last re-election or appointment shall retire to make up for the shortfall. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the shareholders at the annual general meeting of the Company.

Mr. Zhuo Fumin and Mr. Han Gensheng will be retiring by rotation pursuant to the bye-law 87 of Bye-laws of the Company at the forthcoming annual general meeting of the Company, and Mr. Lei Decha and Mr. Zong Shihua will be retiring pursuant to the bye-law 86(2) of Bye-laws of the Company at the forthcoming annual general meeting of the Company. The retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Company has established the Remuneration Committee of the Company. During the financial year ended 31 December 2019, the Remuneration Committee of the Company comprises three members as follows:

Independent Non-executive Directors
Mr. Ma Lishan – Chairman
Mr. Chan, Charles Sheung Wai – Member
Mr. Zhuo Fumin – Member

The major duties of the Remuneration Committee of the Company include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Company;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- to make recommendations to the Board on the remuneration of Non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee of the Company should consult the Chairman of the Company and/or the Chief Executive Officer of the Group about their remuneration proposals for other Executive Directors and have access to independent professional advice if necessary.

In 2019, the Remuneration Committee of the Company held three meetings. The Remuneration Committee of the Company had reviewed the Company's remuneration policies and the remuneration packages of the Directors, reviewed and recommended the remuneration of the Directors, and reviewed other significant matters. No Director should involve in deciding his own remuneration. The attendance record of each committee member is shown on page 62 in the section of Meetings of this report.

Details of the Directors' and senior management's remuneration are set out in note 11 and 43(b)(viii) to the consolidated financial statements. In addition, pursuant to the Code Provision B.1.5 of the CG Code, the annual remuneration of other members of the senior management (other than the Directors) by bands for the year ended 31 December 2019 is set out below:

	Number of employees
RMB0 to RMB1,000,000	0
RMB1,000,001 to RMB3,000,000	3

Investment Committee

The Company has established the Investment Committee of the Company. During the financial year ended 31 December 2019, the Investment Committee of the Company comprises four members as follows:

Independent Non-executive Directors
Mr. Ma Lishan – Member

Executive Directors
Mr. Peng Xinkuang – Chairman *(suspension of duties on 28 February 2020, Mr. Lei Dechao has been appointed as the Chairman of the Investment Committee on the same date.)*
Mr. Liu Feng – Member *(resigned on 18 July 2019)*
Mr. Zhu Qiang – Member
Ms. Jiang Chuming - Member *(appointed on 18 July 2019)*

The major duties of the Investment Committee of the Company include:

- to review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;
- to review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy;
- to review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress toward achieving investment objectives; and
- to review the shares purchase, redemption or other share acquisition activities be conducted by the Company.

In 2019, the Investment Committee of the Company held one meeting. The Investment Committee of the Company had reviewed the change of members of the Investment Committee of the Company. The attendance record of each committee member is shown on page 62 in the section of Meetings of this report.

Directors' Training and Commitment

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

The Directors have confirmed that they have complied with the Code Provision A.6.5 of the CG Code on directors' training. During the financial year ended 31 December 2019, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

Corporate Governance Report

Name of Directors	Topics: Legal, Regulatory and Corporate Governance	Topics: Group's Business and Industry Updates	Topics: Directors' Roles, Functions and Duties
Executive Directors			
Peng Xinkang	✓	✓	✓
Liu Feng *(resigned on 18 July 2019)*	✓	✓	✓
Chen Donghui	✓	✓	✓
Chen Chao *(retired on 3 June 2019)*	✓	✓	✓
Zhu Qiang	✓	✓	✓
Qin Wenying	✓	✓	✓
Jiang Qi	✓	✓	✓
Jiang Chuming *(appointed on 18 July 2019)*	✓	✓	✓
Zong Shihua *(appointed on 10 September 2019)*	✓	✓	✓
Independent Non-executive Directors			
Zhuo Fumin	✓	✓	✓
Chan, Charles Sheung Wai	✓	✓	✓
Ma Lishan	✓	✓	✓
Han Gensheng	✓	✓	✓

Confirmation has been received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, the Directors have been disclosing to the Company their interests as the director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

Directors' and Officers' Liabilities

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the financial year ended 31 December 2019, no legal action was made against any of the Directors and officers in relation to duties performed for the Company.

Company Secretary

The company secretary of the Company is an employee of the Company, and is responsible for facilitating the procedures of the Board and advising the Board on corporate governance matters. During the year under review, the company secretary of the Company has taken not less than 15 hours of relevant professional training.

Directors' Responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group's consolidated financial statements based on their audit, for particulars please refer to the "Independent Auditor's Report" section of this report. The Board should ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority designed to help the business to achieve its objectives, to safeguard assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year ended 31 December 2019, the Board examined the effectiveness of the risk management and internal control system of the Group through the Audit Committee of the Company on an annual basis, including financial, operational compliance and risk management aspects, and considered that the risk management and internal control system is effective and adequate and the Group has complied with the code provisions on risk management and internal control of the CG Code.

Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, Certified Public Accountants charged RMB4.90 million for annual audit services and RMB832 thousand for non-audit services.

Investor Relations

The Company uses a number of formal communications channels to account to its shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting of the Company providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the website of the Company; (iv) the Company's website offering a communication platform between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders of the Company regarding all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to shareholders of the Company in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circular, notices, announcements and other corporate communications.

Investors may write to the Company at the principal place of business or via email to general@sregroup.com.hk for any enquiries.

During the year ended 31 December 2019, there is no change in the constitutional documents of the Company. The Memorandum of Association and Bye-laws of the Company are available on the website of the Company.

Shareholders' Right to convene and put forward Proposals at Special General Meetings

Pursuant to the Bye-laws of the Company, members 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board and the Secretary of the Company at the principal place of business at the address which set out in Corporate Information of this annual report, to require a special general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

Dividend Policy

The Board has approved and adopted a dividend policy on 19 December 2018 (the "Dividend Policy").

The aim of this Dividend Policy is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the future growth and development of the Group.

In considering any dividend payout, the Board shall consider the following:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Bermuda and the Company's Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

The Board's Response to the Opinion of the Independent Auditor

In the Independent Auditor's Report of the Company's annual report for the year ended 31 December 2019, the independent auditor issued an opinion on the issues as set out in the paragraph headed "Material Uncertainty Related to Going Concern" in the Independent Auditor's Report. The Board's considerations and responses to the aforesaid issues are as follows:

1. The operation of the Group is the most important consideration for the lender to exercise its right to demand repayment

The Board considers that the Group has been relatively independent from its ultimate holding company China Minsheng Investment Corp., Ltd. (China Minsheng) without significant transactions. In response to the measures imposed on Mr. Peng Xinkuang by the Public Security Bureau（公安部門）, on 19 January 2020, the Board has appointed Mr. Zhu Qiang, an executive director, as an acting chief executive officer of the Company to perform the duties as the chief executive officer of the Company. On 28 February 2020, the Board has resolved to suspend all administrative and executive duties and powers of Mr. Peng Xinkuang and Mr. Chen Donghui in the Company as executive Directors until further notice, and also to appoint Mr. Lei Dechao as an executive Director and the chairman of the Board. Whether the lender demands the repayment of the Group in accordance with the standard terms is mainly based on the judgment of the Group's operation, and the Group has been proactively communicating with the relevant lenders. As of the date of announcement, the Group has made normal repayment and renewal of various loans and the overall operating conditions remained stable. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2. The Group has the ability to repay loans due

As at 31 December 2019, without taking into consideration of the borrowings re-classified as immediately repayable, the actual amount of the Group's current portion of long-term borrowings was RMB208 million. Among which, as of the date of announcement, RMB62 million has been repaid, RMB126 million is originally scheduled to be repaid within the rest of 2020, and the scheduled contractual repayment date of the remaining RMB20 million had been extended to 2021. The deterioration of financial conditions of China Minsheng since 2018, and the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China subsequent to 31 December 2019, constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The Group has also been proactively communicating with the lenders of the certain loans and the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the immediate repayment of the certain loans or the loan of the joint venture, nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The Board is confident to convince the lenders not to exercise such rights to request the joint venture or the Group for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

The Board believes that the Group's operations, including its pre-sale and receivables collection, remain normal. The interest payments and the repayments of relevant loans have been made in accordance with original repayment schedules. No demand for immediate repayment or guarantee obligation has been made by the relevant lenders. The Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable.

The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. The Group also continued speeding up its divestments of its equity holding in certain joint venture and associated companies, and the preparation and negotiations with certain counterparties in divestment of equity holding in certain joint venture progressed well. The Board believes that the Group has sufficient financial resources to support the normal repayments of the relevant loans.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF SRE GROUP LIMITED
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 200, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2019 the Group's current liabilities included RMB697.9 million of borrowings, out of which RMB200 million were defaulted and became immediately repayable on demand triggered by deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018. Subsequent to 31 December 2019, the detention and arrest of two executive directors of the Company by the authorities in the People's Republic of China constituted the occurrence of certain triggering events under the loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The above events resulted in a total of RMB1,183 million of the Group's borrowings become immediately repayable on demand as at the date of this report, while the relevant lenders have the rights to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,414 million of the joint venture. Such conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Fair value of investment properties
- Recoverability of receivables
- Impairment of investments in joint ventures and associates

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Key Audit Matters (Continued)

Key Audit Matter 1

Fair Value of Investment Properties

Refer to Note 3 (Critical accounting judgements and estimates) and Note 19 (Investment properties) to the consolidated financial statements.

The Group's investment properties were measured at fair value and carried at approximately RMB4,270 million as at 31 December 2019 with a net fair value loss of approximately RMB33 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group.

We focused on this area due to the valuation results of the investment properties are significant to the consolidated financial statements and the valuation of the investment properties was highly dependent on a range of assumptions, such as future rental rates, revisionary rates, estimated vacancy rates, yield rates and refurbishment rates.

How our audit addressed the Key Audit Matter

We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group.

We obtained and read the valuation reports issued by the Valuer for each of the investment properties, and assessed the appropriateness of valuation methods applied by the Valuer.

For all the valuation reports, we matched the data including rental income, rentable areas and lease terms, to the underlying property records held by the Group. We checked the data used in the valuations to the rent rolls and the rent rates as stated in the relevant lease contracts, if applicable, as well as the location, the size and the age of the properties with property certificates.

We paid site visit to each of the investment properties and observed physical conditions of the properties. We also discussed with management to understand the basis of their consideration applied in the property valuations in light of physical conditions of the properties.

We corroborated the key assumptions used in the valuations of all the investment properties, including future rental rates, revisionary rates, estimated vacancy rates, yield rates and refurbishment rates by gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties.

We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations.

We also tested the mathematical accuracy used in the valuations for all the investment properties by recalculating the valuation values.

Based on the above procedures performed, we found the data used and the key assumptions adopted in management's valuation assessments, were supportable by the evidence we gathered.

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Key Audit Matters (Continued)

Key Audit Matter 2

Recoverability of Receivables	How our audit addressed the Key Audit Matter
Refer to Note 3 (Critical accounting judgements and estimates), Note 26 (Other receivables), Note 27 (Trade receivables) and Note 29 (Other financial assets at amortised cost) to the consolidated financial statements. As at 31 December 2019, the Group had a balance of other receivables of approximately RMB2,839 million (before provision), a balance of trade receivables of approximately RMB34 million (before provision) and a balance of other financial assets at amortised cost of approximately RMB1,920 million (before provision), with a provision for impairment of approximately RMB735 million, approximately RMB23 million and approximately RMB750 million, respectively (together, the "receivables"). The impairments were provided for those receivables which are subject to high collectability risk due to financial difficulty of the debtors, default in payments, relevant legal disputes and other indicators for a decrease in the estimated future cash flows. The Group estimated impairment losses at year end based on the available information, including the financial position of the debtors, litigation progress, value of pledged assets, and credit risk of counterparties etc. We focused on this area because the amount of impairment is significant to the consolidated financial statements and the significant judgements and estimates involved in assessing recoverability of the receivables.	We assessed and tested the design and operating effectiveness of key management controls over impairment assessment. For receivables with material balance, we obtained and read the agreements and the supplemental agreements, if applicable. For receivables with disputes, we checked the litigation progress, latest court decisions, and legal counsel's opinion whereas necessary. We also checked the settlement history of the receivables as well as subsequent settlement after year end date on sample basis. We further evaluated management's assessment on impairment provisions on receivables with material balance by: • interviewing and collaborating with the Group's risk management department responsible for the collection of the receivables in disputes or for monitoring the status of the receivables to assess the rationale of making the accounting estimates; • assessing the financial position of the debtors, where information is available; and • assessing other alternative and available sources of settlement, including the value of the pledged assets or the financial status of the financial guarantors. Based on our audit procedures performed, we found the management's assessment on impairment provision of receivables was supportable by evidence obtained.

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Key Audit Matters (Continued)

Key Audit Matter 3

Impairment of investments in joint ventures and associates	How our audit addressed the Key Audit Matter
Refer to Note 3 (Critical accounting judgements and estimates), Note 22 (Investments in associates) and Note 23 (Investments in joint ventures) to the consolidated financial statements. As at 31 December 2019, the Group had a balance of investments in associates of approximately RMB1,197 million (before provision) and a balance of investments in joint ventures of approximately RMB3,757 million (before provision), with a provision for impairment of approximately RMB4 million and approximately RMB580 million, respectively. The impairment was provided for those investments whose underlying assets were subject to decrease in value or the Group's ability to exert influence on which was weakened. The Group assessed the impairment losses at year end for those investments with significant balances based on the valuations performed by the Valuer and other available market information. We focused on this area because the amount of impairment is significant to the consolidated financial statements and the significant judgements and estimates involved in assessing impairment of investments in joint ventures and associates.	We obtained and reviewed the financial statements of major associates and joint ventures as of 31 December 2019, evaluated their operation and financial status and assessed if there were indicators of impairment by comparing the carrying value of the interests held by the Group in those associates and joint ventures. For those investments with significant balances, we obtained and read the valuation report used in calculation of impairment. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We assessed the appropriateness of valuation methods applied by the Valuer. For all the valuation reports obtained, we matched the data including cost incurred, project budget, completion progress, saleable area and unit price, used in valuation of the property assets in these associate and joint ventures, etc. We checked the data used in the valuations to the conditions of the properties and the reasonableness of the market price as well as the location and the size of the properties with property certificates. We corroborated the key assumptions used in the valuations of all the properties, including future investments and sales price or rental rate by gathering and analysing the data of comparable properties in the market and the characteristics of the Group's properties. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investments in associates and joint ventures, on a sample basis, to our independently formed market expectations. We also tested the mathematical accuracy used in the valuations for those investments in associates and joint ventures by recalculating the valuation values. Based on our audit procedures performed, we found the management's assessment on impairment provision of investments in joint ventures and associates was supportable by evidence obtained.

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Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee 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 Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 May 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2019	2018
Revenue	5	**651,335**	1,551,309
Cost of sales	7	**(464,490)**	(1,077,340)
Gross profit		**186,845**	473,969
Gains from disposal of subsidiaries and interests in a joint venture – net	23, 41	**157,336**	242,900
Net impairment losses on financial assets	7	**(1,066,013)**	(11,476)
Other (losses)/gains – net	6	**(1,099,169)**	176,113
Selling and marketing expenses	7	**(35,270)**	(45,085)
Administrative expenses	7	**(215,557)**	(241,587)
Operating (loss)/profit		**(2,071,828)**	594,834
Finance income	9	**130,127**	70,350
Finance costs	10	**(395,678)**	(547,406)
Finance costs – net		**(265,551)**	(477,056)
Share of results of associates		**106,722**	72,033
Share of results of joint ventures		**(5,233)**	17,672
(Loss)/profit before income tax		**(2,235,890)**	207,483
Income tax expense	12	**(45,252)**	(108,637)
(Loss)/profit for the year		**(2,281,142)**	98,846
Other comprehensive (losses)/income, net of tax			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(8,403)**	(4,248)
Item recycled to profit or loss:			
Exchange differences previously recognised through other comprehensive income recycled to profit or loss and included in gains from disposal of subsidiaries		**1,917**	–
Fair value gains previously recognised through other comprehensive income recycled to profit or loss and included in other gains upon disposal of financial assets at fair value through other comprehensive income		**–**	(1,523)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,287,628)**	93,075

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	**2019**	2018
(Loss)/profit attributable to:			
Owners of the Company		**(2,256,630)**	113,530
Non-controlling interests		**(24,512)**	(14,684)
		(2,281,142)	98,846
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(2,260,404)**	107,759
Non-controlling interests		**(27,224)**	(14,684)
		(2,287,628)	93,075
(Losses)/earnings per share attributable to owners of the Company	14		
– Basic		**RMB (0.11)**	RMB0.01
– Diluted		**RMB (0.11)**	RMB0.01

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	17	**185,628**	706,767
Investment properties	19	**4,270,400**	5,408,444
Prepaid land lease payments	20	**–**	197,500
Right-of-use assets	18	**230,705**	–
Goodwill	21	**16,271**	16,271
Investments in associates	22	**1,192,517**	1,105,416
Investments in joint ventures	23	**3,177,540**	3,825,696
Deferred tax assets	34	**243,869**	242,837
Financial assets at fair value through other comprehensive income	16	**150,657**	150,657
Other financial assets at amortised cost	29	**–**	574,426
Other non-current assets	30	**173,634**	171,474
		9,641,221	12,399,488
Current assets			
Prepaid land lease payments	20	**931,711**	1,808,404
Properties held or under development for sale	24	**996,677**	1,542,450
Inventories		**876**	848
Trade receivables	27	**11,573**	16,984
Other receivables	26	**2,103,803**	2,365,212
Prepayments and other current assets	25	**35,298**	341,216
Prepaid income tax	12	**68,302**	103,400
Other financial assets at amortised cost	29	**1,169,623**	1,611,011
Cash and cash equivalents	28	**518,956**	698,610
Restricted cash	28	**2,632**	2,623
		5,839,451	8,490,758
Total assets		**15,480,672**	20,890,246

Consolidated Statement of Financial Position

As at 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	31 December 2019	2018
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium	31	**6,747,788**	6,747,788
Other reserves	32	**236,121**	235,929
(Accumulated losses)/retained profits		**(1,803,347)**	461,772
Equity attributable to owners of the Company		**5,180,562**	7,445,489
Non-controlling interests		**304,948**	372,762
Total equity		**5,485,510**	7,818,251
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	33	**3,938,973**	2,737,118
Lease liabilities	18	**35,025**	-
Deferred tax liabilities	34	**1,436,028**	1,498,997
		5,410,026	4,236,115
Current liabilities			
Interest-bearing bank and other borrowings	33	**697,855**	4,905,884
Lease liabilities	18	**7,538**	-
Contract liabilities	35	**295,791**	420,959
Trade payables	36	**453,755**	609,853
Other payables and accruals	37	**2,237,226**	2,041,820
Current income tax liabilities		**892,971**	857,364
		4,585,136	8,835,880
Total liabilities		**9,995,162**	13,071,995
Total equity and liabilities		**15,480,672**	20,890,246

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the consolidated financial statements.

The consolidated financial statements on pages 82 to 200 were approved by the Board of Directors on 14 May 2020 and were signed by the following Directors on its behalf:

Lei Dechao
Chairman

Zhu Qiang
Acting Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 31)	Other reserves (Note 32)	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
At 1 January 2019	6,747,788	235,929	461,772	7,445,489	372,762	7,818,251
Comprehensive loss						
Loss for the year	–	–	(2,256,630)	(2,256,630)	(24,512)	(2,281,142)
Other comprehensive losses	–	(3,774)	–	(3,774)	(2,712)	(6,486)
Total comprehensive loss for the year	–	(3,774)	(2,256,630)	(2,260,404)	(27,224)	(2,287,628)
Transactions with owners						
Appropriation from retained earnings	–	7,838	(7,838)	–	–	–
Disposal of subsidiaries (Note 41)	–	–	–	–	(40,590)	(40,590)
Dividends to non-controlling shareholders	–	–	(651)	(651)	–	(651)
Share-based payments (Note 15)	–	(3,872)	–	(3,872)	–	(3,872)
Total transactions with owners	–	3,966	(8,489)	(4,523)	(40,590)	(45,113)
At 31 December 2019	6,747,788	236,121	(1,803,347)	5,180,562	304,948	5,485,510

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Attributable to owners of the Company					
	Issued share capital and share premium (Note 31)	Other reserves (Note 32)	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
At 1 January 2018	6,747,788	240,440	391,979	7,380,207	433,761	7,813,968
Changes in accounting policies	–	–	(33,964)	(33,964)	–	(33,964)
Restated total equity at 1 January 2018	6,747,788	240,440	358,015	7,346,243	433,761	7,780,004
Comprehensive income						
Profit for the year	–	–	113,530	113,530	(14,684)	98,846
Other comprehensive losses	–	(5,771)	–	(5,771)	2,153	(3,618)
Total comprehensive income for the year	–	(5,771)	113,530	107,759	(12,531)	95,228
Transactions with owners						
Appropriation from retained earnings	–	9,773	(9,773)	–	–	–
Disposal of subsidiaries (Note 41)	–	–	–	–	6,495	6,495
Share-based payments (Note 15)	–	(18,019)	–	(18,019)	–	(18,019)
Change in ownership interests in a subsidiary without change of control	–	9,506	–	9,506	(54,963)	(45,457)
Total transactions with owners	–	1,260	(9,773)	(8,513)	(48,468)	(56,981)
At 31 December 2018	6,747,788	235,929	461,772	7,445,489	372,762	7,818,251

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from operations	38	**109,203**	41,512
Interest paid		**(269,833)**	(692,987)
Income tax paid		**(37,541)**	(119,276)
Income tax refunds received		**10,579**	-
Net cash outflow from operating activities		**(187,592)**	(770,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,727)**	(2,506)
Proceeds from disposal of property, plant and equipment		**363**	157
Proceeds from disposal of investment properties		**14,353**	–
Proceeds from disposal of subsidiaries, net of cash disposed	41	**866,267**	(64,095)
Payments for costs incurred on investment properties		**(12,773)**	(185)
Proceeds from disposal of financial assets at fair value through other comprehensive income and at fair value through profit or loss		**128,436**	288,155
Investments in joint ventures		**(8,965)**	(200,162)
Reduction of capital from joint ventures and an associate		**55,008**	488,118
Advance to joint ventures and associates		**(243,774)**	(199,588)
Proceeds from disposal of partial shareholder loan to a joint venture		**24,800**	–
Return of advances made to joint ventures		**691,926**	23,135
Collection of amounts due from subsidiaries associated with disposal of these subsidiaries	41	**256,841**	–
Dividends received from a joint venture and associates		**19,448**	69,030
Proceeds from other investment activities		**40,679**	–
Deposit for guarantee of a bank borrowing of a joint venture		**–**	(171,684)
Return of payments for other investing activities		**202,216**	458,584
Net cash inflow from investing activities		**2,032,098**	688,959

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase)/decrease in restricted cash		**(9)**	216,004
Collection/(payment) of deposit for guarantee of a borrowing		**12,290**	(12,290)
Principal elements of lease payments		**(3,382)**	–
Proceeds from short-term borrowings		**–**	791,580
Repayments of short-term borrowings		**(791,580)**	(918,000)
Proceeds from long-term borrowings		**818,721**	1,187,144
Repayments of long-term borrowings		**(2,257,838)**	(2,107,000)
Proceeds from a related party		**200,000**	–
Dividends paid to non-controlling interests of subsidiaries		**(651)**	(6,581)
Advance from non-controlling interests		**–**	428,322
Net cash outflow from financing activities		**(2,022,449)**	(420,821)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(177,943)**	(502,613)
Cash and cash equivalents at beginning of year		**698,610**	1,207,119
Effect of foreign exchange rate changes, net		**(1,711)**	(5,896)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**518,956**	698,610

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the consolidated financial statements.

1. CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company began to list on the Stock Exchange on 10 December 1999. The principal place of business of the Company in Hong Kong was changed from Suite 1001, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong to Level 11, Admiralty Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on 15 August 2019.

Currently, the Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development and investment in Mainland China, on projects located in gateway cities of developed and developing markets.

As at 31 December 2019, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 61.41% (2018: 61.01%) of the Company's shares.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

Going concern basis

As at 31 December 2019, the Group's current liabilities included RMB697.9 million of borrowings, out of which RMB200 million were defaulted and became immediately repayable on demand triggered by deterioration of the financial conditions of China Minsheng Investment Corporation Ltd., the ultimate holding company of the Group since 2018. Subsequent to 31 December 2019, as publicly announced by the Company on 24 February 2020, the arrest of Mr. Peng Xinkuang, an executive director and the former chief executive officer and chairman of the board of directors of the Company, and the detention of Mr. Chen Donghui, an executive director of the Company, by the relevant authorities in the PRC constituted the occurrence of certain triggering events after 31 December 2019 under the relevant loan agreements resulting in defaults of the Group's certain loans and a joint venture's loan guaranteed by the Group. The above events resulted in a total of RMB1,183 million of the Group's borrowings becoming immediately repayable on demand as at the date of approval of these consolidated financial statements, of which RMB918.2 million were included in non-current borrowings and RMB264.8 million were included in current borrowings as at 31 December 2019, and also the relevant lenders have the rights to demand the Group to fulfill its guarantee obligation to repay the loan of RMB3,414 million of the joint venture. As at 31 December 2019, however, the Group's cash and cash equivalents amounted to RMB519 million only.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstance, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as going concern. The Group has formulated following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

1) Although no demand for immediate repayment has been made by the relevant lenders, the Group has been proactively communicating with the relevant lenders to explain that the Group's business, operations, financial condition and cash position remain normal and stable, and the Group has sufficient financial resources to support the repayments of the relevant loans under original repayment schedules. The directors are confident to convince the relevant lenders not to exercise their rights to request the Group for immediate repayment of the loans prior to their scheduled contractual repayment dates.

2) The Group has also been proactively communicating with the lenders of the loan of the joint venture guaranteed by the Group, and the lenders have neither demanded the joint venture for immediate repayment of the loan nor requested the Group to immediately fulfill its guarantee obligation to repay the loan on behalf of the joint venture. The directors are confident to convince the lenders not to exercise such rights to request the joint venture for immediate repayment of the loan prior to its scheduled contractual repayment dates or request the Group to fulfill the guarantee obligation.

3) The Group is actively negotiating with several financial institutions for grant of new loans, offering a sufficient pledge of assets and at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group. Considering the Group's ability in providing sufficient pledges of properties and other assets and the Group's good credit history, the directors are confident that the Group will be able to secure new loans at a reasonable cost, when necessary.

4) The Group will continue to speed up its divestments of its equity holdings in certain joint ventures and associated companies. Subsequent to 31 December 2019, the negotiations with certain counterparties for these divestments are in progress as planned. Considering the Group's investments in joint ventures and associated companies have property projects as underlying assets, the directors are confident that the Group will be able to successfully and timely complete the above-mentioned divestments at reasonable sales considerations to generate cash inflows for the Group.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least 12 months from 31 December 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

(i) successful maintenance of a continuing and normal business relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to exercise their contractual rights to demand immediate repayment of the relevant borrowings;

(ii) successful maintenance of a continuing and normal business relationship with the lenders of the joint venture of the Group such that no action will be taken by the lenders to exercise their contractual rights to demand immediate repayment of the joint venture's loan and request the Group to fulfill its guarantee obligation;

(iii) successful in obtaining additional sources of financing as and when needed;

(iv) successful and timely divestments of the Group's equity holdings in certain joint ventures and associated companies at reasonable sales considerations and timely collection of the related considerations.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and prepaid land lease payments for property development for sale and prepaid taxes) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 New Standard, amendments and interpretation of HKFRSs adopted by the Group in 2019

The following new standard, amendments and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2019 and are relevant to the Group's operations:

HKFRS 16 "Leases" removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

HK(IFRIC)23 "Uncertainty over Income Tax Treatments" clarify how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Amendments to HKFRS 9 regarding prepayment features with negative compensation enable entities to measure certain prepayable financial assets with negative compensation at amortised cost.

Amendments to HKAS 28 regarding long-term interests in associates and joint ventures clarify the accounting for long-term interests in an associate or a joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied.

Amendments to HKAS 19 regarding plan amendment, curtailment or settlement clarify the accounting for defined benefit plan amendments, curtailments and settlements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 New Standard, amendments and interpretation of HKFRSs adopted by the Group in 2019 (continued)

Amendments to Annual Improvements to HKFRSs 2015-2017 Cycle include changes from the 2015-2017 cycle of the annual improvements project that affect 4 standards: HKFRS 3 "Business Combinations", HKFRS 11 "Joint Arrangements", HKAS 12 "Income Taxes" and HKAS 23 "Borrowing Costs".

The adoption of the above new standard, amendments and interpretation of HKFRSs does not have a material impact on the financial position and performance of the Group for the year ended 31 December 2019, nor results in restatement of comprehensive figures. The impact of adoption of HKFRS 16 "Leases" is set out as below.

2.2.2 Impact on the financial statements

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.20%.

This resulted in recognition of additional lease liabilities of approximately RMB26 million on 1 January 2019 for future office lease payments based on weighted average leasee's incremental borrowing rate. Such lease liabilities and the related right-of-use assets recognised on 1 January 2019 were subsequently derecognised due to termination of lease by the Group in June 2019.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights associated with property, plant and equipment, for which there were no outstanding liabilities as at 31 December 2018 since all the lease payments were prepaid, were reclassified to right-of-use assets on 1 January 2019.

There was no impact on retained earnings on 1 January 2019.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.2 Impact on the financial statements (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	27,984
Discounted using the lessee's incremental borrowing rate at the date of initial application, representing additional lease liabilities recognised as at 1 January 2019	25,564
Of which are:	
Current lease liabilities	13,072
Non-current lease liabilities	12,492
	25,564

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATION

Certain new standards, amendments and interpretation of HKFRSs have been published but are not yet effective for the annual period beginning on 1 January 2019. Those that are relevant to the Group's operations are as follows:

Amendments to HKAS 1 and HKAS 8	*The amendments include changes in HKAS 1 "Presentation of Financial Statement" and HKAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2020)*
Amendments to HKFRS 3	*Definition of Business (effective for annual periods beginning on or after 1 January 2020)*
Revised Conceptual Framework for Financial Reporting	*Used in standard-setting decision with immediate effect (effective for annual periods beginning on or after 1 January 2020)*

The Group has not early adopted any new financial reporting and accounting standards, amendments or interpretations of HKFRSs that were issued but are not yet effective for the year ended 31 December 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATION (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 17 will replace HKFRS 4 'Insurance Contracts' and requires a current measurement model where estimates are re-measured in each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The amended HKAS 1 and HKAS 8 which use a consistent definition of materiality throughout Hong Kong Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

The amended HKFRS 3 definites a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

Revised Conceptual Framework for Financial Reporting ("the Framework") which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally between 20% and 50% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of the investee.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired assets.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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 parent of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40
Other buildings	20 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fittings, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

All land in the PRC is state-owned or collectively-owned and no individual land ownership right exists. Subsidiaries of the Group acquired the rights to use the land through paying a lump sum land premium upfront. Before 1 January 2019, land held under operating leases were classified and accounted for by the Group as investment properties when the rest of definition of an investment property is met. In such cases, the operating leases were accounted for as if they were finance leases. After 1 January 2019, all leases that meet the definition of investment property are classified as investment property.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss and other comprehensive income as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and other borrowings. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Other financial liabilities measured at amortised cost-loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 is recognised in the statement of profit or loss and other comprehensive income as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures, capitalised borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

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

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

Income tax

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised on the following bases:

Sale of development properties

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

A contract liability is recognised for advances received from sales of development properties until control over the relevant properties passed to the customer.

Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

Property leasing under operating leases

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

Construction of infrastructure for intelligent network

Revenue from the construction of infrastructure for intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the time in which construction is conducted, respectively, as revenues and expenses. The Group uses the percentage of completion method (out-put method) to determine the appropriate amount of revenue and costs to be recognised over time. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and it is probable that such costs incurred will be recovered.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

Employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2018: 14% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of profit or loss and other comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use assets.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

For a distribution of non-cash assets to shareholders, the Group measures the liability to distribute non-cash assets as a dividend to its shareholders at the net carrying amount of the assets to be distributed when the non-cash asset is ultimately controlled by the same parties both before and after the distribution.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its major subsidiaries' functional currency is RMB, as the major revenues are derived from operations in Mainland China. Since the year ended 31 December 2016, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

(c) Group companies

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

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless such average rates are not the reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rates ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

(c) Group companies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Contingencies

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group.

The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Note 2.4.

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2019 and 31 December 2018 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of change in fair values of investment properties and further details including the key assumptions used for fair value measurement and a sensitivity analysis in 2019, please see Note 19.

Estimation of fair value of financial assets at FVOCI

The fair value of financial assets at FVOCI that are not traded in an active market is determined by using valuation techniques or net asset value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was approximately RMB16 million (2018: approximately RMB16 million). For details of goodwill, please see Note 21.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment test exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of these provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective group entity.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities and income tax, please see Note 34 and Note 12.

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Board has determined the operating segments based on the Group's products and services. The performance of each segment is evaluated based on its operating profit or loss before income tax and the methodology used for its calculation is same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The reportable operating segments are as follows:

- The property development segment develops and sells residential and commercial properties;

- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

The other operations comprises, principally, the corporate activities that are not allocated to segments and miscellaneous insignificant operations including provision of property management services.

The segment information for 2019 has incorporated the impact of HKFRS 16 "Leases" which became effective on 1 January 2019 but as permitted by the new leasing standard, the comparative segment information for 2018 has not been restated.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows:

	2019			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	443,270	113,909	94,156	651,335
Intersegment sales	–	–	53,716	53,716
	443,270	113,909	147,872	705,051
Reconciliation:				
Elimination of intersegment sales				(53,716)
Revenue				651,335
Segment (loss)/profit	(57,499)	4,417	(2,018,746)	(2,071,828)
Finance income				130,127
Finance costs				(395,678)
Finance costs – net				(265,551)
Share of results of associates				106,722
Share of results of joint ventures				(5,233)
Loss before income tax				(2,235,890)
Segment assets and liabilities				
Segment assets	3,307,828	3,265,876	4,536,911	11,110,615
Investments in associates				1,192,517
Investments in joint ventures				3,177,540
Total assets				15,480,672
Segment liabilities	4,471,166	1,199,605	4,324,391	9,995,162
Total liabilities	4,471,166	1,199,605	4,324,391	9,995,162

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2019			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	591	301	31,572	32,464
Capital expenditure*	10	12,920	44,535	57,465
Net fair value loss on investment properties	–	32,719	–	32,719
Reversal of impairment of properties held or under development for sale	(6,887)	–	–	(6,887)
Reversal of impairment of prepaid land lease payments	(61,894)	–	–	(61,894)
Reversal of impairment of trade receivables	(74)	–	–	(74)
Provision for/(reversal of) impairment of financial assets at amortised cost	594,749	–	(5,476)	589,273
Provision for impairment of other receivables	79,708	–	397,103	476,811
Provision for investments in property, plant and equipment	753	36,579	466,689	504,021
Provision for impairment of other non-current assets	–	–	3	3
Provision for impairment of investments in joint ventures				549,878
Provision for impairment of investments in associates				4,172

* Capital expenditure consists of additions of property, plant and equipment (RMB2,727 thousand), additions in cost of investment properties (RMB12,773 thousand) and additions of right-of-use assets (RMB41,965 thousand).

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4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2018			
	Property development	Property leasing	Other operations	Total
Segment revenue				
Sales to external customers	1,269,753	160,171	121,385	1,551,309
Intersegment sales	–	–	49,972	49,972
	1,269,753	160,171	171,357	1,601,281
Reconciliation:				
Elimination of intersegment sales				(49,972)
Revenue				1,551,309
Segment profit	366,603	143,154	85,077	594,834
Finance income				70,350
Finance costs				(547,406)
Finance costs – net				(477,056)
Share of results of associates				72,033
Share of results of joint ventures				17,672
Profit before income tax				207,483
Segment assets and liabilities				
Segment assets	5,361,440	4,856,819	5,740,875	15,959,134
Investments in associates				1,105,416
Investments in joint ventures				3,825,696
Total assets				20,890,246
Segment liabilities	5,199,620	2,149,162	5,723,213	13,071,995
Total liabilities	5,199,620	2,149,162	5,723,213	13,071,995

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4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2018			
	Property development	Property leasing	Other operations	Total
Other segment information:				
Depreciation and amortisation	1,316	305	28,893	30,514
Capital expenditure*	827	214	1,649	2,690
Net fair value gain on investment properties	–	(45,956)	–	(45,956)
Reversal of impairment of properties held or under development for sale	(69,813)	–	–	(69,813)
Reversal of impairment of prepaid land lease payments	(158,748)	–	–	(158,748)
Provision for impairment of trade receivables	172	–	–	172
Provision for impairment of other financial assets at amortised cost	–	–	4,365	4,365
Provision for impairment of other receivables	–	–	6,729	6,729
Provision for impairment of other non-current assets	–	–	210	210

* Capital expenditure consists of additions of property, plant and equipment (RMB2,505 thousand) and additions in cost of investment properties (RMB185 thousand).

Geographical information

(a) For the year ended 31 December 2019: 96.3% (2018: 95.7%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2019, more than 87% (2018: more than 83%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

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5. REVENUE

An analysis of revenue is as follows:

	2019	2018
Revenue from sale of properties	**451,378**	1,280,765
Revenue from property leasing	**114,312**	161,785
Revenue from property management	**22,885**	18,311
Revenue from construction of infrastructure for an intelligent network	**1,837**	4,985
Other revenue	**70,714**	99,611
	661,126	1,565,457
Less: Tax and surcharges (a)	**(9,791)**	(14,148)
Total revenue	**651,335**	1,551,309

(a) Tax and surcharges

Tax and surcharges included government surcharges, comprising city maintenance and construction tax, education surtax and river way management fee, which are calculated at certain percentages of value-added tax ("VAT").

Effective from 1 May 2016, the Group's revenue is subject to VAT which is deducted directly from the revenue proceeds. The applicable VAT rate for the Group's revenue is as follows:

- Pursuant to the 'Public Notice on Relevant Polices for Deepening VAT Reform' jointly issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on 29 March 2019, the applicable tax rates of revenue arising from sale and lease of properties and revenue arising from construction of infrastructure for intelligent network are 9% from 1 April 2019, while they were 10% from 1 May 2018 to 31 March 2019, and 11% before 1 May 2018. Sales and leasing of properties of qualified old projects, which are those with construction commenced on or before 30 April 2016, can adopt a simplified VAT method at a rate of 5% with no deduction of input VAT. Revenue from property management services is subject to VAT at 6%.

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6. OTHER (LOSSES)/GAINS – NET

An analysis of other (losses)/gains – net is as follows:

	2019	2018
Impairment of investment in joint ventures	**(549,878)**	–
Impairment of investment in property, plant and equipment (Note 17)	**(504,021)**	–
Net fair value (loss)/gain on investment properties (Note 19)	**(32,719)**	45,956
(Adjustment of) forfeiture of prepayments	**(16,248)**	60,000
Loss from disposal of an investment property	**(4,837)**	–
Impairment of investment in associates (Note 22)	**(4,172)**	–
Penalties on idle land	**(2,000)**	(47,000)
Gains from disposal of financial assets at FVOCI (Note 16)	**–**	94,385
Gains from disposal of financial assets at FVPL (Note 16)	**–**	8,228
Net gain on disposal of property, plant and equipment	**249**	61
Others	**14,457**	14,483
	(1,099,169)	176,113

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7. EXPENSES BY NATURE

An analysis of expenses by nature is as follows:

	2019	2018
Cost of inventories sold (excluding depreciation, reversal of impairment of properties held or under development for sale and prepaid land lease payments)	496,327	1,263,259
Depreciation of items of property, plant and equipment (Note 17)	19,488	26,097
Depreciation of right-of-use assets (Note 18)	12,891	–
Employee benefit expense (including directors' and chief executive officer's emoluments, excluding those capitalised in property under development) (Note 8)	130,927	105,454
Reversal of impairment of properties held or under development for sale (Note 24)	(6,887)	(69,813)
Reversal of impairment of prepaid land lease payments (Note 20)	(61,894)	(158,748)
Professional service fees	31,274	67,035
Agent and sale commission for sale of properties	18,153	27,800
Operating lease payments in respect of buildings	3,980	15,500
Auditor's remuneration (*)		
– Annual audit services	4,900	4,900
– Non-audit services	832	–
Advertising costs	8,464	5,540
Miscellaneous tax	15,790	20,196
Transportation fee	6,435	9,538
Office expenses	5,856	8,223
Water and electricity costs	4,284	6,668
Provision for impairment of other receivables	476,811	6,729
(Reversal of) provision for impairment of trade receivables (Note 27)	(74)	172
Provision for impairment of other financial assets at amortised cost (Note 29)	589,273	4,365
Provision for impairment of other non-current assets (Note 30)	3	210
Others	24,497	32,363
	1,781,330	1,375,488

* Auditor's remuneration for 2019 included non-audit service fees of RMB712 thousand in respect of services for circulars issued in 2019 and RMB120 thousand in respect for consulting services relating to environmental, social and governance report. In 2018, no non-audit service fee was incurred.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES

	2019	2018
Wages and salaries	116,576	103,438
Share-based payments (Note 15)	(3,872)	(18,019)
Pension costs – defined contribution plans	18,223	20,035
Total employee benefit expenses	130,927	105,454

(a) Pensions – defined contribution plans

All Chinese employees of the Group participate in defined contribution employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. The Group has no other substantial commitments to employees.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2018: three directors), details of whose remuneration are set out in Note 11. Details of the remuneration for the year of the remaining three (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
Salaries, housing allowances, share option scheme, other allowances and benefits in kind	3,498	1,865
Compensation for loss of office	–	1,108
	3,498	2,973

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the remaining three (2018: two) highest paid employees who are neither a director nor chief executive of the Company during the years ended 31 December 2019 and 2018.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2019	2018
RMB1,000,001 – RMB2,000,000	3	2

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9. FINANCE INCOME

An analysis of finance income is as follows:

	2019	2018
Interest from financial assets held for cash management purposes	130,127	70,350

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
Interest on bank borrowings and other borrowings	447,439	565,855
Interest on lease liabilities (Note 18)	2,962	–
Less: interest capitalised	(49,347)	(49,021)
Interest expense	401,054	516,834
Net foreign exchange (loss)/gain	(5,376)	30,572
Finance costs	395,678	547,406

During the year ended 31 December 2019, the weighted average interest capitalisation rate was 6.58% (2018: 7.15%) per annum.

11. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out as follows:

	2019	2018
Fees	1,276	1,236
Other emoluments:		
Salaries	4,929	8,259
Share-based payments	–	–
	6,205	9,495

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11. BENEFITS AND INTERESTS OF DIRECTORS (continued)

Executive directors, non-executive directors and independent non-executive directors:

Name of directors and the chief executive	Salaries	2019 fees	Share option scheme	Total
Executive directors				
– Mr. Zong Shihua (appointed in 2019)	432	–	–	432
– Ms. Jiang Chuming (appointed in 2019)	222	–	–	222
– Mr. Chen Chao (retired in 2019) *	23	–	–	23
– Mr. Zhu Qiang	660	–	–	660
– Mr. Chen Donghui (suspended in 2020) *	53	–	–	53
– Ms. Qin Wenying	780	–	–	780
– Mr. Jiang Qi (appointed in 2018)	531	–	–	531
Independent non-executive directors				
– Mr. Chan, Charles Sheung Wai	–	319	–	319
– Mr. Zhuo Fumin	–	319	–	319
– Mr. Ma Lishan	–	319	–	319
– Mr. Han Gensheng	–	319	–	319
Chief executive				
– Mr. Peng Xinkuang (appointed in 2019 and suspended in 2020) *	1,353	–	–	1,353
– Mr. Liu Feng (resigned in 2019) *	875	–	–	875
Total	4,929	1,276	–	6,205

Name of directors and the chief executive	Salaries	2018 fees	Share option scheme	Total
Chairman				
– Mr. Peng Xinkuang (appointed in 2017)	2,397	–	–	2,397
Executive directors				
– Mr. Shi Janson Bing (resigned in 2018) *	799	–	–	799
– Mr. Chen Chao	51	–	–	51
– Mr. Zhu Qiang	1,178	–	–	1,178
– Mr. Chen Donghui	51	–	–	51
– Ms. Qin Wenying	1,249	–	–	1,249
– Mr. Jiang Qi (appointed in 2018)	240	–	–	240
Independent non-executive directors				
– Mr. Chan, Charles Sheung Wai	–	308	–	308
– Mr. Zhuo Fumin	–	308	–	308
– Mr. Ma Lishan	–	308	–	308
– Mr. Han Gensheng	–	312	–	312
Chief executive				
– Mr. Liu Feng (appointed in 2017)	2,294	–	–	2,294
Total	8,259	1,236	–	9,495

11. BENEFITS AND INTERESTS OF DIRECTORS (continued)

* In July 2019, Mr. Peng Xinkuang, an executive Director, the chairman of the Board, the chairman of the Investment Committee of the Company and the chairman of the Nomination Committee of the Company, has been appointed as the chief executive officer of the Group. In February 2020, all administrative and executive duties and powers of Mr. Peng Xinkuang in the Company were suspended. Mr. Lei Dechao was appointed as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and the Investment Committee of the Company.

* In February 2020, all administrative and executive duties and powers of Mr. Chen Donghui in the Company as executive Director have been suspended.

* In July 2019, Mr. Liu Feng has resigned as an executive Director and the chief executive officer of the Group and ceased to be a member of the Investment Committee of the Company and an authorised representative.

* In June 2019, Mr. Chen Chao has retired as an executive Director.

* In July 2018, Mr. Shi Janson Bing resigned and his 50 million shares granted under the share option scheme lapsed. The net reversal on expense was approximately RMB2.4 million.

No discretionary bonuses, inducement fees or employer's contribution to pension schemes were given to any of the directors during the years ended 31 December 2019 and 2018. In July 2019, HK$1,815 thousand was given to Mr. Liu Feng as compensation for loss of office as a director. Except for Mr. Liu Feng, no other directors have received such kind of compensation during financial year 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

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12. INCOME TAX EXPENSE/(CREDIT)

An analysis of income tax is as follows:

	2019	2018
Current taxation		
– Mainland China income tax (a)	66,057	28,045
– Mainland China LAT (c)	(8,777)	28,345
	57,280	56,390
Deferred taxation		
– Mainland China income tax	7,585	45,977
– Mainland China LAT	(1,856)	3,233
– Mainland China withholding tax (d)	(17,757)	3,037
	(12,028)	52,247
Total tax charge for the year	45,252	108,637

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance recorded in "prepaid income tax" was approximately RMB52 million as at 31 December 2019 (2018: approximately RMB57 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2035. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil).

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, taxes and all property development expenditures.

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12. INCOME TAX EXPENSE/(CREDIT) (continued)

(c) Mainland China land appreciation tax ("LAT") (continued)

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% (2018: 2% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately RMB16 million as at 31 December 2019 (2018: approximately RMB46 million). Such prepaid taxes are initially recorded in the statement of financial position and later released to profit or loss upon revenue recognition. The credit to the statement of profit or loss and other comprehensive income in 2019 was due to the tax refund received by a certain project provision upon the final assessment of LAT.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China and on gain from disposal of equity interests to non-tax resident enterprises. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

A reconciliation of the tax expense applicable to profit before income tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2019	2018
(Loss)/profit before income tax	**(2,235,890)**	207,483
Tax at the applicable tax rate of 25%	**(558,973)**	51,871
Effect of different tax rate	**9,466**	–
Tax effect of results attributable to associates and joint ventures	**(25,372)**	(5,441)
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**2,658**	(7,895)
Income not subject to tax	**(479)**	(1,572)
Utilisation of previously unrecognised tax losses	**(16,940)**	(39,032)
Tax losses not recognised as deferred tax assets	**141,757**	58,290
Temporary differences not recognised as deferred tax assets due to non-recoverability	**520,464**	17,038
Expenses not deductible for tax	**1,061**	763
Effect of withholding tax at 10% on the retained profits expected to be distributed, for the Group's subsidiaries in Mainland China	**(17,757)**	3,037
Mainland China income tax	**55,885**	77,059
Mainland China LAT (including deferred LAT)	**(10,633)**	31,578
Total tax expense for the year at the Group's effective tax rate	**45,252**	108,637

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13. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2019 (2018: Nil).

14. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to owners of the Company	**(2,256,630)**	113,530
Weighted average number of ordinary shares in issue (thousands)	**20,564,713**	20,564,713

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The share options issued in 2016 constitute dilutive shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2019 and 2018, as the average annual market share price of the Company's shares was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, the impact of exercise of the share options on (losses)/earnings per share is anti-dilutive.

15. SHARE-BASED PAYMENTS

On 3 June 2016, the Board proposed to adopt a new share option scheme (the "Scheme") to reward the contributions made by the employees that are eligible under the Scheme (the "Eligible Employees"), which was approved and adopted by the shareholders of the Company on 6 July 2016.

On 14 July 2016, options to subscribe for a total of 1,073,717,976 new shares were offered to the Eligible Employees. The exercise price of the granted options is equal to the average closing prices per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant which is 14 July 2016. The options shall be vested in three tranches in accordance with the following vesting date and conditions: (i) 40% of the options shall be vested on 30 August 2016 and exercisable from 30 August 2016 to 13 July 2021 at a condition of the Group achieving its target to turn losses into gains for the six months ended 30 June 2016; (ii) an additional 30% shall be vested on 30 August 2017 and exercisable from 30 August 2017 to 13 July 2021 at a condition of the Group achieving a net profit of no less than RMB350 million for the six months ending 30 June 2017; and (iii) the remaining 30% shall be vested on 30 August 2018 and exercisable from 30 August 2018 to 13 July 2021 at a condition of the Group achieving a growth rate of net profit of no less than 50% comparing the six months ending 30 June 2018 to the six months ending 30 June 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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15. SHARE-BASED PAYMENTS (continued)

During the year ended 31 December 2019, the Group reversed an expense of approximately RMB3,872 thousand (2018: reversed an expense of approximately RMB18,019 thousand) (Note 8) in relation to the lapsed share options granted to directors and employees.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	**–**	**604,603**	–	913,718
Lapsed (a)	**–**	**(980)**	–	(309,115)
At 31 December	**–**	**603,623**	–	604,603

(a) In 2019, the 980 thousand options (2018: 50,000 thousand) were lapsed due to the resignation of an employee (Note 11). In 2018, the 259,115 thousand options were lapsed due to the failure of meeting the condition to vest and exercise the trench (iii) options.

As at 31 December 2019, all of the outstanding options were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	**Number of share options (thousands) 2019**	Number of share options (thousands) 2018
Expiry date – 13 July			
2021	**0.2132**	**523,203**	604,603

The fair value of options granted during the period determined using the Binomial valuation model was divided into three trenches according to vesting period, being HK$7.80 cents per option for options vested on 30 August 2016, HK$7.99 cents per option for options to be vested on 30 August 2017 and HK$8.21 cents per option for options to be vested on 30 August 2018. The significant inputs into the model were closing share price of HK$0.2120 at the grant date, exercise price shown above, volatility of 46%, dividend yield of nil, an expected option life of 5, 4 and 3 years respectively, and an annual risk-free interest rate of 0.69%. The volatility measured at the standard deviation of continuously compounded share returns is based on the average rate of comparable companies. See Note 7 for the total expense recognised in the statement of profit or loss and other comprehensive income for share options granted to directors and employees.

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019		2018	
	Financial assets at FVOCI	Available-for sale investments	Financial assets at FVOCI	Financial assets at FVPL
At 1 January	150,657	407,790	–	–
Changes in accounting policies	–	(407,790)	382,836	24,954
Restated at 1 January	150,657	–	382,836	24,954
Disposals	–	–	(232,179)	(24,954)
At 31 December	150,657	–	150,657	–

Breakdown of financial assets at FVOCI as at 31 December 2019:

		Percentage of shares (%)	Cost at 31 December 2019	Fair value at 31 December 2019	% to total assets at 31 December 2019
Investment					
Secured loan package from Industrial and Commercial Bank of China ("ICBC")	(a)	Not applicable	150,657	150,657	1.0%

Breakdown of financial assets at FVOCI as at 31 December 2018:

		Percentage of shares (%)	Cost at 31 December 2018	Fair value at 31 December 2018	% to total assets at 31 December 2018
Investment					
Secured loan package from ICBC	(a)	Not applicable	150,657	150,657	0.7%

(a) As at 31 December 2019, the Group held the secured loan packages originated from ICBC with fair value of approximately RMB151 million (2018: approximately RMB151 million). The fair value of the secured loan packages is based on valuation techniques. The fair value is within level 3 of the fair value hierarchy. The significant unobservable inputs are the adjusted unit market value of the comparative properties. The Group did not make any provision against the balance as it was believed that the properties pledged against such receivables would be sufficient to cover the outstanding loan balance.

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Amounts recognised in profit or loss and other comprehensive income:

During the year, the following gains were recognised in profit or loss and other comprehensive income.

	2019	2018
Gains from disposal of financial assets at FVOCI recognised in other gains (Note 6)	–	94,385
Gains from disposal of financial assets at FVPL recognised in other gains (Note 6)	–	8,228
	–	102,613

Movement of financial assets at FVOCI for year ended 31 December 2019:

	Secured loan package from ICBC (FVOCI)
Beginning of year	150,657
Fair value change during the year	–
End of year	150,657
Dividend received	–

Movement of financial assets at FVOCI and FVPL for year ended 31 December 2018:

	Secured loan package from ICBC (FVOCI)	Secured loan package from CMSB (FVOCI)	Investment in South Gordon (FVPL)	Total
Beginning of year	175,806	207,030	24,954	407,790
Disposal	(25,149)	(207,030)	(24,954)	(257,133)
End of year	150,657	–	–	150,657
Dividend received	–	–	–	–

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT

	2019				
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Total
Cost					
Beginning of year	649,535	2,767	107,018	23,445	782,765
Additions	–	–	2,381	346	2,727
Disposal of subsidiaries (Note 41)	(1,500)	–	(451)	(1,483)	(3,434)
Disposals	–	–	(572)	(2,678)	(3,250)
End of year	648,035	2,767	108,376	19,630	778,808
Accumulated depreciation					
Beginning of year	37,427	2,767	15,237	20,567	75,998
Depreciation charge (Note 7)	16,814	–	368	2,306	19,488
Disposal of subsidiaries (Note 41)	(760)	–	(329)	(1,349)	(2,438)
Disposals	–	–	(548)	(2,588)	(3,136)
End of year	53,481	2,767	14,728	18,936	89,912
Impairment					
Beginning of year	–	–	–	–	–
Impairment charge (Note 6)	504,021	–	–	–	504,021
Disposal of subsidiaries (Note 41)	(753)	–	–	–	(753)
End of year	503,268	–	–	–	503,268
Net carrying amount					
Balance, end of year	91,286	–	93,648	694	185,628
Balance, beginning of year	612,108	–	91,781	2,878	706,767

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	2018				
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Total
Cost					
Beginning of year	659,496	2,767	105,458	24,185	791,906
Additions	34	–	1,887	584	2,505
Disposal of subsidiaries (Note 41)	–	–	(66)	–	(66)
Disposals	(9,995)	–	(261)	(1,324)	(11,580)
End of year	649,535	2,767	107,018	23,445	782,765
Accumulated depreciation and impairment					
Beginning of year	23,499	2,767	7,497	20,878	54,641
Depreciation charge (Note 7)	17,165	–	8,002	930	26,097
Disposal of subsidiaries (Note 41)	–	–	(14)	–	(14)
Disposals	(3,237)	–	(248)	(1,241)	(4,726)
End of year	37,427	2,767	15,237	20,567	75,998
Net carrying amount					
Balance, end of year	612,108	–	91,781	2,878	706,767
Balance, beginning of year	635,997	–	97,961	3,307	737,265

Depreciation expenses of approximately RMB4,000 thousand (2018: approximately RMB6,795 thousand), of approximately RMB14 thousand (2018: approximately RMB15 thousand) and of approximately RMB15,474 thousand (2018: approximately RMB19,287 thousand) had been respectively expensed in cost of goods sold, selling and marketing expenses and administrative expenses.

As at 31 December 2019, the property, plant and equipment with a net carrying amount of RMB78,282 thousand (2018: RMB123,396 thousand) were pledged as collateral for the Group's bank and other borrowings (Note 33).

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18. LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position:

	31 December 2019	1 January 2019
Right-of-use assets		
Land-use rights	192,077	197,500
Office	38,628	25,564
	230,705	223,064
Lease liabilities		
Current	7,538	13,072
Non-current	35,025	12,492
	42,563	25,564

The Group has land lease arrangement with mainland China government.

Additions to the right-of-use assets for the year ended 31 December 2019 were RMB41,965 thousand.

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	Notes	2019
Depreciation charge of right-of-use assets		
Land-use rights		5,423
Office		7,468
		12,891
Interest expense (included in finance cost)	10	2,962
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	7	3,980

The total cash outflows for leases for the year ended 31 December 2019 were RMB10,324 thousand.

As at 31 December 2019, the right-of-use assets with a net carrying amount of approximately RMB42,718 thousand (2018: RMB43,936 thousand recorded in prepaid land lease payments (Note 20)) were pledged as collateral for the Group's bank borrowing (Note 33).

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19. INVESTMENT PROPERTIES

Completed investment properties

	2019	2018
At beginning of year	**5,408,444**	5,375,199
Net fair value (loss)/gain (Note 6)	**(32,719)**	45,956
Additions in cost	**12,773**	185
Disposal of investment properties	**(22,410)**	–
Disposal of subsidiaries (Note 41)	**(1,099,079)**	–
Currency translation differences	**3,391**	(12,896)
At end of year	**4,270,400**	5,408,444

The investment properties as at 31 December 2019 mainly represent the following properties:

– Shanghai Oasis Central Ring Centre – Portions of eight multi-storey shopping malls and car-park places at Putuo District, Shanghai, with a total fair value of approximately RMB1,063 million (2018: RMB1,064 million), for which the operating leases entered into have terms ranging from 1 to 10 years; and

– Shenyang Richgate Shopping Mall – A seven-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately RMB2,261 million (2018: RMB2,433 million), for which the operating leases entered into have terms ranging from 1 to 10 years; and

– Shanghai Lake Malaren Transportation Hub – A five-storey shopping mall at Baoshan District, Shanghai, with a total fair value of approximately RMB245 million (2018: RMB246 million), for which the operating leases entered into have terms ranging from 1 to 11 years; and

– Shanghai Lake Malaren Commercial Street – A commercial street at Baoshan District, Shanghai, with a total fair value of approximately RMB701 million (2018: RMB559 million), for which the operating leases entered into have terms ranging from 3 to 8 years.

As at 31 December 2019, the Group had unprovided contractual obligations for future repairs and maintenance with a total amount of approximately RMB17,879 thousand (2018: Nil).

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19. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement As at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**4,061,400**	**4,061,400**
Car parks	**–**	**–**	**209,000**	**209,000**
	–	**–**	**4,270,400**	**4,270,400**

	Fair value measurement As at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	5,196,444	5,196,444
Car parks	–	–	212,000	212,000
	–	–	5,408,444	5,408,444

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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19. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties	Car parks	Total
Carrying amount at 1 January 2018	5,168,199	207,000	5,375,199
Net fair value gain (Note 6)	40,956	5,000	45,956
Additions in cost	185	–	185
Currency translation differences	(12,896)	–	(12,896)
Carrying amount at 31 December 2018 and 1 January 2019	**5,196,444**	**212,000**	**5,408,444**
Net fair value loss (Note 6)	**(29,719)**	**(3,000)**	**(32,719)**
Additions in cost	**12,773**	**–**	**12,773**
Disposal of investment properties	**(22,410)**	**–**	**(22,410)**
Disposal of subsidiaries	**(1,099,079)**	**–**	**(1,099,079)**
Currency translation differences	**3,391**	**–**	**3,391**
Carrying amount at 31 December 2019	**4,061,400**	**209,000**	**4,270,400**

As at 31 December 2019, the Group's investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent professionally qualified property valuer and consultant. The Group's finance team will review the valuation performed by the independent valuer, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

The valuations were performed based on the income approach (term and reversion method or direct capitalisation method) or direct comparison approach for those investment properties. The following significant unobservable inputs for income approach have been used:

Term yield, reversionary yield	2019	2018
Shanghai Oasis Central Ring Centre	**5.5%, 6.5%**	6%, 6.5%
Shenyang Richgate Shopping Mall	**4.5%, 6%**	4.5%, 6%
Shanghai Lake Malaren Transportation Hub	**3.5%, 5%**	3.5%, 5%
Shanghai Lake Malaren Commercial Street	**4.5%, 5%**	4.5%, 5%
41 Tower Hill, London	**–**	5.5%, 6%
12 Moorgate, London	**–**	4.25%, 4.75%

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19. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2019 (thousand)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties – Mainland China	4,270,400 (2018: 4,324,787)	Income approach	Term yield	Term yield of 3.5%-5% (2018: 3.5%-6%), taking into account of yield generated from comparable properties and adjustment to effect the certainty of term income secured and to be received	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 4%-6.5% (2018: 4%-6.5%), taking into account annual unit market rental income and unit market value of the comparable properties	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB46-RMB285 (2018: RMB46-RMB285) per square metre per month	The higher the market unit rent, the higher the fair value
Commercial properties – UK	N/A (2018: 1,083,657)	Income approach	Term yield	N/A for 2019. Term yield for 2018 4.3%-5.5%, taking into account of yield generated from comparable properties and adjustment to effect the certainty of term income secured and to be received	The higher the term yield, the lower the fair value
			Reversionary yield	N/A for 2019. Reversionary yield for 2018 4.8%-6%, taking into account annual unit market rental income and unit market value of the comparable	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	N/A for 2019. Properties for 2018 RMB415-RMB537 per square metre per month	The higher the market unit rent, the higher the fair value

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19. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The direct capitalisation method measures the fair value of the property by assuming a stabilised economic income capitalised by a market yield rate. The market yield was developed based on the research on the sales and rental evidences of the similar properties in the surrounding market and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

Were the rental rate and yield rate required assumed to increase or decrease by 10% from management's estimate, the changes in carrying amount of investment properties as at 31 December 2019 and 2018 would have been as follows:

	2019	2018
Investment properties increase/(decrease)		
– 10 percent rental rate higher	**393,400**	468,971
– 10 percent rental rate lower	**(383,100)**	(444,262)
Investment properties increase/(decrease)		
– 10 percent yield rate used higher	**(261,500)**	(356,956)
– 10 percent yield rate used lower	**288,400**	442,180

As at 31 December 2019, the Group's investment properties of approximately RMB2,009 million (2018: approximately RMB2,953 million) were pledged as collateral for the Group's bank and other borrowings (Note 33).

The following amounts relating to the investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2019	2018
Rental income (Note 5)	**114,312**	161,785
Direct operating expenses arising from investment properties that generate rental income	**(35,835)**	(40,769)
(Loss)/gain from change in fair value (Note 6)	**(32,719)**	45,956

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20. PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2019	2018
At beginning of year	2,005,904	2,110,252
Change in accounting policy – reclassified prepaid land lease payments relating to property, plant and equipment to right-of-use assets	(197,500)	–
Restated at 1 January	1,808,404	2,110,252
Additions	272,287	157,267
Disposals with the sale of completed properties	(73,869)	(101,680)
Disposal of a subsidiary (Note 41)	(1,115,456)	(289,659)
Amortisation capitalised as properties under development for sale	(24,373)	(35,368)
Amortisation provided relating to property, plant and equipment	–	(4,417)
Reversal of impairment of prepaid land lease payments (Note 7)	61,894	158,748
Currency translation difference	2,824	10,761
At end of year	931,711	2,005,904

	2019	2018
Analysed as:		
Non-current: in relation to properties classified under property, plant and equipment	–	197,500
Current: in relation to properties held or under development for sale	931,711	1,808,404
	931,711	2,005,904

The movements of impairment of prepaid land lease payments are as follows:

	2019	2018
At 1 January	167,276	326,024
Reversal of impairment of prepaid land lease payments recognised (Note 7)	(61,894)	(158,748)
Disposal of a subsidiaries (Note 41)	(100,902)	–
At 31 December	4,480	167,276

As at 31 December 2019, the Group's leasehold land of approximately RMB519 thousand (2018: approximately RMB58,572 thousand) was pledged as collateral for the Group's bank and other borrowings (Note 33)

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21. GOODWILL

	2019	2018
Cost		
At beginning of year	**491,006**	491,006
Disposal of a subsidiary (a)	**(316,653)**	–
At end of year	**174,353**	491,006
Accumulated impairment		
At beginning of year	**474,735**	474,735
Disposal of a subsidiary (a)	**(316,653)**	–
At end of year	**158,082**	474,735
Net carrying amount		
Balance, end of year	**16,271**	16,271
Balance, beginning of year	**16,271**	16,271

Impairment testing of goodwill

As at 31 December 2019, goodwill acquired through certain business combinations has been mainly related to the following cash-generating units for impairment testing:

– Shanghai Haibo Property Development Co., Ltd. ("Haibo")

– Shanghai Xiabo Industry Ltd. ("Xiabo")

As at 31 December 2019 and 2018, cash-generating units were parcels of land in the city of Shanghai.

As at 31 December 2019, the recoverable amount Haibo and Xiabo project cash-generating units had been determined based on a fair value calculation using residual method. A professional valuer, Jones Lang LaSalle, was engaged to assist the Group in determining the estimated fair value. The recoverable amounts applied to the residual method is approximately RMB219 million for Haibo and RMB113 million recoverable amounts for Xiabo (2018: RMB216 million for Haibo and RMB111 million for Xiabo). The carrying amounts are approximately RMB175 million for Haibo and RMB78 million carrying amounts for Xiabo (2018: RMB175 million for Haibo and RMB78 million for Xiabo).

Movement of net carrying amount of goodwill is as follows:

	Opening	Impairment	Closing
Shenyang Albany Oasis Garden (a)	–	–	–
Shanghai Huating Project ("Huating") (b)	–	–	–
Haibo	12,297	–	12,297
Xiabo	1,847	–	1,847
Others	2,127	–	2,127
	16,271	–	16,271

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21. GOODWILL (continued)

The cost of goodwill allocated to each of the major cash-generating units before impairment is as follows:

	2019	2018
Shenyang Albany Oasis Garden (a)	**–**	316,653
Huating (b)	**144,354**	144,354
Haibo	**12,297**	12,297
Xiabo	**1,847**	1,847
Others	**15,855**	15,855
	174,353	491,006

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill with the assistance from Jones Lang LaSalle:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before income tax and reflect specific risks relating to the relevant cash-generating units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts, and are consistent with external information sources.

(a) In prior years, the Group assessed the impairment on goodwill and determined that the carrying amount of goodwill arising from the acquisition of Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") was higher than its recoverable amount. Considering the current market condition in Shenyang and the actual selling price of Shenyang Albany Oasis Garden (Phases II and III) projects developed by Liaoning Gao Xiao, the Group estimated that the future cash flows that could be generated from the sale of this property (including the remaining developed Phase II and Phase III under development) would probably be reduced, resulting in the significant decrease of value-in-use. As a result, the Group provided a total impairment loss of approximately RMB317 million in prior years. In addition to the goodwill impairment recognised, impairment provision was also made to state the properties held or under development for sale and prepaid land lease payments of Liaoning Gao Xiao at net realisable value. In 2019, the Group disposed Liaoning Gao Xiao so that its related cost of goodwill and corresponding impairment were disposed accordingly (Notes 41(b)).

(b) The goodwill arose from the acquisition of Shanghai Bairun Real Estate Co., Ltd. ("Bairun") is related to its properties under developments in prior years. The goodwill has been fully impaired pursuant to the sales of these properties.

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22. INVESTMENTS IN ASSOCIATES

	2019	2018
Share of net assets	1,196,689	1,105,416
Less: provision for impairment	(4,172)	–
	1,192,517	1,105,416

As at the 31 December 2019, the Company had indirect interests in the following associates:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC/Mainland China 6 May 1997	–	26%	RMB50,000,000	RMB50,000,000	Research and development of housing technology
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC/Mainland China 24 October 2000	–	20%	RMB50,000,000	RMB50,000,000	Development and sale of netware and construction of broadband fibre projects
Mayson Resources Limited ("Mayson")	British Virgin Islands ("BVI") 29 January 2003	–	40%	HK$8	HK$8	Property sales
Shanghai Orda Opto-electronics Science & Tech Co., Ltd.("Orda")	PRC/Mainland China 23 March 2000	–	24%	RMB8,360,000	RMB11,000,000	Research and development of optoelectronic products
Shanghai Shang Xin Richgate Investment Management Co., Ltd. ("Richgate")	PRC/Mainland China 14 July 2011	–	25%	RMB9,100,000	RMB9,100,000	Investment management
Shanghai Real Estate Asset Management Co., Ltd. ("SRE Asset")	PRC/Mainland China 25 March 2016	–	20%	RMB35,000,000	RMB100,000,000	Investment management
Ningbo Meishan Free Trade Zone Jia Miao Investment Co., Ltd. ("Ningbo Jia Miao") (b)	PRC/Mainland China 24 October 2017	–	33.34%	RMB4,000,000	RMB30,000,000	Investment management

The financial year end dates of the above associates are the same as that of the Group.

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

The commitments relating to the Group's interests in associates are presented in Note 40(a). There are no contingent liabilities relating to the Group's interests in the associates.

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22. INVESTMENTS IN ASSOCIATES (continued)

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Broadband

	2019	2018
Current assets	**116,010**	113,474
Non-current assets	**39,412**	43,618
Current liabilities	**(39,783)**	(37,769)
Net assets	**115,639**	119,323
Revenue	**126,881**	141,697
Profit after tax	**4,656**	19,359
Total comprehensive income for the year	**4,656**	19,359
Dividend received	**1,668**	1,090

(2) Mayson

	2019	2018
Current assets	**3,727,128**	3,903,979
Non-current assets	**281,897**	289,387
Current liabilities	**(1,130,454)**	(1,523,814)
Non-current liabilities	**(14,641)**	(30,789)
Net assets	**2,863,930**	2,638,763
Revenue	**1,072,415**	469,657
Profit after tax	**225,167**	173,728
Total comprehensive income for the year	**225,167**	173,728
Dividend received	**–**	–

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22. INVESTMENTS IN ASSOCIATES (continued)

Extracts of financial information of principal associates (continued)

(3) SRE Asset

	2019	2018
Current assets	17,785	7,425
Non-current assets	30,632	21,452
Current liabilities	(17,712)	(1,580)
Net assets	30,705	27,297
Revenue	23,490	11,394
Profit after tax	3,408	115
Total comprehensive income for the period	3,408	115
Dividend received	–	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates.

	Broadband		Mayson		SRE Asset		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening net assets	119,323	155,419	2,638,763	2,465,035	27,297	27,182	66,792	66,868	2,852,175	2,714,504
Profit/(loss) for the year	4,656	19,359	225,167	173,728	3,408	115	57,862	(4,076)	291,093	189,126
Capital (reduction)/injection	–	(50,000)	–	–	–	–	–	4,000	–	(46,000)
Dividends distribution	(8,340)	(5,455)	–	–	–	–	(53,000)	–	(61,340)	(5,455)
Closing net assets	115,639	119,323	2,863,930	2,638,763	30,705	27,297	71,654	66,792	3,081,928	2,852,175
Interest in associates	20%	20%	40%	40%	20%	20%				
Impairment in associates	(1,597)	–	–	–	–	–	(2,575)	–	(4,172)	–
Goodwill and adjustments	(298)	(298)	–	–	638	638	2,931	2,931		
Carrying value	21,233	23,567	1,145,572	1,055,507	6,779	6,097	18,933	20,245	1,192,517	1,105,416

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23. INVESTMENTS IN JOINT VENTURES

	2019	2018
Share of net assets	3,757,331	3,853,578
Less: provision for impairment	(579,791)	(27,882)
	3,177,540	3,825,696

As at the 31 December 2019, the Company had indirect interests in the following joint ventures:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Jiangsu Da Run Sensor Technology Co., Ltd. ("Da Run")	PRC/Mainland China 20 May 2010	–	12%*	RMB53,000,000	RMB53,000,000	Research and development of sensor
SRegal Sinclair LLP ("Sinclair") (a)	UK/London 30 September 2016	–	92.91%*	Great Britain pounds ("GBP") 7,804,417	GBP7,804,417	Property development
Ningbo Meishan Free Trade Zone Zhi Miao Investment Center LLP ("Ningbo Zhi Miao') (b)	PRC/Mainland China 29 December 2016	–	16.05%*	RMB3,097,000,002	RMB3,097,000,002	Equity investment
Certain Business of Golden Luodian ("Relevant Business of Golden Luodian")	PRC/Mainland China 31 December 2016	–	72.63%*	RMB200,000,000	RMB200,000,000	Property development
75 Howard Owner LP ("75 Howard") (c)	USA/Delaware 27 March 2017	–	65%*	United States dollars ("US$") 195,475,487	US$195,475,487	Property development
Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin Real Estate")	PRC/Mainland China 28 October 2002	–	51%*	RMB2,660,000,000	RMB2,660,000,000	Property development
Napa Lifestyle Holdings, LLC ("NAPA")	USA/State of Delaware 01 February 2015	–	78.53%*	US$19,260,310	US$19,260,310	Property development
Shanghai Gaoxin Business Management Co., Ltd. ("Gao Xin")	PRC/Mainland China 17 July 2017	–	50%	RMB8,000,000	RMB8,000,000	Management consulting
Changsha Horoy Real Estate Development Co., Ltd. ("Changsha Horoy") (d)	PRC/Mainland China 25 September 2017	–	49.50%*	RMB26,870,000	RMB100,000,000	Property development and sales

* The Group accounts for its investments in these companies as joint ventures although the Group holds more or less than 50% of equity interest. According to the investment agreements and articles of associations, the Group and the other investors will jointly control the key relevant activities of these companies.

23. INVESTMENTS IN JOINT VENTURES (continued)

(a) In September 2016, the Group entered into an agreement to set up Sinclair for a consideration of approximately GBP13 million (approximately RMB114 million), of which approximately GBP1.8 million (approximately RMB15 million) had been contributed as at 31 December 2016. In January 2017, the Group paid the remaining consideration in Sinclair of approximately GBP11.5 million (equivalent to approximately RMB100 million). In December 2019, the Group reduced the share capital by GBP5.50 million (equivalent to approximately RMB51 million).

(b) In December 2016, the Group entered into a joint venture agreement in relation to the formation of the joint venture of Ningbo Zhi Miao with the total capital commitment of approximately RMB5,116 million, of which an aggregate of approximately RMB997 million, being approximately 19% of the total capital commitment, was contributed by the Group. In May 2017, the Group reduced its investment in Ningbo Zhi Miao for a consideration of RMB20 million. Accordingly the Group's equity interest in Ningbo Zhi Miao is decreased from 19.49% to 19.10% as at 31 December 2017. In December 2018, the shareholders of Ningbo Zhi Miao reduced investments of approximately RMB1,219 million in total, of which an aggregate of approximately RMB480 million was reduced by the Group. As such, the Group's equity interest in Ningbo Zhi Miao was decreased from 19.10% to 12.75% as at 31 December 2018. In August 2019, one of the other shareholders of Ningbo Zhi Miao reduced investment of RMB800 million, and thus the Group's equity interest in Ningbo Zhimiao was increased from 12.75% to 16.05%.

(c) In February 2017, the Group entered into an agreement with RDF 75 Howard LP to acquire 75 Howard at a consideration of approximately US$92 million (equivalent to approximately RMB631 million) for 80% equity interest in 75 Howard. In March 2018, the Group disposed 10% of its equity interest in 75 Howard for a consideration of approximately US$12 million (equivalent to approximately RMB80 million), with disposal gain of approximately US$0.5 million (equivalent to approximately RMB3.3 million). Accordingly the Group's equity interest in 75 Howard was decreased from 80% to 70% as at 31 December 2018. In March 2019, the Group disposed additional 5% interest in 75 Howard at a consideration of approximately US$9 million (equivalent to approximately RMB62 million), resulting in a gain of approximately RMB1.8 million. As such, the Group's equity interest in 75 Howard was decreased from 70% to 65% as at 31 December 2019. In 2019, the Group injected additional US$14.7 million (equivalent to approximately RMB101 million) to the joint venture.

The injection of above US$14.7 million was made by writing off US$9.1 million from disposal of 5% equity interests, US$4.4 million of prepayment to the joint venture, and a remaining cash outflow of US$1.2 million (equivalent to RMB9 million).

(d) In April 2018, a third party injected capital to Changsha Horoy, which was a subsidiary of the Group, and thus the Group's equity interest in Changsha Horoy was diluted from 66.5% to 49.5%. Upon the dilution and change of investment agreement and articles of association, the Group lost control and Changsha Horoy became a joint venture of the Group (Note 41(c)).

The financial year end dates of the above joint ventures are the same as that of the Group.

The Group's shareholdings in the joint ventures comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above joint ventures have been accounted for using the equity method in the consolidated financial statements.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES (continued)

Extracts of financial information of principal joint ventures

The following tables illustrate the financial information of the Group's principal joint ventures as extracted from their financial statements:

(1) Ningbo Zhi Miao

	2019	2018
Current assets		
Cash and cash equivalents	203,972	216,210
Other current assets	865,631	776,843
Total current assets	1,069,603	993,053
Non-current assets	3,021,986	3,021,986
Current liabilities	(1,205,389)	(131,215)
Net assets	2,886,200	3,883,824
Revenue	–	–
(Loss)/profit after tax	(197,624)	344,530
Total comprehensive (loss)/income for the year	(197,624)	344,530
Dividend received	–	67,940

(2) Relevant Business of Golden Luodian

	2019	2018
Current assets		
Cash and cash equivalents	4,371	18,207
Other current assets	832,769	1,117,478
Total current assets	837,140	1,135,685
Non-current assets	954,451	915,660
Current liabilities	(1,785,961)	(1,242,609)
Non-current liabilities	(523,920)	(649,432)
Net assets	(518,290)	159,304
Revenue	463,032	192,110
Loss after tax	(677,594)	(26,475)
Total comprehensive loss for the year	(677,594)	(26,475)
Eliminated interest cost	100,958	100,958
Dividend received	–	–

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23. INVESTMENTS IN JOINT VENTURES (continued)

Extracts of financial information of principal joint ventures (continued)

(3) 75 Howard

	2019	2018
Current assets		
Cash and cash equivalents	2,263	4,712
Other current assets	1,850,636	28,346
Total current assets	1,852,899	33,058
Non-current assets	–	1,217,571
Current liabilities	(241,341)	(47,473)
Non-current liabilities	(243,835)	–
Net assets	1,367,723	1,203,156
Revenue	–	2,723
Loss after tax	(2,210)	(199)
Total comprehensive loss for the year	(2,210)	(199)
Dividend received	–	–

(4) Jinxin Real Estate

	2019	2018
Current assets		
Cash and cash equivalents	3,489	128,266
Other current assets	7,862,950	7,450,152
Total current assets	7,866,439	7,578,418
Non-current assets	730	1,029
Current liabilities	(3,716,233)	(186,016)
Non-current liabilities	(17,149)	(3,257,963)
Net assets	4,133,787	4,135,468
Revenue	–	–
Loss after tax	(1,681)	(3,030)
Total comprehensive loss for the year	(1,681)	(3,030)
Eliminated interest cost	39,140	14,332
Dividend received	–	–

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23. INVESTMENTS IN JOINT VENTURES (continued)

Extracts of financial information of principal joint ventures (continued)

(5) NAPA

	2019	2018
Current assets		
Cash and cash equivalents	2,536	534
Other current assets	153,740	135,062
Total current assets	156,276	135,596
Non-current assets	–	–
Current liabilities	(11,673)	(12,752)
Non-current liabilities	(28,330)	(8,747)
Net assets	116,273	114,097
Revenue		
Loss after tax	–	(14,623)
Total comprehensive loss for the year	–	(14,623)
Eliminated interest cost	1,547	202
Dividend received	–	–

(6) Changsha Horoy

	2019	2018
Current assets		
Cash and cash equivalents	3,893	48,576
Other current assets	1,164,058	1,077,650
Total current assets	1,167,951	1,126,226
Non-current assets	53	82
Current liabilities	(668,930)	(579,286)
Non-current liabilities	(119,880)	(119,880)
Net assets	379,194	427,142
Revenue	–	–
Loss after tax	(47,948)	(30,330)
Total comprehensive loss for the period	(47,948)	(30,330)
Eliminated interest cost	38,652	14,958
Dividend received	–	–

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23. INVESTMENTS IN JOINT VENTURES (continued)

Extracts of financial information of principal joint ventures (continued)

(7) Sinclair

	2019	2018
Current assets		
Cash and cash equivalents	**1,409**	518
Other current assets	**111,838**	269,462
Total current assets	**113,247**	269,980
Non-current assets	**–**	–
Current liabilities	**(2,214)**	(2,611)
Non-current liabilities	**–**	(150,262)
Net assets	**111,033**	117,107
Revenue	**324,510**	–
Profit/(loss) after tax	**51,825**	(1,030)
Total comprehensive income/(loss) for the year	**51,825**	(1,030)
Eliminated interest cost	**–**	–
Dividend received	**–**	–

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23. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures.

	Ningbo Zhi Miao	Relevant Business of Golden Luodian	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Sinclair	Others	Total
Opening net assets at 1 January 2019	3,883,824	159,304	1,203,156	4,135,468	114,097	427,142	117,107	62,951	10,103,049
(Loss)/profit for the year	(197,624)	(677,594)	(2,210)	(1,681)	–	(47,948)	51,825	8,828	(866,404)
Other comprehensive income/(loss)	–	–	125	–	–	–	(10,140)	–	(10,015)
Capital (reduction)/injection	(800,000)	–	152,211	–	–	–	(54,788)	(8,000)	(710,577)
Dividends distribution	–	–	–	–	–	–	–	(8,000)	(8,000)
Currency translation difference	–	–	14,441	–	2,176	–	7,029	–	23,646
Closing net assets	2,886,200	(518,290)	1,367,723	4,133,787	116,273	379,194	111,033	55,779	8,531,699
Interest in joint ventures	16.05%	72.63%	65.00%	51.00%	78.53%	49.50%	92.91%		
Impairment in joint ventures	–	–	–	(532,088)*	(47,703)	–	–	–	(579,791)
Goodwill and adjustments	2,163	376,434	–	(66,143)	(1,753)	(38,652)	6,260		
Carrying value at 31 December 2019	465,398	–	889,020	1,510,000	41,853	149,049	109,421	12,799	3,177,540

* As at 31 December 2019, the carrying amount of interest in Jinxin Real Estate was higher than its recoverable amount. The Group provided a total impairment loss of approximately RMB532 million (2018: Nil) for the year ended 31 December 2019. The Group engaged an independent professional valuer to estimate its share of the present value of the estimated market value of Jinxin Real Estate and determined the recoverable amount.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

23. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of summarised financial information (continued)

	Ningbo Zhi Miao	Relevant Business of Golden Luodian	75 Howard	Jinxin Real Estate	NAPA	Changsha Horoy	Sinclair	Others	Total
Opening net assets at 1 January 2018	5,113,998	185,779	754,630	4,138,498	125,850	–	118,084	65,963	10,502,802
Profit/(loss) for the year/period after acquisition	344,530	(26,475)	(199)	(3,030)	(14,623)	(30,330)	(1,030)	(3,012)	265,831
Other comprehensive (loss)/income	–	–	(47)	–	(3,467)	–	53	–	(3,461)
Capital (reduction)/injection	(1,219,000)	–	392,927	–	–	–	–	–	(826,073)
Disposal of partial interests and lost of control of a subsidiary and became a joint venture	–	–	–	–	–	457,472	–	–	457,472
Dividends distribution	(355,704)	–	–	–	–	–	–	–	(355,704)
Currency translation difference	–	–	55,845	–	6,337	–	–	–	62,182
Closing net assets	3,883,824	159,304	1,203,156	4,135,468	114,097	427,142	117,107	62,951	10,103,049
Interest in joint ventures	12.75%	72.63%	70.00%	51.00%	78.53%	49.50%	92.91%		
Impairment in joint ventures	–	–	–	–	(27,882)	–	–	–	(27,882)
Goodwill and adjustments	1,925	(100,958)	–	(27,002)	(202)	(14,958)	6,261		
Carrying value at 31 December 2018	497,113	14,744	842,209	2,082,086	61,511	196,478	115,065	16,490	3,825,696

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24. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

	2019	2018
At cost	**1,073,077**	1,657,721
Less: provision for impairment loss	**(76,400)**	(115,271)
	996,677	1,542,450
– In Shanghai City, PRC	**374,228**	405,617
– In Shenyang City, PRC	**–**	450,021
– In Chengdu City, PRC	**96,784**	256,693
– In Jiaxing City, PRC	**221,438**	217,499
– In Dalian City, PRC	**261,536**	197,920
– In Phnom Penh City, Cambodia	**42,691**	14,700
	996,677	1,542,450

	2019	2018
Properties held or under development expected to be completed, at net realisable value		
– Within one year	**435,855**	1,147,338
– After one year	**560,822**	395,112
	996,677	1,542,450

The movements of impairment of properties held or under development for sale are as follows:

	2019	2018
At 1 January	**115,271**	185,084
Reversal of impairment of properties held or under development (Note 7)	**(6,887)**	(69,813)
Disposal of a subsidiary (Note 41)	**(31,984)**	–
At 31 December	**76,400**	115,271

As at 31 December 2019 and 2018, approximately RMB60 million (2018: approximately RMB160 million) of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank and other borrowings (Note 33).

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	2018
Non-current		
Prepayment (a)	**5,000**	5,000
Less: Provision for impairment (a)	**(5,000)**	(5,000)
	–	–
Current		
Prepaid business tax	**4,360**	25,325
Prepaid VAT	**19,249**	24,375
Prepayments (b)	**9,374**	257,174
Others	**18,315**	50,342
	51,298	357,216
Less: provision for impairment	**(16,000)**	(16,000)
	35,298	341,216

(a) On 12 December 2013, the Company signed a letter of intent with a third party (the "Vendor") to acquire a 100% equity interest in a real estate company in Shanghai at a total consideration of RMB800 million. In connection with this transaction, the Group paid RMB5 million to the Vendor as earnest money. Due to the termination of the project as well as the low probability of collection of the aforementioned prepayment, full provision has been made for the earnest money as at 31 December 2019 and 2018.

(b) The prepayments as at 31 December 2019 mainly included approximately RMB9 million (2018: approximately RMB9 million) of prepayments for construction cost of properties under development. As at 31 December 2018, the prepayments also included approximately RMB248 million of prepayments for leasehold land in the PRC, which has been transferred to prepaid land lease payments (Note 20) for the year ended 31 December 2019 when the land certificate was obtained.

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26. OTHER RECEIVABLES

	2019	2018
Receivables from subsidiaries disposed of in prior years	**343,224**	343,224
Receivables from related parties (Note 43)	**1,086,168**	1,294,347
Advance to a non-controlling shareholder of a subsidiary	**190,000**	190,000
Receivable of consideration arising from disposal of subsidiaries (a)	**442,214**	12,862
Interests receivable from related parties (Note 43)	**430,698**	291,582
Advance to a land development project	**206,305**	205,884
Receivable from the disposal of financial assets at fair value through other comprehensive income	**–**	128,436
Others	**140,633**	157,505
	2,839,242	2,623,840
Less: provision for impairment	**(735,439)**	(258,628)
Other receivables, net	**2,103,803**	2,365,212

(a) As at 31 December 2019, the remaining consideration of approximately RMB429,352 thousand and RMB12,862 thousand had not been received in relation to the disposal of the subsidiaries, Liaoning Gao Xiao and Skyway respectively (2018: approximately RMB12,862 thousand for Skyway).

All other receivables are non-interest-bearing and are normally settled within one year.

27. TRADE RECEIVABLES

	2019	2018
Trade receivables	**34,316**	44,999
Less: provision for impairment	**(22,743)**	(28,015)
	11,573	16,984

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2019	2018
Within 6 months	**3,335**	6,666
6 months to 1 year	**–**	5,504
1 to 2 years	**8,238**	5,610
Over 2 years	**22,743**	27,219
	34,316	44,999

The Group's sales of development properties are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

27. TRADE RECEIVABLES (continued)

The Group's trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables neither past due nor impaired and those past due but not impaired is as follows:

	2019	2018
Neither past due nor impaired	**3,335**	11,451
Past due but not impaired:		
Within 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
91 to 120 days	–	–
Over 120 days	**8,238**	5,533
	8,238	5,533
	11,573	16,984

Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in the provision for impairment of trade receivables are as follows:

	2019	2018
At beginning of year	**28,015**	27,843
Additions (Note 7)	–	414
Reversals (Note 7)	**(74)**	(242)
Disposal of a subsidiary (Note 41)	**(5,198)**	–
At end of year	**22,743**	28,015

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28. CASH AND BANK BALANCES

	2019	2018
Cash on hand	**39**	605
Demand deposits	**518,917**	698,005
Cash and cash equivalents	**518,956**	698,610
Restricted bank deposits relating to bank borrowings (a)	**2,632**	2,623
Cash and bank balances	**521,588**	701,233

(a) An amount of approximately RMB3 million (2018: approximately RMB3 million) is restricted in connection with bank borrowings.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	2019	2018
HK$	**12,246**	4,322
US$	**61,316**	44,392
Singapore dollars	**–**	1
Australian dollars (“AUD”)	**15,606**	32,126
GBP	**255**	52,392
RMB	**432,165**	568,000
	521,588	701,233

The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposits earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents pledged and restricted deposits approximate to their fair values.

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29. OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following debt investments:

	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Loans to related parties (Note 43(c))(a)	**1,205,705**	**–**	**1,205,705**	1,626,627	–	1,626,627
Loans to a disposed subsidiary (a)	**700,000**	**–**	**700,000**	–	700,000	700,000
Others (a)	**14,381**	**–**	**14,381**	20,000	–	20,000
	1,920,086	**–**	**1,920,086**	1,646,627	700,000	2,346,627
Less: loss allowances for debt investments at amortised cost (b)	**(750,463)**	**–**	**(750,463)**	(35,616)	(125,574)	(161,190)
	1,169,623	**–**	**1,169,623**	1,611,011	574,426	2,185,437

(a) The balance as at 31 December 2019 mainly represented the interest-bearing loans granted to related parties of approximately RMB1,206 million (2018: approximately RMB1,627 million) with a provision of approximately RMB36 million (2018: RMB16 million) (Note 43(c)), and to a disposed subsidiary of approximately RMB700 million (2018: approximately RMB700 million) with a provision of approximately RMB700 million (2018: approximately RMB126 million), which had been reclassified to current assets since the loans would be due within one year; and to a third party of approximately RMB14 million (2018: RMB20 million) with a provision of approximately RMB14 million (2018: RMB20 million).

(b) The provisions were made as at 31 December 2019 and 2018 as the directors of the Group consider the recoverability of certain receivables is uncertain.

30. OTHER NON-CURRENT ASSETS

	2019	2018
Deposit for guarantee of a loan of a joint venture (a)	**173,847**	171,684
Less: provision for impairment (a)	**(213)**	(210)
	173,634	171,474

(a) As at 31 December 2019, other non-current assets represent a deposit for guarantee for a long-term loan of a joint venture of approximately RMB174 million (31 December 2018: approximately RMB172 million) on which an impairment provision according to HKFRS 9 of approximately RMB0.2 million (31 December 2018: approximately RMB0.2 million) was made.

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31. ISSUED SHARE CAPITAL AND SHARE PREMIUM

Shares

	2019	2018
Issued and fully paid:		
20,564,713 thousand (2018: 20,564,713 thousand) ordinary shares	6,747,788	6,747,788

A summary of movements in the Company's share capital is as follows:

	Number of shares (thousand)	Amount		
		Issued capital	Share premium	Total
At 1 January 2018, 31 December 2018 and 31 December 2019	20,564,713	1,701,661	5,046,127	6,747,788

32. OTHER RESERVES

	Surplus reserve	Exchange fluctuation reserve	Others	Total
At 1 January 2019	387,553	(517)	(151,107)	235,929
Other comprehensive losses, net of tax				
Currency translation differences	–	(3,774)	–	(3,774)
	–	(3,774)	–	(3,774)
Transactions with owners				
Appropriation from retained profits	7,838	–	–	7,838
Share-based payments (Note 15)	–	–	(3,872)	(3,872)
	7,838	–	(3,872)	3,966
At 31 December 2019	395,391	(4,291)	(154,979)	236,121

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32. OTHER RESERVES (continued)

	Surplus reserve	Exchange fluctuation reserve	Available-for-sale investments	Financial assets at fair value through other comprehensive income	Others	Total
At 1 January 2018	377,780	3,731	1,523	–	(142,594)	240,440
Changes in accounting policies	–	–	(1,523)	1,523	–	–
Restated at 1 January 2018	377,780	3,731	–	1,523	(142,594)	240,440
Other comprehensive losses, net of tax						
Currency translation differences	–	(4,248)	–	–	–	(4,248)
Revaluation-gross	–	–	–	(2,031)	–	(2,031)
Revaluation-tax	–	–	–	508	–	508
	–	(4,248)	–	(1,523)	–	(5,771)
Transactions with owners						
Appropriation from retained profits	9,773	–	–	–	–	9,773
Change in ownership interests in a subsidiary without change of control	–	–	–	–	9,506	9,506
Share-based payments (Note 15)	–	–	–	–	(18,019)	(18,019)
	9,773	–	–	–	(8,513)	1,260
At 31 December 2018	387,553	(517)	–	–	(151,107)	235,929

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019	2018
Other short-term borrowings		
– Unsecured, from an associate (e)	–	300,000
– Unsecured, from others	–	491,580
	–	791,580
Current portion of long-term bank borrowings		
– Secured (a)	264,750	955,367
– Unsecured (b)	330,120	–
	594,870	955,367
Current portion of other long-term borrowings		
– Secured, from parent company (c)	–	560,000
– Secured, from others (d)	–	473,506
– Unsecured, from parent company (c)	–	2,092,113
– Unsecured, from others	102,985	33,318
	102,985	3,158,937
Borrowings, current portion	697,855	4,905,884
Long-term bank borrowings, non-current portion		
– Secured (a)	918,220	1,515,301
– Unsecured (b)	–	330,120
	918,220	1,845,421
Other long-term borrowings, non-current portion		
– Secured, from parent company (c)	560,000	–
– Unsecured, from parent company and its subsidiary (c)	2,312,961	661,300
– Unsecured, from others	147,792	230,397
	3,020,753	891,697
Borrowings, non-current portion	3,938,973	2,737,118

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2019	2018
The long-term borrowings are repayable as follows:		
– Within 1 year	**697,855**	4,114,304
– 1 to 2 years	**3,242,122**	1,223,595
– 2 to 3 years	**82,881**	487,118
– 3 to 5 years	**96,000**	460,436
– After 5 years	**517,970**	565,969
	4,636,828	6,851,422
Less: Long-term borrowings, current portion	**(697,855)**	(4,114,304)
Long-term borrowings, non-current portion	**3,938,973**	2,737,118

(a) Long-term bank borrowings – secured

As at 31 December 2019, long-term bank borrowings of approximately RMB1,183 million (2018: approximately RMB2,471 million) were secured by the pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, properties held or under development for sale, right-of-use assets and equity interests of subsidiaries.

(b) Long-term bank borrowings – unsecured

As at 31 December 2019, the balance represented entrusted loans of approximately RMB330 million (2018: approximately RMB330 million) provided by a third party. The tenure for the loan of RMB130 million is 60 months, and the interest rate for the first year is 8% per annum, for the second to the fifth year is 6% per annum. The tenure for the loan of RMB200 million is 52 months, and the interest rate is 6% per annum. This trusted loans is reclassified as current liabilities as at 31 December 2019 due to a litigation (Note 40(d)).

(c) Other borrowings from parent company and its subsidiary

As at 31 December 2019, the loans of approximately RMB2,013 million (31 December 2018: approximately RMB3,313 million) were provided by the parent company and the loan of approximately RMB860 million (31 December 2018: Nil) were provided by Jiasheng (Holding) Investment Limited ("Jiasheng"), a fellow subsidiary of the Group, among which, RMB560 million (31 December 2018: RMB560 million) was secured by pledge of equity interests of a subsidiary. In June 2019, the Group has reached written agreements to extend the payment mature dates of these loans to 31 January 2021. Interest rates of loans from the parent company ranged from 7% to 8% per annum (31 December 2018: 7% to 8% per annum), and the interest rate of the loan from Jiasheng was 6% per annum. Subsequent to 31 December 2019, the repayment date of the existing loans of approximately RMB2,013 million was further extended to 30 April 2021 with further agreements reached with the parent company.

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(d) Other long-term borrowing – secured, from others

As at 31 December 2018, other long-term borrowing of approximately RMB474 million was secured by the pledges of the Group's leasehold land, together with property, plant and equipment, properties held or under development for sale and investment properties. The borrowing was repaid in 2019.

(e) Other short-term borrowing – unsecured

As at 31 December 2018, the loan of RMB300 million represented a loan from a related party. The loan was provided by SRE Asset, an associate of the Group, with the interest rate of 9% per annum and the tenure of twelve months. The loan was repaid in 2019.

Overall collateral arrangements for bank and other borrowings

As at 31 December 2019 and 2018, pledged assets as collateral for the Group's borrowings and banking facilities were as follows:

	2019	2018
Leasehold land (Note 20)	519	58,572
Investment properties (Note 19)	2,009,400	2,953,034
Properties held or under development for sale (Note 24)	60,455	160,484
Property, plant and equipment (Note 17)	78,282	123,396
Right-of-use assets (Note 18)	42,718	–
Bank deposits (Note 28)	2,632	2,623
Equity interests in certain subsidiaries	–	187,807
Pledged assets provided by a related party (Note 43(c))	–	2,569,852

The weighted average effective interest rates for these borrowings at the end of the reporting period were as follows:

	2019			2018			
	HK$	US$	RMB	HK$	US$	GBP	RMB
Other short-term borrowings	–	–	–	–	–	–	7.82%
Long-term bank borrowings	–	–	5.96%	–	–	3.53%	5.62%
Other long-term borrowings	7.85%	6.19%	7.17%	7.85%	4.25%	–	7.90%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2019	2018
HK$	**215,896**	229,398
US$	**895,278**	1,050,070
GBP	**–**	558,880
RMB	**3,525,654**	5,804,654
	4,636,828	7,643,002

34. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity. As of 31 December 2019 and 2018, the majority of deferred tax assets and liabilities are to be recovered after more than 12 months.

The gross movements in the deferred tax account are as follows:

	2019	2018
At beginning of year	**1,256,160**	1,204,421
Disposal of subsidiaries (Note 41)	**(51,973)**	(508)
Recognised in profit or loss (Note 12)	**(12,028)**	52,247
At end of year	**1,192,159**	1,256,160

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34. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Difference in accounting and tax bases arising from share transfer consideration	Difference in accounting and tax bases arising from net lease liabilities	Total
At 1 January 2018, 31 December 2018	**242,837**	**–**	**242,837**
Recognised in profit or loss	**–**	**1,032**	**1,032**
31 December 2019	**242,837**	**1,032**	**243,869**

Deferred tax liabilities

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2018	585,509	499,724	264,036	97,989	1,447,258
Recognised in profit or loss	11,748	22,981	3,037	14,481	52,247
Recognised in other comprehensive loss	–	–	–	(508)	(508)
At 31 December 2018	597,257	522,705	267,073	111,962	1,498,997
Recognised in profit or loss	(6,305)	1,583	(17,757)	11,483	(10,996)
Disposal of subsidiaries	–	–	–	(51,973)	(51,973)
At 31 December 2019	**590,952**	**524,288**	**249,316**	**71,472**	**1,436,028**

As at 31 December 2019, no deferred tax asset arose from unused tax losses (2018: Nil). With respect to the recognition of the deferred tax assets, after considering the evidence including the approval from local authorities permitting the sale of the properties, and estimated future taxable profit by referring to recent selling prices of certain properties and current market condition, the Group believes there will be no sufficient taxable profit against which the unused tax losses can be utilised in the foreseeable future.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

34. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

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

	2019	2018
Tax losses	1,964,405	1,515,544

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses mentioned above as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the resolution of the Board of Directors of the Company, part of PRC subsidiaries' profits generated from 2011 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB745 million (2018: approximately RMB759 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. CONTRACT LIABILITIES

	2019	2018
Contract liabilities	295,791	420,959

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing.

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36. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2019	2018
Within 1 year	**278,514**	343,385
1 to 2 years	**85,845**	102,312
Over 2 years	**89,396**	164,156
	453,755	609,853

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

37. OTHER PAYABLES AND ACCRUALS

	2019	2018
Other tax and surtaxes payable	**15,943**	23,391
Dividends payable to non-controlling interests of subsidiaries	**25,700**	25,700
Relocation costs payable	**193,026**	203,456
Deposits from a potential tenant	**61,000**	–
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	**32,012**	40,580
Payroll and welfare payable	**41,496**	50,976
Accrued interest	**365,085**	235,285
Payables of consideration for acquisition of non-controlling interests	**17,000**	17,000
Payable to the former non-controlling interests of a disposed subsidiary	**20,000**	20,000
Payables to related parties (Note 43)	**1,141,133**	836,610
Payables to a non-controlling interest (a)	**69,988**	323,992
Accruals of penalties on idle land	**7,686**	47,000
Others	**247,157**	217,830
	2,237,226	2,041,820

Other payables are non-interest-bearing and are normally settled within one year.

(a) As at 31 December 2019, the balance of approximately GBP7.6 million (approximately RMB70 million) represented payables to a third party. The Group pledged 50% of equity interest in a subsidiary for these payables.

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38. CASH FLOW INFORMATION

(a) Cash from operations

Reconciliation of (loss)/profit before income tax to cash from/(used in) operations:

	2019	2018
(Loss)/profit before income tax	**(2,235,890)**	207,484
Adjustments for:		
Depreciation of property, plant and equipment	**19,488**	26,097
Depreciation of right-of-use assets	**12,891**	–
Net gain from disposal of property, plant and equipment	**(249)**	(61)
Net loss from disposal of investment properties	**4,837**	–
Loss from cancellation of lease	**(149)**	–
Share of results of associates	**(106,722)**	(72,033)
Share of results of joint ventures	**5,233**	(17,672)
Share-based payment	**(3,872)**	(18,019)
Net fair value loss/(gain) on investment properties	**32,719**	(45,956)
Reversal of impairment of properties held or under development for sale	**(6,887)**	(69,813)
Reversal of impairment of prepaid land lease payments	**(61,894)**	(158,748)
Provision for impairment of other financial assets at amortised cost	**589,273**	4,365
Provision for impairment of other receivables	**476,811**	6,729
(Reversal of)/provision for impairment of trade receivables	**(74)**	172
Provision for other non-current assets	**3**	210
Provision for impairment of investment in joint ventures	**549,878**	–
Provision for impairment of investment in associates	**4,172**	–
Provision for impairment of investment in property, plant and equipment	**504,021**	–
(Adjustment of) forfeiture of prepayments	**16,248**	(60,000)
Net gain from disposal of subsidiaries and interests in a joint venture	**(157,336)**	(242,900)
Gains from disposal of financial assets at FVOCI	**–**	(94,385)
Gains from disposal of financial assets at FVPL	**–**	(8,228)
Finance income	**(119,140)**	(55,386)
Finance costs	**358,781**	572,470
	(117,858)	(25,674)
Decrease in restricted bank deposits	**–**	27,170
Increase in prepaid land lease payments	**–**	(26,594)
Decrease in properties held or under development for sale	**120,700**	633,640
(Increase)/decrease in inventories	**(28)**	1
Decrease/(increase) in prepayments and other current assets	**9,898**	(35,869)
(Increase)/decrease in other receivables	**(171,691)**	156,512
Increase in non-current assets	**–**	(50,527)
Increase in financial assets at amortised cost	**–**	(4,364)
Decrease in trade receivables	**5,357**	7,282
Increase/(decrease) in trade payables	**50,693**	(93,344)
(Increase)/decrease in other payables and accruals	**314,725**	(594,302)
(Decrease)/increase in contract liabilities	**(102,593)**	47,581
Cash from operations	**109,203**	41,512

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38. CASH FLOW INFORMATION (continued)

(b) Net debt reconciliation

An analysis of net debt and the movements in net debt as follows:

Net debt

	2019	2018
Cash and cash equivalents	518,956	698,610
Borrowings – repayable within one year	(697,855)	(4,905,884)
Borrowings – repayable after one year	(3,938,973)	(2,737,118)
Lease Liabilities	(42,563)	–
Net debt	(4,160,435)	(6,944,392)
Cash and cash equivalents	518,956	698,610
Gross debt – fixed interest rates	(3,418,977)	(5,138,017)
Gross debt – variable interest rates	(1,260,414)	(2,504,985)
Net debt	(4,160,435)	(6,944,392)

	Cash and cash equivalents	Liabilities from financing activities: Borrowings due within one year	Borrowings due after one year	Lease liabilities	Total
Net debt as at 31 December 2017	1,452,915	(2,447,238)	(6,151,564)	–	(7,145,887)
Net cash flows	(748,409)	1,141,440	(95,164)	–	297,867
Foreign exchange adjustments	(5,896)	(24,774)	(35,831)	–	(66,501)
Amortisation of discount or premium	–	–	(29,871)	–	(29,871)
Reclassification of current/ non-current liabilities	–	(3,575,312)	3,575,312	–	–
Net debt as at 31 December 2018	**698,610**	**(4,905,884)**	**(2,737,118)**	**–**	**(6,944,392)**
Recognised on adoption of HKFRS 16	–	–	–	(25,564)	(25,564)
Net cash flows	(177,943)	2,151,753	78,944	6,344	2,059,098
Acquisition-leases	–	–	–	(41,965)	(41,965)
Foreign exchange adjustments	(1,711)	17,056	(2,340)	–	13,005
Amortisation of discount or premium	–	977	(22,856)	(2,962)	(24,841)
Disposal of subsidiaries (Note 41)	–	–	822,956	–	822,956
Other changes	–	–	(40,316)	21,584	(18,732)
Reclassification of current/ non-current liabilities	–	2,038,243	(2,038,243)	–	–
Net debt as at 31 December 2019	**518,956**	**(697,855)**	**(3,938,973)**	**(42,563)**	**(4,160,435)**

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39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for remaining terms mainly ranging from 1 to 12 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2019, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

	2019	2018
Within one year	**77,137**	123,025
In the second to fifth years, inclusive	**228,644**	190,684
After five years	**98,828**	78,351
	404,609	392,060

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from one to two years.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term, see Note 18 for further information.

At 31 December 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019	2018
Within one year	**1,216**	13,883
In the second to fifth years, inclusive	**–**	14,101
	1,216	27,984

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40. COMMITMENTS AND CONTINGENCIES

(a) The Group had the following capital commitments and commitments in respect of property development for sale at the end of the reporting period:

	2019	2018
Contracted, but not provided for		
Properties held or under development for sale	155,631	11,074
Committed investments in a land development	63,514	64,116
Committed investments in associates	15,640	15,640
Committed renovation for investment property	17,879	–
	252,664	90,830

(b) The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB118 million (2018: approximately RMB375 million) and these contracts were still effective as at the close of business on 31 December 2019.

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the principal of each of the mortgage loans was normally below 70% of the sales price of the properties at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

(c) The Group also provided guarantee to the bank loan for a joint venture of the Group. As at 31 December 2019, such guarantee amounted to approximately RMB3,414 million (2018: approximately RMB3,259 million).

Meanwhile, the Group provided a completion guarantee on the development of a joint venture in relation to the development loans with drawn amount of US$34.95 million as at 31 December 2019 (2018: Nil). Relevantly, the Group provided a deposit of US$24.92 million as at 31 December 2019 (31 December 2018: US$24.92 million) as guarantor's letter of credit for the loan apart from the guarantee above.

(d) In addition, the Group's certain equity interests in subsidiaries have been frozen in connection with a litigation against a subsidiary, The Group also has some other litigations in relation to certain prior transactions. The Directors consider that it is very remote for the Group to incur any losses arising from these litigations and thus not meaningful to provide further details.

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41. DISPOSAL OF SUBSIDIARIES

(a) In May 2019, the Group disposed of its remaining 51.1% equity interest in Profit Concept Investments Limited ("Profit Concept"), together with its shareholder loans to Profit Concept. The agreed consideration was approximately RMB17 million for equity and approximately RMB257 million for the settlement of the shareholder loans. On the disposal date, the net asset value of Profit Concept attributable to the Group was approximately RMB19 million. The Group recorded a loss on the disposal of approximately RMB2 million.

	2019
Net assets disposed of:	
Investment properties	1,099,079
Property, plant and equipment	88
Prepayments and other current assets	4,130
Cash and bank balances	37,841
Other payables and accruals	(535,036)
Interest-bearing bank and other borrowings	(564,921)
Deferred tax liabilities	(4,883)
Current income tax liabilities	(460)
Non-controlling interests	(16,587)
	19,251
Loss on disposal of the subsidiary	(1,816)
Satisfied by cash	17,435

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019
Cash proceeds received	17,435
Cash and bank balances disposed of	(37,841)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(20,406)

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41. DISPOSAL OF SUBSIDIARIES (continued)

(b) In September 2019, the Group disposed all of its 97.5% equity interest in Liaoning Gao Xiao and corresponding shareholder loans to Liaoning Gao Xiao. The adjusted total proceeds was approximately RMB1,093.43 million for equity, RMB159.96 million for the settlement of the shareholder loan and RMB58.68 million for the potential costs relating to this disposal. On the disposal date, the net asset value of Liaoning Gao Xiao attributable to the Group was approximately RMB936.11 million and the shareholder loan was approximately RMB159.96 million. In addition, the Group is also to burden potential costs relating to the disposal of Liaoning Gao Xiao up to approximately RMB58.68 million. The Group recorded a gain on disposal of approximately RMB157.32 million.

	2019
Net assets disposed of:	
Property, plant and equipment – Gross	908
Impairment of property, plant and equipment	(753)
Prepaid land lease payments – Current and Gross	1,216,358
Impairment of prepaid land lease payments	(100,902)
Properties held or under development for sale – Gross	584,843
Impairment of properties held or under development for sale	(31,984)
Trade receivables	5,198
Impairment of trade receivables	(5,198)
Other receivables	17,323
Cash and bank balances	6,850
Interest-bearing bank and other borrowings	(258,035)
Deferred tax liabilities	(47,090)
Other payables and accruals	(427,408)
Non-controlling interests	(24,003)
	936,107
Gain on disposal of the subsidiary	157,321
Satisfied by cash	1,093,428

In prior years, the Group assessed the impairment on goodwill of RMB317 million and determined that the carrying amount of goodwill arising from the acquisition of Liaoning Gao Xiao was higher than its recoverable amount, and thus fully provided an impairment loss of approximately RMB317 million.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019
Total consideration	1,093,428
Consideration receivable as at 31 December 2019	(199,905)
Cash proceeds received	893,523
Cash and bank balances disposed of	(6,850)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	886,673

As at 31 December 2019, the Group recorded approximately RMB229,446 thousand of other receivables in connection to receivables from uncollected shareholder loans, the penalties due to late payment and other potential cost arising from the disposal of Liaoning Gao Xiao.

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41. DISPOSAL OF SUBSIDIARIES (continued)

(c) In April 2018, a third party injected capital to Changsha Horoy Real Estate Co., Ltd. ("Changsha Horoy"), which was a subsidiary of the Group, and thus the Group's equity interest in Changsha Horoy was diluted from 66.5% to 49.5%. The Group lost control and Changsha Horoy became a joint venture of the Group after the transaction. On the disposal date, the net asset value of Changsha Horoy attributable to the Group was approximately RMB-13 million. After the dilution of 17% equity interest in Changsha Horoy, the 49.5% remaining interest held by the Group was remeasured at its fair value of approximately RMB226 million on the date when control was lost, and the difference with its then carrying amount was approximately RMB239 million. As such, the Group recorded a gain on disposal of approximately RMB239 million.

	2018
Net assets disposed of:	
Property, plant and equipment	52
Prepaid land lease payments – Current	289,659
Properties held or under development for sale	138,050
Prepayments and other current assets	47,100
Other receivables	140
Cash and bank balances	64,472
Other payables and accruals	(558,861)
Non-controlling interests	6,495
100% of net assets disposed at book value	(12,893)
Fair value of 49.5% retained interest accounted for as a joint venture	(226,369)
Gain on disposal of the subsidiary	239,262
Satisfied by cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018
Cash proceeds received	–
Cash and bank balances disposed of	(64,472)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(64,472)

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41. DISPOSAL OF SUBSIDIARIES (continued)

(d) In June 2018, the Group disposed all of its 100% equity interest in SRE Capital Limited ("SRE Capital") for a consideration of approximately RMB0.57 million. On the disposal date, the net asset value of SRE Capital attributable to the Group was approximately RMB0.21 million. The Group recorded a gain on disposal of approximately RMB0.36 million.

	2018
Net assets disposed of:	
Other receivables	246
Cash and bank balances	193
Other payables and accruals	(225)
	214
Gain on disposal of the subsidiary	356
Satisfied by cash	570

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018
Cash proceeds received	570
Cash and bank balances disposed of	(193)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	377

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41. DISPOSAL OF SUBSIDIARIES (continued)

(e) In July 2018, the Group disposed of its 100% equity interest in Shanghai Xunbo Construction Co., Ltd. ("Xunbo Construction") for a consideration of approximately RMB0.75 million. On the disposal date, the net asset value of Xunbo Construction attributable to the Group was approximately RMB0.75 million. The Group recorded a loss on disposal of approximately RMB277.

	2018
Net assets disposed of:	
Cash and bank balances	750
Loss on disposal of the subsidiary	–
Satisfied by cash	750

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018
Cash proceeds received	750
Cash and bank balances disposed of	(750)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	–

42. WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Details of the Group's subsidiaries that has material non-controlling interest are set out below:

	Bairun	
	2019	2018
Percentage of equity interest held by non-controlling interest:	**49.00%**	49.00%

	Bairun	
	2019	2018
(Loss)/profit for the year allocated to non-controlling interest:	**(39,794)**	14,953
Transaction with non-controlling interests	**–**	(1,256)
Accumulated balance of non-controlling interests at the reporting dates	**92,031**	131,825

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42. WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(a) (continued)

The following tables illustrate the summarised financial information of Bairun.

	Bairun	
	2019	2018
Revenue	**2,475**	134,786
Total expenses	**6,097**	81,867
Other losses	**137**	–
(Loss)/profit for the year	**(81,213)**	30,319
Total comprehensive (loss)/income for the year	**(81,213)**	30,319
Current assets	**682,754**	773,449
Non-current assets	**47**	88
Current liabilities	**(492,374)**	(501,907)
Non-current liabilities	**(3,320)**	(3,320)
Net cash flows used in operating activities	**(16,732)**	(117,301)
Net cash flows from investing activities	**128**	–
Net cash flows from financing activities	**–**	104,330

(b) In July 2018, the Group acquired all non-controlling interests in a number of partly owned subsidiaries from Shanghai Yaluo Enterprise Management Partnership LLP at a total consideration of RMB45 million. After the transaction, these subsidiaries become wholly owned by the Group. The carrying amounts of the non-controlling interests in these partly-owned subsidiaries on the date of acquisition were RMB91 million in total.

The effect of acquisition of equity interests in these partly-owned subsidiaries on the equity attributable to owners of the Company during the year is summarised as follows:

	2018 RMB million
Carrying amount of non-controlling interests acquired	91
Consideration paid to non-controlling interests	(45)
Saving from consideration paid recognised within equity	46

In June 2018, the Group reduced a capital of RMB700 million of Liaoning Gao Xiao, resulting in a decrease of the Group's equity interests in Liaoning Gao Xiao from 98.71% to 97.5%. The carrying amount of the deemed disposal of 1.21% equity interests in Liaoning Gao Xiao was RMB12 million.

In May 2018, the Group disposed 48.9% of equity interests in its wholly-owned subsidiary Profit Concept Investments Ltd. to Ronghe International Group Limited for a consideration of HK$489. The difference between fair value of consideration received and the carrying amount of disposed equity interests in Profit Concept Investments Ltd. amounting to RMB24 million is recorded in other reserves.

42. WITH MATERIAL NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(b) (continued)

The effect of the above disposals of equity interests in subsidiaries on the equity attributable to owners of the Company during the year is summarized as follows:

	2018 RMB million
Carrying amount of net assets transferred to non-controlling interests	(36)
Consideration received from non-controlling interests	–
Loss on disposal of equity interest recognised within equity	(36)

43. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name	**Relationship**
Broadband	An associate of the Group
New Technology	An associate of the Group
Da Run	A joint venture of the Group
Relevant Business of Golden Luodian	A joint venture of the Group
Mayson	An associate of the Group
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng")	A subsidiary of an associate of the Group
Jinxin Real Estate	A joint venture of the Group
SRE Asset	An associate of the Group
Gao Xin	A joint venture of the Group
Changsha Horoy	A joint venture of the Group
NAPA	A joint venture of the Group
Meishan Jia Miao	An associate of the Group
CMIG Southern China Investment Limited ("CMIG Southern")	An associate of the Group
75 Howard	A joint venture of the Group
Jiasheng	A fellow subsidiary of the Group
Ningbo Jia Miao	An associate of the Group
Shanghai Dongjia Zhiye Co., Ltd. ("Dongjia")	A fellow subsidiary of the Group
Linzhi Zhong Min Real Estate Co., Ltd. ("Linzhi")	A company ultimately controlled by the same company
Ningbo Zhongqing Trading Limited ("Ningbo Zhongqing")	A company controlled by employees of a joint venture of the Group

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43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

(i) Advances to related parties

	2019	2018
Jinxin Real Estate	88,659	40,890
Relevant Business of Golden Luodian	70,720	13,540
Shuo Cheng	48,000	–
NAPA	11,595	11,098
Changsha Horoy	–	25,000
Ningbo Jia Miao	–	4,900
CMIG Southern	–	4,476
	218,974	99,904

(ii) Repayment from related parties

	2019	2018
Relevant Business of Golden Luodian	558,533	23,135
Shuo Cheng	202,216	458,584
Jinxin Real Estate	91,215	–
GaoXin	42,000	–
Ningbo Zhongqing	24,800	–
Broadband	178	45
Changsha Horoy	–	25,000
	918,942	506,764

(iii) Fundings/advances received from related parties

	2019	2018
Dongjia	200,000	–
Broadband	186	50
	200,186	50

(iv) Received on behalf of the parent company

	2019	2018
China Minsheng Jiaye	314,682	–

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43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(v) Repayment to the parent company

	2019	2018
China Minsheng Jiaye	**210,151**	–

(vi) Interest income from related parties

	2019	2018
Relevant Business of Golden Luodian	**89,234**	139,003
Changsha Horoy	**47,884**	15,260
NAPA	**1,713**	258
	138,831	154,521

Interest income from related parties represents gross interest income before elimination of the Group's share of the interest income.

(vii) Interest expenses charged by related parties

	2019	2018
China Minsheng Jiaye	**158,299**	269,840
Jiasheng	**57,370**	–
Linzhi	**–**	21,753
SRE Asset	**6,986**	16,939
	222,655	308,532

(viii) Compensation to key management personnel of the Group

	2019	2018
Salaries and other short-term employee benefits	**8,536**	16,667

(ix) Occupation of properties owned by a related party

Before March 2018, some subsidiaries of the Group occupied certain properties with total gross floor areas of approximately 1,150 square meters leased by the Company's parent company for operational use, which was free of charge. From March 2018, these subsidiaries moved to another floor and started to bear rental costs by themselves according to rental contracts entered with third parties.

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43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(x) Guarantees provided to related parties

(a) The Group provided guarantee to the bank loan for Jinxin Real Estate, a joint venture of the Group. As at 31 December 2019, such guarantee amounted to approximately RMB3,414 million (31 December 2018: approximately RMB3,259 million). For the year ended 31 December 2019, the Group charged RMB43 million (2018: approximately RMB53 million) (before consolidation elimination) of income from Jinxin Real Estate in relation to this guarantee.

(b) The Group provided a completion guarantee on the development of 75 Howard, a joint venture of the Group in relation to the development loans with drawn amount of US$34.95 million (approximately RMB244 million) as at 31 December 2019 (2018: Nil). Relevantly, the Group provided a deposit of US$24.92 million (approximately RMB174 million) (2018: US$24.92 million, approximately RMB172 million as guarantor's letter of credit for the loan apart from the guarantee above.

(xi) Transfer of part of Shareholder's loan of Jinxin Real Estate to a related party

	2019	2018
Ningbo Zhongqing	**24,800**	–

(c) Related-party balances

(i) Trade receivable due from a related party

	2019	2018
Broadband	**247**	247

(ii) Trade payable due to a related party

	2019	2018
New Technology	**109**	109

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43. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

(iii) Other receivables due from related parties

	2019	2018
Jinxin Real Estate	**454,524**	466,995
Relevant Business of Golden Luodian	**411,019**	410,541
Mayson	**163,990**	160,406
Shuo Cheng	**48,000**	202,216
Ningbo Jia Miao	**4,900**	4,900
CMIG Southern	**3,735**	4,476
Gao Xin	**–**	42,000
NAPA	**–**	2,813
	1,086,168	1,294,347

Amounts due from related parties are unsecured, bear no interest and are repayable on demand.

(iv) Other payable due to related parties

	2019	2018
Shuo Cheng	**836,560**	836,560
China Minsheng Jiaye	**104,531**	–
Dongjia	**200,000**	–
Broadband	**42**	50
	1,141,133	836,610

Amounts due to related parties are unsecured, bear no interest and are repayable on demand.

(v) Prepayments due from a related party

	2019	2018
Da Run	**1,500**	1,500

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43. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

(vi) Loans receivable due from related parties

	2019	2018
Relevant Business of Golden Luodian (a)	**697,259**	1,185,551
Changsha Horoy (b)	**432,791**	432,791
Jinxin Real Estate (c)	**52,500**	–
NAPA (d)	**23,155**	8,285
	1,205,705	1,626,627

(a) The loans receivable due from Relevant Business of Golden Luodian are interest-bearing loans of approximately RMB697 million (2018: approximately RMB1,186 million) with an interest rate of 8% per annum.

(b) The loans receivable due from Changsha Horoy are interest-bearing loans of approximately RMB433 million (2018: RMB433 million) with an interest rate of 10% per annum.

(c) The loans receivable from Jinxin Real Estate are interest-bearing loans of 53 million (2018: Nil) with an interest rate of 24% per annum.

(d) The loans receivable due from NAPA are interest-bearing loans of approximately RMB23 million (2018: RMB8 million) with a compound interest rate of 10.5% per annum.

Interests receivable from related parties in relation to the loans above are summarised as below:

	2019	2018
Relevant Business of Golden Luodian	**311,116**	221,882
Changsha Horoy	**117,333**	69,448
NAPA	**2,249**	251
	430,698	291,581

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43. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

(vii) Loans from related parties

	2019	2018
China Minsheng Jiaye (a)	**2,012,564**	3,313,413
– Current	**–**	2,652,113
– Non-current	**2,012,564**	661,300
Jiasheng		
– Non-current (a)	**860,397**	–
SRE Asset		
– Current (b)	**–**	300,000
	2,872,961	3,613,413

Interests payable to related parties in relation to the loans above are summarised as below:

	2019	2018
China Minsheng Jiaye	**150,536**	166,868
Jiasheng	**134,270**	–
Linzhi	**–**	22,592
SRE Asset	**–**	16,939
	284,806	206,399

(a) As at 31 December 2019, the loans of approximately RMB2,873 million (31 December 2018: approximately RMB3,313 million) were provided by the parent company: China Minsheng Jiaye, and a fellow subsidiary of the Group: Jiasheng. Please refer to Note 33(e) for detailed information.

(b) As at 31 December 2018, the loan of RMB300 million was provided by a related party, SRE Asset with tenure of twelve months. Interest rate of the loan was 9% per annum, the loan was repaid in 2019.

(viii) Pledged assets provided by a related party

	2019	2018
Relevant Business of Golden Luodian	**–**	2,569,852

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44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2019	2018
Financial assets		
Financial assets at FVOCI	150,657	150,657
Financial assets at amortised cost	3,284,999	4,567,633
– Other financial assets at amortised cost	1,169,623	2,185,437
– Other receivables	2,103,803	2,365,212
– Trade receivables	11,573	16,984
Cash and bank balances	521,588	701,233
Other non-current assets	173,634	171,474
	4,130,878	5,590,997
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	4,636,828	7,643,002
– Trade payables	453,755	609,853
– Others	1,814,702	1,732,168
	6,905,285	9,985,023

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and bank balances, receivables and financial assets at FVOCI.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and liabilities (continued)

Assets and liabilities measured at fair value:

Financial assets at FVOCI of the Group are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019. See Note 19 for disclosures of the investment properties that are also measured at fair value.

	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	150,657	150,657

There were no transfers between level 1 and 2 during the year.

The following table presents the changes in level 3 instruments for the year ended 31 December 2019.

Opening and ending balance	150,657

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 33.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates of the major currencies in which the Group's borrowings are denominated, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before income tax.

	2019 Impact on profit before income tax	2018 Impact on profit before income tax
Changes in variables – RMB interest rate		
+ 50 basis points	(6,690)	(8,849)
- 50 basis points	6,690	8,849
Changes in variables – GBP interest rate		
+ 50 basis points	–	(2,751)
- 50 basis points	–	2,751

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks and bank borrowings, which are mainly denominated in US$, HK$, GBP and AUD.

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, the HK$, the GBP and the AUD exchange rates, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the impact on profit before income tax as disclosed below.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	2019 Impact on profit before income tax	2018 Impact on profit before income tax
Changes in exchange rate of US$ against Renminbi		
+ 5%	**4,176**	(4,901)
- 5%	**(4,176)**	4,901
Changes in exchange rate of HK$ against Renminbi		
+ 5%	**(1,985)**	(3,238)
- 5%	**1,985**	3,238
Changes in exchange rate of GBP against Renminbi		
+ 5%	**2,272**	(9,326)
- 5%	**(2,272)**	9,326
Changes in exchange rate of AUD against Renminbi		
+ 5%	**780**	1,606
- 5%	**(780)**	(1,606)

Credit risk

Credit risk mainly arises from cash at banks, trade receivables, financial assets at FVOCI, other receivables and other financial asset at amortised cost. The guarantees as disclosed in Note 40 might also result in credit risk to the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis other than the significant receivables in Note 26. Except for due from related parties, there is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2019. Directors of the Group have considered the credit risk with these balances and believe that credit risk associated with current carrying amounts of due from related parties is low.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	2019	2018
Financial assets		
Financial assets at FVOCI	150,657	150,657
Financial asset at amortised cost		
– Other financial asset at amortised cost	1,169,623	2,185,437
– Other receivables	2,103,803	2,365,212
– Trade receivables	11,573	16,984
Cash at banks	521,588	701,233
Other non-current assets	173,634	171,474
	4,130,878	5,590,997

Liquidity risk

	2019					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings (including interest payment)	200,000	65,677	558,948	4,244,834	661,504	5,730,963
Trade payables	85,227	6,182	87,955	274,391	–	453,755
Others	952,569	70,038	792,095	–	–	1,814,702
	1,237,796	141,897	1,438,998	4,519,225	661,504	7,999,420

	2018					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings (including interest payment)	713,506	373,069	4,192,885	2,589,870	742,606	8,611,936
Trade payables	93,878	73,105	102,313	340,557	–	609,853
Others	989,315	1,528	741,325	–	–	1,732,168
	1,796,699	447,702	5,036,523	2,930,427	742,606	10,953,957

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Management has assessed that the fair values of trade payables and others approximate to their carrying amounts largely due to the short term maturities of these instruments.

Please refer to Note 2.1 for analysis of going concern basis of preparation.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

As the Group is mainly engaged in the development of properties, it needs a substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by capital plus net debt.

Net debt includes interest-bearing bank and other borrowings, less cash and bank balances, and excludes assets classified as held for sale and liabilities directly associated with the assets classified as held for sale. Capital includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2019	2018
Interest-bearing bank and other borrowings (Note 33)	**4,636,828**	7,643,002
Lease liabilities	**42,563**	–
Less: Cash and bank balances (Note 28)	**(521,588)**	(701,233)
Net debt	**4,157,803**	6,941,769
Equity attributable to owners of the Company	**5,180,562**	7,445,489
Non-controlling interests	**304,948**	372,762
Capital	**5,485,510**	7,818,251
Capital and net debt	**9,643,313**	14,760,020
Gearing ratio	**43%**	47%

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47. INFORMATION ABOUT SUBSIDIARIES

As at 31 December 2019, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Sinopower Investment Limited	BVI 1 October 1998	100%	–	US$52	US$50,000	Investment holding
Shanghai Xin Dong Industry Co., Ltd.	PRC/Mainland China 28 May 1993(2)	–	100%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC/Mainland China 29 September 1998(2)	–	100%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC/Mainland China 4 August 1999(2)	–	100%	US$20,000,000	US$20,000,000	Development of technology housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC/Mainland China 11 August 2000(3)	–	51%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd.	BVI 29 September 2001	–	52%	US$100	US$50,000	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC/Mainland China 16 April 2002(2)	–	52.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC/Mainland China 14 June 2002(2)	–	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC/Mainland China 18 October 2007(3)	–	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd.	PRC/Mainland China 12 August 2002(3)	–	97%	RMB442,235,160	RMB442,235,160	Property development and property leasing
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management")	PRC/Mainland China 30 October 2007(1)	–	100%	US$31,936,200	US$31,936,200	Property leasing
Shanghai Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 16 October 2008(3)	–	100%	RMB10,000,000	RMB10,000,000	Property development

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47. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao")	PRC/Mainland China 21 July 2009(3)	–	100%	RMB330,000,000	RMB330,000,000	Property development
Shanghai Xiabo Industry Ltd. ("Xiabo")	PRC/Mainland China 14 September 1995(3)	–	100%	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property Development Co., Ltd. ("Haibo")	PRC/Mainland China 27 December 1996(3)	–	100%	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC/Mainland China 16 May 2002(3)	–	51%	RMB605,500,000	RMB605,500,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing")	PRC/Mainland China 11 July 2008(3)	–	100%	RMB85,000,000	RMB85,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. ("Jiaxing Lake Richgate")	PRC/Mainland China 26 September 2007(3)	–	100%	RMB335,114,300	RMB335,114,300	Property development
Shanghai Zhiyi Enterprise Ltd.	PRC/Mainland China 14 March 2011(2)	–	100%	RMB80,000,000	RMB80,000,000	Procurement management
Dalian Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 19 July 2013(3)	–	51%	RMB30,000,000	RMB30,000,000	Property development
Shanghai Zhi Yi Investment Ltd.	PRC/Mainland China 21 January 2014(3)	–	100%	RMB100,000,000	RMB100,000,000	Investment
Chengdu Shangzhi Real Estate Co., Ltd	PRC/Mainland China 20 December 2010(3)	–	100%	RMB20,000,000	RMB20,000,000	Property development
Shanghai Lake Malaren Obstetrical and Gynecological Hospital Co., Ltd.	PRC/Mainland China 17 October 2013(3)	–	100%	RMB10,000,000	RMB10,000,000	Hospital
Shanghai Lake Malaren Corporate Development Co., Ltd	PRC/Mainland China 8 April 2014(3)	–	72.63%	RMB70,000,000	RMB70,000,000	Property development

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47. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Lake Malaren Commercial Management Co., Ltd	PRC/Mainland China 8 April 2014[3]	–	72.63%	RMB70,000,000	RMB70,000,000	Property development
Jiangsu Jiaye SRE Commercial Factoring Limited	PRC/Mainland China 10 February 2017[3]	–	80%	RMB100,000,000	RMB100,000,000	Factoring
Qingdao Zhongtong Environmental Fund Center (Limited Partnership)	PRC/Mainland China 16 October 2017[4]	–	100%	RMB90,010,000	RMB90,010,000	Investment
Zhongtong Wanfang Construction and Development (Zhangjiakou) Co., Ltd.	PRC/Mainland China 21 November 2017[3]	–	90%	RMB100,000,000	RMB100,000,000	Construction
Gullveig Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$250,000	US$250,000	Investment
Valkyrie Investment Co., Ltd.*	Cambodia 30 January 2018	–	100%	US$260,000	US$260,000	Investment
Romduol Overseas Co., Ltd.	Cambodia 30 January 2018	–	100%	KHR4,000,000,000	KHR4,000,000,000	Property development

* Although the Group holds less than 50% of these Cambodian companies legally, the other shareholders are deprived of the rights and obligations of these interests so that the Group, in substance, holds 100% interest in these Cambodian companies.

(1) Registered as wholly foreign owned limited liability companies under PRC law.

(2) Registered as sino-foreign limited liability companies under PRC law.

(3) Registered as domestic limited liability companies under PRC law.

(4) Registered as domestic partnership.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI, Hong Kong, the United Kingdom, Australia and the United States of America with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019	2018
ASSETS		
Non-current assets		
Property, plant and equipment	**14**	19
Investments in subsidiaries	**1,442,272**	2,376,034
Advances to subsidiaries	**3,266,894**	2,260,056
	4,709,180	4,636,109
Current assets		
Dividends receivable from subsidiaries	**1,951,622**	1,951,622
Prepayments and other current assets	**42,563**	42,395
Cash and bank balances	**16,045**	59,250
	2,010,230	2,053,267
Total assets	**6,719,410**	6,689,376
EQUITY AND LIABILITIES		
Equity		
Issued share capital and share premium	**6,747,788**	6,747,788
Reserves	**(1,498,561)**	(1,411,456)
Total equity	**5,249,227**	5,336,332
LIABILITIES		
Non-current liabilities		
Interest-bearing bank and other borrowings	**973,308**	196,081
Current liabilities		
Interest-bearing bank and other borrowings	**102,985**	1,049,071
Other payables and accruals	**393,890**	107,892
	496,875	1,156,963
Total liabilities	**1,470,183**	1,353,044
Total equity and liabilities	**6,719,410**	6,689,376

The statement of financial position of the Company was approved by the Board of Directors on 14 May 2020 and was signed by the following Directors on its behalf:

Lei Dechao
Chairman

Zhu Qiang
Acting Chief Executive Officer

For the year ended 31 December 2019 (Amounts presented in thousands of Renminbi unless otherwise stated)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Accumulated losses	Others	Total
Balance at 1 January 2019	**(1,738,084)**	**326,628**	**(1,411,456)**
Total comprehensive loss for the year	**(87,105)**	**–**	**(87,105)**
Balance at 31 December 2019	**(1,825,189)**	**326,628**	**(1,498,561)**

	Accumulated losses	Others	Total
Balance at 1 January 2018	(1,645,333)	342,242	(1,303,091)
Total comprehensive loss for the year	(92,751)	–	(92,751)
Transaction with owners:			
Share-based payments	–	(15,614)	(15,614)
Balance at 31 December 2018	(1,738,084)	326,628	(1,411,456)

49. EVENTS AFTER THE REPORTING PERIOD

a) The arrest of Mr. Peng Xinkuang ("Mr. Peng") for suspected embezzlement and the detention of Mr. Chen Donghui ("Mr. Chen")

Subsequent to 31 December 2019, Mr. Peng, who is an executive director and the former chief executive officer and chairman of the Board of Directors of the Company, was arrested by the Public Security Bureau for suspected embezzlement. Mr. Chen, who is also an executive director of the Company, was summoned and detained by the Public Security Bureau for suspected embezzlement. The impact of this subsequent event has been analysed in Note 2.1.

b) Impact of the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak")

After COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, while the disease spreads overseas, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In light of the negative impact brought upon by the COVID-19 outbreak in the short term, it may lead to extension of rent free period of certain existing lease contracts, extension of construction progress of properties and thus affecting the rental income and sales of properties in the coming periods. The Group will pay close attention to the development of the COVID-19 outbreak and its impact on the leasing market and property values, and will continue to perform relevant assessments and take proactive measures.

50. APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 14 May 2020.