SS100

Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2608

2019 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yi Xiaodi *(Chairman)*
Mr. Fan Xiaochong *(Vice Chairman)*

Non-executive Directors

Ms. Fan Xiaohua
Mr. Wang Gongquan

Independent Non-executive Directors

Mr. Gu Yunchang
Mr. Ng Fook Ai, Victor
Mr. Wang Bo

AUDIT COMMITTEE

Mr. Ng Fook Ai, Victor *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

REMUNERATION COMMITTEE

Mr. Wang Bo *(Chairman)*
Mr. Fan Xiaochong
Mr. Gu Yunchang

NOMINATION COMMITTEE

Mr. Yi Xiaodi *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

JOINT COMPANY SECRETARIES

Mr. Tsang Ho Yin
Mr. He Jie

COMPANY'S WEBSITE

www.ss100.com.cn

AUTHORISED REPRESENTATIVES

Mr. Yi Xiaodi
Mr. Tsang Ho Yin

REGISTERED OFFICE

190 Elgin Avenue
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39/F, Gloucester Tower, the Landmark
15 Queen's Road Central
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15 Queen's Road Central
Central
Hong Kong

AUDITOR

KPMG
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10 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Everbright Bank
China Minsheng Banking Corp., Ltd.
China CITIC Bank Corporation Limited
China Zheshang Bank Co., Ltd.
Hua Xia Bank Co., Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman)Limited
Royal Bank House–3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

LISTING INFORMATION

Place of listing: The Stock Exchange
of Hong Kong Limited
Stock code: 2608

Honors and Awards

In May 2019, the Company was recognised among the "2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value" and "2019 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)" by the China Real Estate Top 10 Research Team. In September 2019, the Company was once again recognised among "2019 TOP 30 Brand of China Real Estate Companies" by the research team.

2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value

2019 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)

2019 TOP 30 Brand of China Real Estate Companies

In June 2019, the Company was honored with the "Best Investment Value Award" at the "2019 China Financial Market Award Gala" hosted by China Financial Market, a high-end financial magazine in the Hong Kong capital market, undertook by Wonderful Sky Financial Group and jointly organized by several authoritative institutions, including Financial Association of Hong Kong, The Listed Companies Council of Chinese Enterprises Association and Chinese Securities Association of Hong Kong.

Best Investment Value Award of 2019 China Financial Market Award Gala

Honors and Awards

In March 2020, the Company was awarded the "2020 Best 100 of China Real Estate Developers" at the "Evaluation Results of 2020 Best 500 of China Real Estate Developers" jointly hosted by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute.

500强
中国房地产

2020中国房地产开发企业100强
2020 Best 100 of China Real Estate Developers

阳光100中国控股有限公司

中国房地产业协会
上海易居房地产研究院
中国房地产测评中心
二〇二〇年三月

2020 Best 100 of China Real Estate Developers

Chairman's Statement

I am pleased to present the business review for the year ended 31 December 2019 ("**the Reporting Period**") and outlook to the shareholders of the Company.

RESULTS

1. Sources of income tend to diversify and grow significantly

With the initial results of the Group's business transformation, the sources of income in 2019 became more diversified, with contracted sales and the corresponding property value from the disposal of the equity interest in residential project amounting to RMB22 billion. Among these sources of income, the amount of contracted sales of properties was RMB10,338.1 million, and the current recognized revenue from sales of properties was RMB7,639.0 million; the corresponding property value from the disposal of the equity interest in residential project company amounted to approximately RMB11.7 billion, and the current recognized gains after tax was approximately RMB1,924.3 million. In addition, operating revenue other than sales of properties was recognized currently at approximately RMB649.7 million.

2. Significant increase in profit

Non-residential products achieved contracted sales of RMB5,133.7 million, representing an increase of 42.5% from 2018, and increasing the proportion to 50%; while the recognized revenue of which reached RMB2,487.4 million, driving the gross profit margin to increase by 4.3 percentage points to 25.3%, and the gross profit increase by 32.0% to RMB2,100.0 million. Adding the disposal of land and project equity during the period, profit for the year increased by approximately 12.2 times to RMB3,215.1 million, with net profit margin increased by 35.6 percentage points to 38.8%, and profit attributable to equity shareholders was RMB1,804.8 million.

3. **Significant decrease in liabilities**

At the end of 2019, total interest-bearing liabilities of the Company decreased by 15.6% to RMB25,054.2 million, total gearing ratio decreased from 84.4% at the end of 2018 to 79.9% and the net gearing ratio substantially decreased by 82.4 percentage points to 179.2%.

We believe that as the business transformation and upgrading intensifies, the financial structure of the Company will be further optimised, and its core competitiveness will be continuously enhanced, so as to achieve continuous profitable growth.

BUSINESS REVIEW

In 2019, the Company experienced fluctuations in stock price in the Hong Kong market, and restrictions on purchases and prices in the domestic market. With such difficult external environment, we insisted on business transformation and upgrading, to effectively improve our operational capabilities, capitalized opportunities through the disposal of part of our lands and residential projects to optimise our asset structure and increase our cash reserve, and successfully expanded the land reserve and development of the primary project. We not only achieved profitable results of the year but also laid a solid foundation for the development in the next few years.

1. **Further strengthening of the competitiveness of our core products**

2019 is a year when the core products of the Company have been vigorously developed and improved. The unit sales price of the contracted sales of Himalaya for the year reached RMB27,500 per square metre, which led to an increase in the contracted sales price and gross profit for the year. Among the RMB10.338 billion contract sales of the year, the proportion of sales of non-residential core products rose to 50%.

One of the core products, Commercial Street Complex, has matured over the past year. The completion of Changsha Phoenix Street and Changzhou Phoenix Street both achieved expected success. The opening of sale of Wuhan Phoenix Street was also met with popular response, with an average price of RMB44,000 per square metre. In addition, the Wuhan Phoenix Street project has obtained residential area at a low price from the government, which has significantly improved investment returns. This mode of commercial street complex with residential project is also being negotiated and implemented in other cities, which will become a new highlight for the development of Sunshine 100 in the future.

The core product Himalaya apartments has also developed considerably in the past year. For example, in Tianjin, it recorded RMB575 million contracted sales with the unit price reached RMB49,000 per square metre, which realized the increase in both quantity and price. The delivery and operation of Chongqing and Tianjin projects have achieved a good brand recognition in the market. At the same time, in 2019, Himalaya projects have established their presence in Beijing, Yantai, Yueyang, Weifang and other cities, new projects are also under active negotiation.

In 2019, the Company prepared three high-quality cultural tourism-oriented projects around Beijing. With the maturity of the Guilin and Lijiang cultural tourism-oriented projects, the cultural tourism-oriented product line will also become a new business sector of Sunshine 100 in the next few years.

2. Gradual release of high-quality land reserve value

Over the years, the Company has set up primary land development projects in the Yangtze River Delta, the Pearl River Delta, and the Greater Beijing Circle. In 2019, the Company timely transferred the 1.2 million square meters residential area of the Qingyuan Arles project in Pearl River Delta and achieved ideal returns. At the same time, the Company completed the road opening works of the Wenzhou Arles project last year and the demolition works of Beijing North Xinlong County High-speed Rail New Town, thus laid a solid foundation for land listing in 2020 and the next few years.

After years of planning, Sunshine 100 leads its peers with huge margin in land reserve across the country. As at the end of 2019, the Company has obtained a planned land area of more than 12 million square meters at a value of more than RMB150 billion. Xinglong and Wenzhou Lucheng District have primary development lands that exceed 6,000 mu and 2,000 mu respectively, while the land area of cultural tourism-oriented projects contracted and intended exceed 3,000 mu. Among them, over 2,000 mu of primary development land will be approved for listing and sales in 2020. It is foreseeable that within the next decade, primary land development will become a growing focus for the continued profitability of the Company.

3. The improving operation system

The high returns achieved by Sunshine 100's core products and its good brand image are inseparable from the strong investment in establishing a good operating system. For example, after the commercial street complex is opened, the Company will introduce the Phoenix Fair, anchor stores and partners. Himalaya apartments adopted a unified three-to-five-years leaseback operation. In the short term, the operating investment of the Company will increase year by year, but the service income will also increase rapidly. In 2019, the operating income of the Company for the year increased by 3.2% to RMB649.7 million. With the substantial increase in holding and leaseback properties, the operating income of the Company will increase significantly.

As the commercial properties operated and held by the Company are located in the downtown section of the city or landmark buildings, rents and operating income will increase steadily and continuously as the operation matures.

FUTURE OUTLOOK

The golden era of the rapid development of China's real estate has ended, and real estate enterprises entering the second half of the competition are facing elimination-based competition that are more cruel and fierce. Sunshine 100 has persisted in business transformation and upgrading for many years to create the competitiveness of its core products in specific market segments. Its competitive advantages and benefits are beginning to emerge. I believe that the next few years will be a good opportunity for the Company to vigorously develop and progress.

1. Speeding up the process of inventory turnover in 2020, continuously improve profitability and reduce corporate liabilities

The Company persists on effective growth strategies and will not blindly compare the scale of sales. In 2020, the Company will seize the opportunity to sell primary lands in Wenzhou and Xinglong after improvement in transportation in those areas, actively promote the transfer and cooperation of residential projects, and increase cash flow to support core product expansion, while continuing to control its debts and leverage ratios and reducing the risk therein. We expect the Company to experience a favourable growth in profit in the next few years.

2. Accelerating the development of core products

With the promotion of the branding of Sunshine 100's core products, in the development of new projects, the commercial street complex has been provided with a low-cost residential area by the government in the tender, which will greatly accelerate the return of cash and improve profitability. The Himalaya apartments products have been favored by the capital market, and the Company will be able to invest a small amount of funds for rapid expansion and implementation of its new projects. The cultural tourism-oriented projects will focus on projects around Beijing, which will launch in 2020 successively.

3. Promoting organizational reform and establising a sound incentive mechanism

In order to adapt to the business transformation and product upgrading of the Company, the Company will vigorously promote internal reform and innovation of incentive mechanisms. The Company will be developed into a professional enterprise with innovation capability, profitability and brand influence. The Company will change its strategy from pursuing scale strength and expansion in the past to continuously pursuing professional capabilities.

It should be emphasized that the transformation, upgrading, innovation and reform require great courage to break through, like the break of the pupae into a butterfly. Such courage cannot exist without the consensus of all employees to support the reform. Sunshine 100 focuses on innovative corporate culture, clear and firm values, which is a solid foundation to enable us to complete the transformation and upgrade, and for us to pursue a new course of development.

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to all of our colleagues, clients, shareholders and friends who provided support to Sunshine 100.

Chairman of the Board
Yi Xiaodi

Corporate Milestones

April 2019

Disposal of part of equity interest in Chongqing Sunshine 100 International New Town, with a total consideration of approximately RMB1.33 billion, reducing debts by approximately RMB3 billion and retaining 30% equity interest to enjoy future income;

Disposal of part of equity interest in residential properties of Qingyuan Sunshine 100 Arles, with a total consideration of approximately RMB4.66 billion, which is expected to generate disposal gain before tax of approximately RMB4.2 billion

May 2019

Acquisition of the Land Lot of Xinglong County High-speed Rail New Town, with a total consideration of approximately RMB260 million;

Recognized among the "2019 TOP10 Investment Value of Hong Kong-listed Real Estate Companies of China" and the "2019 TOP10 Wealth Creation Capability of Hong Kong-listed Real Estate Companies of China" issued by the China Real Estate Top 10 Research Team

June 2019

Won "The Award of the Most Valuable Investment" issued by China Finance, a high-end financial magazine in Hong Kong capital market

July 2019

Offshore issuance of 2-year US$200 million senior notes with a coupon rate of 11.5%

September 2019

Strategic investment in Chengde Rehe Valley, a quality cultural tourism project around Beijing;

Recognised among the "2019 TOP 30 Brand of China Real Estate Companies" by the China Real Estate Top 10 Research Team

November 2019

Proposed acquisition of the remaining equity interest of the two projects in Wenzhou for a total consideration of approximately RMB1.106 billion, and will wholly-owned Sunshine 100 Wenzhou Center and Wenzhou Sunshine 100 Arles

January 2020

Further issue of offshore US$123 million senior notes with a coupon rate of 11.5%

March 2020

Won the "2020 Best 100 of China Real Estate Developers" issued by China Real Estate Association and China Real Estate Evaluation Centre of Shanghai Yiju Real Estate Research Institute

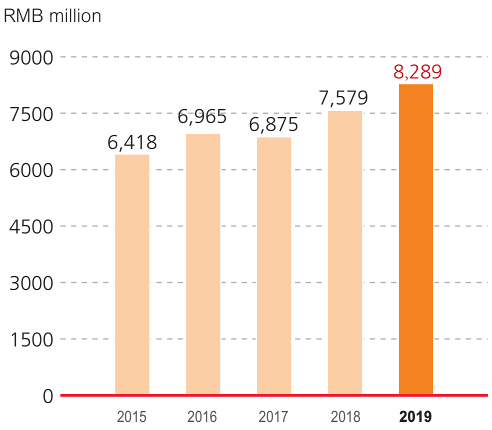
Financial Summary

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**8,289**	7,579	6,875	6,965	6,418
Gross profit	**2,100**	1,591	1,499	1,084	1,168
Profit before taxation	**4,018**	609	1,296	539	1,003
Income tax	**(803)**	(366)	(477)	(308)	(390)
Profit for the year	**3,215**	243	849	231	613
Total profit for the year attributable to:					
– Equity shareholders of the Company	**1,805**	(30)	593	195	601
– Non-controlling interests	**1,410**	273	256	36	12
Total comprehensive income for the year	**3,212**	225	863	219	610

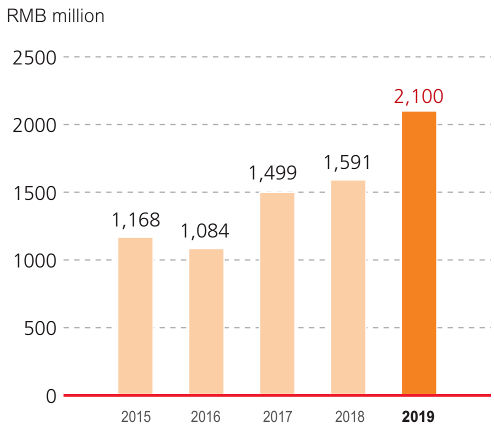
	As at 31 December				
	2019	2018	2017	2016	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total assets	**58,395**	61,452	55,780	53,088	43,139
Total liabilities	**46,647**	51,844	46,618	45,406	35,637
Net assets	**11,748**	9,608	9,162	7,682	7,502
Total equity attributable to:					
– Equity shareholders of the Company	**9,167**	7,475	7,447	6,239	6,196
– Non-controlling interests	**2,581**	2,133	1,715	1,443	1,306
Total equity	**11,748**	9,608	9,162	7,682	7,502

Financial Summary

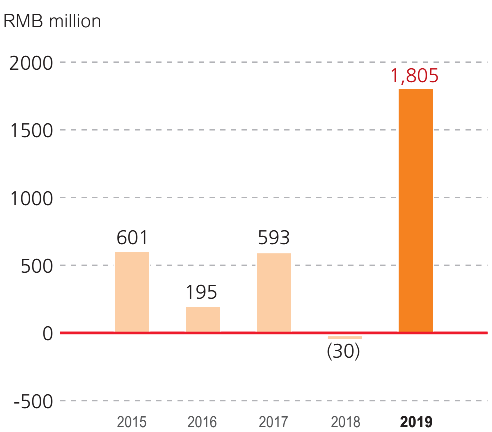
REVENUE



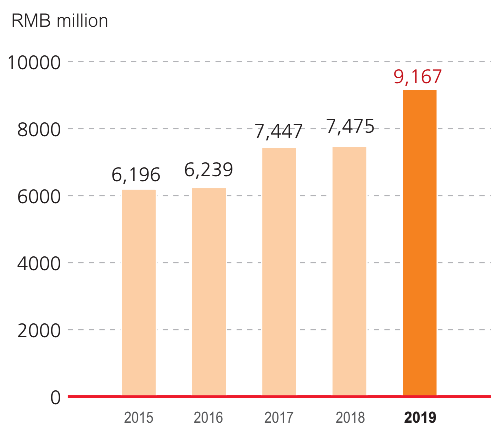
GROSS PROFIT



TOTAL PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



CONTRACTED SALES

During the Reporting Period, the Group (including light-asset operation projects) realized contracted sales of RMB10,338.1 million, representing a decrease of 14.5% from 2018, and contracted sales area of 787,395 square metres, representing a decrease of 16.9% from 2018. Moreover, the Group's average unit price for contracted sales was RMB12,825 per square metre, representing an increase of 4.4% over 2018. The Group increased efforts in the sales of non-residential products. The contracted sales generated from commercial properties and car parks was RMB5,133.7 million, representing an increase of 42.5% from 2018. Approximately 38.9% and 31.4% of the contracted sales amount was generated from the Midwest and Yangtze River Delta respectively, among which, contributions from Wenzhou Sunshine 100 Arles, Jinan Sunshine 100 International New Town and Wuxi Sunshine 100 Arles contributed significantly, with the contracted sales being RMB1,175.1 million, RMB890.9 million and RMB879.8 million respectively, accounting for 11.4%, 8.6% and 8.5% of the Group's total contracted sales respectively.

Breakdown of contracted sales of the Group by geographic location during the Reporting Period is as follows:

			For the year ended 31 December					
			Contracted sales area *(square metres)*[1]		**Contracted sales amount** *(RMB million)*[2]		**Unit selling price** *(RMB/square metre)*[1]	
Economic area	**City**	**Project**	**2019**	2018	**2019**	2018	**2019**	2018
BohaiRim	Shenyang	Shenyang Sunshine 100 International New Town	**63,213**	53,300	**638**	499	**9,852**	8,829
		Shenyang Sunshine 100 Golf Mansion	**19,913**	5,205	**177**	51	**8,675**	9,330
	Jinan	Jinan Sunshine 100 International New Town	**38,815**	47,263	**891**	1,051	**21,832**	21,371
	Dongying	Dongying Sunshine 100 Phoenix Community	**5,580**	24,846	**53**	236	**8,976**	9,278
	Weifang	Weifang Sunshine 100 Phoenix Community	**40,855**	53,729	**334**	423	**8,097**	7,866
	Tianjin	Tianjin Sunshine 100 Nankai Himalaya	**6,247**	10,493	**214**	316	**34,251**	30,072
		Tianjin Sunshine 100 Tianta Himalaya[3]	**14,101**	11,875	**575**	413	**40,771**	34,804
		Tianjin Sunshine 100 International New Town	**58**	–	**19**	27	**9,256**	–
	Sub-total		**188,782**	206,711	**2,901**	3,016	**14,902**	14,083

			For the year ended 31 December					
			Contracted sales area *(square metres)*[1]		Contracted sales amount *(RMB million)*[2]		Unit selling price *(RMB/square metre)*[1]	
Economic area	**City**	**Project**	**2019**	2018	**2019**	2018	**2019**	2018
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	**57,268**	230,867	**880**	2,812	**14,621**	12,015
		Wuxi Sunshine 100 Himalaya	**8,277**	24,105	**157**	423	**18,917**	17,556
	Wenzhou	Sunshine 100 Wenzhou Center	**19,795**	16,042	**396**	342	**19,526**	19,174
		Wenzhou Sunshine 100 Arles	**97,115**	156,465	**1,175**	1,720	**11,832**	10,909
		Wenzhou Sunshine 100 Repulse Bay[3]	**42,678**	10,723	**479**	122	**11,212**	11,331
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	**4,752**	14,178	**106**	310	**20,940**	19,764
	Yixing	Yixing Sunshine 100 Phoenix Street	**3,646**	4,403	**55**	103	**15,105**	23,441
	Sub-total		**233,531**	456,783	**3,248**	5,832	**13,542**	12,515
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	**5,447**	48,551	**48**	621	**8,453**	12,197
	Dongguan	Dongguan Songshan Mansion	**–**	493	**–**	5	**–**	11,010
	Putian	Putian Sunshine 100 Phoenix Plaza[3]	**5,986**	6,713	**122**	126	**19,352**	16,439
	Sub-total		**11,433**	55,757	**170**	752	**14,160**	12,698

			For the year ended 31 December					
			Contracted sales area *(square metres)*(1)		Contracted sales amount *(RMB million)*(2)		Unit selling price *(RMB/square metre)*(1)	
Economic area	**City**	**Project**	**2019**	2018	**2019**	2018	**2019**	2018
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	**3,423**	–	**27**	–	**6,825**	–
		Wuhan Sunshine 100 Phoenix Street	**60,220**	–	**817**	–	**13,389**	–
	Chongqing	Chongqing Sunshine 100 Himalaya	**-**	9,447	**-**	217	**-**	20,885
		Chongqing Sunshine 100 Arles	**23,615**	49,801	**250**	586	**10,075**	11,204
	Changsha	Changsha Sunshine 100 Phoenix Street	**49,963**	36,547	**822**	670	**16,207**	17,939
	Liuzhou	Liuzhou Sunshine 100 Yaobu Town	**3,124**	3,177	**67**	111	**20,883**	31,139
		Liuzhou Sunshine 100 City Plaza	**25,486**	–	**213**	–	**8,115**	–
	Chengdu	Chengdu Sunshine 100 Mia Center	**22,073**	157	**303**	5	**13,591**	16,511
	Nanning	Nanning Sunshine 100 Upper East Side International	**-**	177	**-**	59	**-**	11,419
		Nanning Sunshine 100 Nine Peninsulas(3)	**67,484**	78,038	**521**	513	**7,624**	6,414
	Wuzhou	Wuzhou Sunshine 100 Sankee City(3)	**36,666**	16,825	**302**	123	**8,126**	6,761
	Lijiang	Lijiang Sunshine 100 COART Village	**-**	952	**-**	13	**-**	14,149
	Xi'an	Xi'an Sunshine 100 Arles	**61,257**	30,828	**695**	178	**11,336**	5,576
	Guilin	Pingle Sunshine 100 Li River Cultural Village	**338**	2,431	**2**	21	**7,185**	8,693
	Sub-total		**353,649**	228,380	**4,019**	2,496	**11,196**	10,107
Total			**787,395**	947,631	**10,338**	12,096	**12,825**	12,287

Notes:

(1) Excluding car parks
(2) Including car parks
(3) Being light-asset operation projects

Breakdown of contracted sales of the Group by type of business during the Reporting Period is as follows:

Type	For the year ended 31 December					
	Contracted sales area *(square metres)*[(1)]		**Contracted sales amount** *(RMB million)*[(2)]		**Unit selling price** *(RMB/square metre)*[(1)]	
	2019	2018	**2019**	2018	**2019**	2018
Residential properties	**480,213**	743,285	**5,204**	8,492	**10,838**	11,426
Commercial properties and car parks	**307,182**	204,346	**5,134**	3,604	**15,932**	15,422
Total	**787,395**	947,631	**10,338**	12,096	**12,825**	12,287
Proportion						
Residential properties	**61%**	78%	**50%**	70%		
Commercial properties and car parks	**39%**	22%	**50%**	30%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks
(2) Including car parks

PROPERTY CONSTRUCTION

During the Reporting Period, the Group commenced construction on GFA of 1,309,821 square metres, representing a decrease of 12.5% from 2018. The completed GFA was 1,010,154 square metres, representing a decrease of 9.0% from 2018. The decrease was mainly due to the completion of certain large projects in 2018. The total GFA under construction was 4,587,294 square metres at the end of the Reporting Period, remaining stable as compared with the end of 2018.

The property construction of the Group during the Reporting Period is as follows:

		2019		
Economic area	**City**	**Newly-started total GFA** *(square metres)*	**Completed total GFA** *(square metres)*	**Total GFA under construction as at the end of the period** *(square metres)*
Bohai Rim	Jinan	–	–	219,915
	Shenyang	–	31,565	71,640
	Dongying	–	8,801	–
	Weifang	–	–	190,047
	Chengde	5,860	–	5,860
	Yantai	748,212	–	748,212
	Tianjin	–	27,977	97,855
	Sub-total	**754,072**	**68,343**	**1,333,529**
Yangtze River Delta	Wuxi	–	174,985	132,241
	Wenzhou	–	223,978	1,230,578
	Changzhou	–	249,440	–
	Sub-total	**–**	**648,403**	**1,362,819**
Pearl River Delta	Qingyuan	52,158	185,978	197,566
	Putian	–	–	163,527
	Sub-total	**52,158**	**185,978**	**361,093**

		2019		
Economic area	**City**	**Newly-started total GFA** *(square metres)*	**Completed total GFA** *(square metres)*	**Total GFA under construction as at the end of the period** *(square metres)*
Midwest	Chongqing	64,633	32,230	277,678
	Changsha	–	75,200	55,228
	Guilin	–	–	21,762
	Nanning	264,704	–	394,621
	Wuzhou	–	–	410,322
	Xi'an	–	–	163,056
	Wuhan	174,254	–	174,254
	Lijiang	–	–	32,932
	Sub-total	**503,591**	**107,430**	**1,529,853**
Total		**1,309,821**	**1,010,154**	**4,587,294**

BREAKDOWN OF MAJOR PROPERTIES

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province			31,690	219,915	–	49.00%
		Phase I				251	–	–	
		Phase II				705	–	–	
		Phase III				6,797	–	–	
		Phase IV				9,515	–	–	
		Phase V		2020	95%	14,422	122,607	–	
		Phase VI		2021	49%	–	97,308	–	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province			135,349	71,640	268,597	100.00%
		Phase I				24,017	–	–	
		Phase II				48,207	–	–	
		Phase III		2020	78%	63,125	71,640	268,597	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province			61,549	–	18,456	51.00%
		Phase I				27,592	–	–	
		Phase II, Phase III				33,957	–	18,456	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			9,436	–	–	86.00%
		Tianjin Sunshine 100 Nankai Himalaya	West of Hongqi Road and North of Chuxiong Road, Nankai District,Tianjin City	2020	78%	–	2,944	–	100.00%
		Tianjin Sunshine 100 Tianta Himalaya	Intersection of Weijin North Road and Tianta Road, Nankai District, Tianjin City	2020	58%	–	94,911	–	20.00%
	Dongying	Dongying Sunshine 100 Phoenix Community	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			47,864	–	–	100.00%
		Phase I				4,892	–	–	
		Phase II				4,969	–	–	
		Phase III				38,003	–	–	
	Weifang	Weifang Sunshine 100 Phoenix Community	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			59,071	190,047	886,554	100.00%
		Phase I				22,192	–	–	
		Phase II				36,879	–	–	
		Phase III		2021	41%	–	190,047	–	
		Phase IV				–	–	423,573	
		Phase V				–	–	462,981	
	Chengde	Xinglong High-speed Rail New City Xinglong	Room 204, 2nd Floor, No.9 Building, Building 3, No.9 Building, Supreme Gate, Shizuba Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province	2022	0%	–	5,860	160,146	100.00%
	Yantai	Yantai Sunshine 100 City Plaza	No. 25–27 Haigang Road, Zhifu District, Yantai City, Shandong Province			15,743	748,212	–	100.00%
		Phase I				15,743	–	–	
		Phase II		2022	3%	–	748,212	–	
	Subtotal					**360,702**	**1,333,529**	**1,333,753**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			100,296	–	–	100.00%
		Phase I				463	–	–	
		Phase II				5,560	–	–	
		Phase III				8,447	–	–	
		Phase IV				13,959	–	–	
		Phase V				17,328	–	–	
		Phase VI				36,270	–	–	
		Phase VII				18,269	–	–	
		Wuhan Shangdongfang Project	Qixin Village, Zhifang Street, Jiangxia District, Wuhan City, Hubei Province			–	174,254	174,678	70.00%
		Phase I				–	104,963	–	
		Phase II				–	69,291	–	
		Phase III				–	–	90,306	
		Phase IV				–	–	84,372	
		Phase V				–	–	–	
	Xi'an	Xi'an Sunshine 100 Ariles	No. 3501 Chanhe West Road, Chanba Ecological District, Xi'an City, Shaanxi Province			–	163,056	454,689	100.00%
		Phase I		2021	35%	–	163,056	–	
		Phase II				–	–	402,192	
		Phase III				–	–	52,497	
	Chongqing	Chongqing Sunshine 100 Arles	No. 163 Yunan Road, Banan District, Chongqing City			17,865	277,678	–	80.00%
		Phase I				16,620	–	–	
		Phase II		2021	66%	1,245	211,800	–	
		Phase III				–	65,878	–	
	Chengdu	Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			47,118	–	–	100.00%
		Phase I				20,888	–	–	
		Phase II				26,230	–	–	
		Chengdu Xin Sheng Yuan Project	Keyuan South 2nd Road, High-tech Zone, Chengdu City, Sichuan Province			–	–	20,000	100.00%
	Changsha	Changsha Sunshine 100 International New Town	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province			60,851	55,228	–	100.00%
		Phase I				6,030	–	–	
		Phase II				28,740	–	–	
		Phase III				5,220	–	–	
		Phase IV		2021	66%	20,861	55,228	–	
	Yueyang	Yueyang Hansen Project	No. 1 Baling West Road, Yueyanglou District, Yueyang City, Hunan Province			–	–	83,400	51.00%
		Phase I				–	–	83,400	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
	Guilin	Pingle Sunshine 100 Li River Cultural Village	Pingle Town, Pingle County, Guilin City, Guangxi Zhuang Autonomous Region			16,774	21,762	89,549	75.00%
		Phase I				–	529	58,240	
		Phase II, Phase III		2020	95%	16,774	21,233	31,309	
		Guilin Sunshine 100 Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region			–	–	242,997	100.00%
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			35,683	–	–	75.00%
		Phase I				12,580	–	–	
		Phase II				6,800	–	–	
		Phase III				1,550	–	–	
		Phase IV				14,753	–	–	
		Liuzhou Sunshine 100 Yaobu Classic Town	No. 9 Panlong Road, Liuzhou City, Guangxi Zhuang Autonomous Region			42,998	–	–	98.75%
		Phase I				21,599	–	–	
		Phase II				2,069	–	–	
		Phase III				19,330	–	–	
	Nanning	Nanning Sunshine 100 City Plaza	No. 63–1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			5,180	–	92,230	100.00%
		Phase I				5,180	–	–	
		Phase II				–	–	92,230	
		Nanning Sunshine 100 Up-east International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			39,107	–	–	26.01%
		Nanning Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	–	–	100.00%
		Nanning Sunshine 100 Mountainside Garden	No. 1–2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region			9,841	–	–	51.00%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region			501	–	–	50.00%
		Nanning Sunshine 100 Nine Peninsulas	Wuhua Avenue Middle, Wuming District, Nanning City, Guangxi Zhuang Autonomous Region			16,519	394,620	903,994	30.00%
		Phase I				1,570	22,203	–	
		Phase II		2020	63%	14,949	128,457	–	
		Phase III				–	243,960	–	
		Phase IV				–	–	903,994	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
	Wuzhou	Wuzhou Sunshine 100 Sankee City	No. 38 Xinglong Road, Changzhou District, Wuzhou City, Guangxi Zhuang Autonomous Region			10,938	410,323	1,026,914	27.75%
		Phase I				10,938	–	–	
		Phase II		2020	92%	–	201,348	–	
		Phase III		2020	92%	–	97,078	–	
		Phase IV		2020	70%	–	111,897	–	
		Phase V				–	–	1,026,914	
	Lijiang	Lijiang Sunshine 100 COART Village	Kaiwen Community and Longquan Community, Shuhe Street, Lijiang City, Yunnan Province			24,386	32,932	148,763	51.00%
	Subtotal					**430,808**	**1,529,853**	**3,237,214**	
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	No. 1 Tianyi New Street, Xizhang,Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province			197,644	128,367	30,171	100.00%
		Phase I				88,166	–	–	
		Phase II				63,708	–	–	
		Phase III				1,400	–	–	
		Phase IV		2020	87%	35,286	128,367	30,171	
		Phase V				8,166	–	–	
		Phase VI				918	–	–	
		Wuxi Sunshine 100 Himalaya	No. 8 of 8th Financial Street, Tai Lake New Town, Wuxi City, Jiangsu Province			52,915	3,875	–	100.00%
	Yixing	Yixing Sunshine 100 Phoenix Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province			51,925	–	–	80.00%
	Wenzhou	Sunshine 100 Wenzhou Center	Binjiang Qidu, Lucheng District, Wenzhou City, Zhejiang Province			2,287	393,731	–	100.00%
		Phase I (C)				2,287	–	–	
		Phase II (A)		2023	53%	–	267,781	–	
		Phase II (B)				–	125,950	–	
		Wenzhou Sunshine 100 Arles	Yangyi Road, Lucheng District, Wenzhou City, Zhejiang Province			32,435	836,846	63,138	100.00%
		Phase I (A11 parcel)				32,435	–	–	
		Phase II (A02 parcel)		2020	72%	–	348,920	–	
		Phase II (A03 parcel)		2021	62%	–	173,112	–	
		Phase II (A05 parcel)		2021	26%	–	100,333	–	
		Phase II (A07 parcel)				–	181,411	–	
		Phase II (A16 parcel)				–	33,070	–	
		Phase II (B09 parcel)				–	–	29,334	
		Phase II (C04&C08 parcels)				–	–	33,804	
	Changzhou	Changzhou Sunshine 100 7th District Upper East	East of Dongcheng Road and North of Dongfang East Road, Economic Development Zone, Changzhou City, Jiangsu Province			27,094	–	–	51.00%
	Subtotal					**364,300**	**1,362,819**	**93,309**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	No. 24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			103,810	158,666	1,221,277	55.00%
		Phase I				25,419	-	-	
		Phase II				56,233	-	-	
		Phase III		2020	91%	22,158	158,666	83,206	
		Phase IV				-	-	1,138,071	
		Qingyuan Yingde Project	North of Zhenyang Three Road and East of Ying'an Monitoring Station, Yingcheng Street, Yingde City, Qingyuan City, Guangdong Province			-	38,900	-	55.00%
	Putian	Putian Sunshine 100 Phoenix Plaza	No. 1069, Wenxian East Road, Licheng District, Putian City, Fujian Province			23,609	163,527	-	49.00%
	Subtotal					**127,419**	**361,093**	**1,221,277**	
	Total					**1,283,229**	**4,587,294**	**5,885,553**	

Note:

(1) Expected completion date and completion progress are applicable to projects under development, but not applicable to those completed or to be developed.

(2) Completion progress represents the overall completion progress as at 31 December 2019.

(3) The completed investment properties with a total GFA of approximately 502,589 square metres is excluded in this table.

(4) The self-operated commercial areas of Shenyang Sunshine 100 Golf Mansion and Qingyuan Sunshine 100 Arles with a total GFA of approximately 10,731 square metres, the self-operated hotels of Jinan Sunshine 100 International New Town, Liuzhou Sunshine 100 City Plaza, and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 64,298 square metres, and the sharing office space of Wuxi Sunshine 100 International New Town with a total GFA of approximately 8,844 square metres is not included in this table.

INVESTMENT PROPERTIES

During the Reporting Period, the GFA of investment properties of the Group increased by 30,239 square metres. In the meantime, the GFA of investment properties decreased by 155,104 square metres from that of the previous year. During the Reporting Period, the total GFA of the Group's investment properties, either completed or under construction, was 582,587 square metres. Moreover, the Group's rental income for the Reporting Period was RMB162.4 million, representing an increase of 6.2% as compared to 2018.

LAND ACQUISITION

During the Reporting Period, the Group paid an aggregate amount of RMB564.4 million for various land acquisitions and project acquisitions, which included the payment of approximately RMB276.7 million for acquiring the land use rights and related expenses in connection with a parcel of land located at Dayoutun Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province, the PRC, and the payment of land premium of Yantai Sunshine 100 City Plaza in the amount of approximately RMB114.9 million.

Breakdown of the land reserves of the Group at the end of the Reporting Period is as follows:

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Bohai Rim	Weifang	1,166,548	9%	1,166,548	13%
	Shenyang	659,176	5%	610,049	7%
	Yantai	823,440	7%	823,441	9%
	Jinan	328,924	3%	161,173	2%
	Tianjin	125,529	1%	45,726	1%
	Chengde	166,006	1%	166,006	2%
	Dongying	50,298	0%	50,298	1%
	Sub-total	**3,319,921**	**26%**	**3,023,241**	**35%**

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Midwest	Chongqing	297,702	2%	238,162	3%
	Guilin	381,956	3%	347,216	4%
	Changsha	124,578	1%	124,578	1%
	Yueyang	83,400	1%	42,534	0%
	Liuzhou	193,413	2%	163,221	2%
	Nanning	1,498,037	12%	541,950	6%
	Wuzhou	1,448,174	12%	401,868	5%
	Wuhan	455,705	4%	351,025	4%
	Chengdu	88,587	1%	88,588	1%
	Xi'an	617,745	5%	617,745	7%
	Lijiang	206,081	2%	105,101	1%
	Sub-total	**5,395,378**	**45%**	**3,021,988**	**34%**
Yangtze River Delta	Wenzhou	1,328,435	11%	1,328,435	15%
	Wuxi	461,041	4%	461,041	5%
	Changzhou	27,094	0%	13,818	0%
	Yixing	94,428	1%	75,542	1%
	Sub-total	**1,910,998**	**16%**	**1,878,836**	**21%**
Pearl River Delta	Qingyuan	1,529,102	12%	841,006	9%
	Putian	187,136	1%	91,696	1%
	Sub-total	**1,716,238**	**13%**	**932,702**	**10%**
Total		**12,342,535**	**100%**	**8,856,767**	**100%**

FINANCIAL REVIEW

Financial performance

Revenue

During the Reporting Period, the Group's revenue increased by 9.4% to RMB8,288.6 million in 2019 from RMB7,579.1 million in 2018 mainly due to an increase of income from sale of properties.

Income from sale of properties

During the Reporting Period, revenue generated from the sale of properties increased by 10.0% to RMB7,639.0 million in 2019 from RMB6,944.1 million in 2018, mainly due to the increase in the area of delivered properties and average unit selling price.

	For the year ended 31 December					
Type	Sales area *(square metres)*[1]		Sales amount *(RMB million)*[2]		Unit selling price *(RMB/square metre)*[1]	
	2019	2018	**2019**	2018	**2019**	2018
Residential properties	**544,890**	584,407	**5,152**	5,690	**9,454**	9,737
Commercial properties and car parks	**166,839**	74,109	**2,487**	1,254	**14,054**	13,708
Total	**711,729**	658,516	**7,639**	6,944	**10,533**	10,184
Proportion						
Residential properties	**77%**	89%	**67%**	82%		
Commercial properties and car parks	**23%**	11%	**33%**	18%		
Total	**100%**	100%	**100%**	100%		

Note:

(1) Excluding car parks

(2) Including car parks

Income from property management and hotel operation

During the Reporting Period, revenue generated from property management and hotel operation of the Group increased by 3.3% to RMB457.9 million in 2019 from RMB443.4 million in 2018, mainly due to the increase in the area under property management by the Group .

Rental income from investment properties

During the Reporting Period, rental income from investment properties of the Group increased by 6.2% to RMB162.4 million in 2019 from RMB152.9 million in 2018, mainly due to the increase in the area of rental properties.

Light-asset operation income

During the Reporting Period, the light-asset operation income of the Group decreased by 24.0% to RMB29.4 million in 2019 from RMB38.7 million in 2018, mainly because the projects related to light-asset operation are at their closing stages, and the new projects have not yet started large-scale pre-sale, resulting in a decrease in the overall contracted amount of projects compared to last year, and a decrease in sales agency fees and brand agency fees during the Reporting Period..

Cost of sales

During the Reporting Period, the cost of sales of the Group increased by 3.3% to RMB6,188.6 million in 2019 from RMB5,988.3 million in 2018. Cost of sales of properties increased by 2.9% to RMB5,654.8 million in 2019 from RMB5,493.3 million in 2018, primarily due to the increase in the area of delivered properties during the Reporting Period. Cost of property management and hotel operation increased by 9.5% to RMB528.1 million in 2019 from RMB482.3 million in 2018, primarily due tothe increased area of property management. In addition, the cost incurred for light-asset operation decreased by 54.8% to RMB5.7 million in 2019 from RMB12.6 million in 2018.

Gross profit

As a result of the foregoing, for the Reporting Period, the Group's gross profit increased by 32.0% to RMB2,100.0 million in 2019 from RMB1,590.8 million in 2018. The Group's gross profit margin increased by 4.3 percentage points to 25.3% in 2019 from 21.0% in 2018, primarily due to the increase in the proportion of delivered property with a higher gross profit.

Valuation gains on investment properties

During the Reporting Period, valuation gains on investment properties of the Group were RMB529.5 million, primarily due to the conversion of certain properties under construction and completed properties into investment properties.

Other income

During the Reporting Period, the Group's other income significantly increased by 803.8% to RMB2,521.5 million in 2019 from RMB279.0 million in 2018, mainly due to the gain from the disposal of interest in the residential sector under the Arles Town project development.

Selling expenses

During the Reporting Period, the Group's selling expenses decreased by 12.7% to RMB483.2 million in 2019 from RMB553.7 million in 2018, primarily due to the Group stepping up its cost control measures and adjusting its commission policy, which led to a decrease in the advertising and sales agency fees.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by 8.2% to RMB590.8 million in 2019 from RMB545.9 million in 2018, primarily due to the Company's active development of new projects, leading the increase of the related costs.

Other operating expenses

During the Reporting Period, the Group recorded other operating expenses of RMB182.9 million significantly decreased by 81.5% from RMB990.4 million in 2018, mainly due to the Group's provision for loss of the loans provided to third parties of RMB902.0 million for the outstanding balances with significantly increased credit risk in 2018.

Finance income

During the Reporting Period, finance income of the Group increased by 34.2% to RMB696.8 million in 2019 from RMB519.4 million in 2018, mainly due to the effect of gain on fair value change of the derivative components of convertible bonds of the Group.

Finance costs

During the Reporting Period, finance costs of the Group increased by 6.3% to RMB585.6 million in 2019 from RMB550.8 million in 2018, mainly due to the increased interest expense as a result of the increased number of completed projects as well as the effect of loss on fair value change of the financial assets at fair value through profit or loss.

Income tax

During the Reporting Period, the income tax expenses of the Group increased by 119.5% to RMB803.2 million in 2019 from RMB366.0 million in 2018, mainly due to the increase in the profit before taxation and the land appreciation tax of the Group.

Profit for the year

During the Reporting Period, the Group's profit for the year increased by 1,224.3% to RMB3,215.1 million in 2019 from RMB242.8 million in 2018.

Profit attributable to equity shareholders of the Company

Due to the factors mentioned above,the loss attributable to equity shareholders of the Company for the year of 2018 was RMB30.0 million, the profit attributable to equity shareholders of the Company for the year of 2019 was RMB1,804.8 million.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCES

Cash and cash equivalents

As at 31 December 2019, the Group had approximately RMB2,438.6 million of cash and cash equivalents, representing a decrease of RMB150.0 million as compared to those as at 31 December 2018, mainly due to the repayment of principal and interest on borrowings, payment of dividends and external investment.

Current ratio, gearing ratio and net gearing ratio

As at 31 December 2019, the Group's current ratio decreased to 150.5% from 164.1% as at 31 December 2018. The Group's current assets decreased from RMB45,931.0 million as at 31 December 2018 to RMB42,692.2 million as at 31 December 2019, while current liabilities increased to RMB28,370.0 million as at 31 December 2019 from RMB27,988.9 million as at 31 December 2018.

As at 31 December 2019, the Group's gearing ratio (calculated as total loans and borrowings divided by total assets) decreased to 42.9% from 48.3% as at 31 December 2018. Net gearing ratio (calculated as total loans and borrowings minus cash and cash equivalents and current restricted deposits, divided by total equity) decreased by approximately 82.4 percentage points to 179.2% from 261.6% as at 31 December 2018, which was mainly attributable to the significant increase of the annual profit compared with last year, and the decrease of the total loans and borrowings due to the sale of projects.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchases of its properties. As at 31 December 2019, the Group provided guarantees for mortgage loans in an aggregate amount of RMB6,563.9 million (31 December 2018: RMB7,266.6 million) to those banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 31 December 2019, the Group had total loans and borrowings of RMB25,054.2 million, of which RMB10,601.4 million, RMB8,111.2 million, RMB5,973.1 million and RMB368.5 million are payable within one year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively. The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 31 December 2019, the Group had comprehensive credit facilities granted by bank and other financial institutions in an aggregate amount of RMB16.75 billion, of which RMB12.39 billion had not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 31 December 2019, the Group had pledged properties and restricted deposits with a carrying value of RMB13,727.4 million (31 December 2018: RMB15,128.5 million) to secure banking facilities granted to the Group.

Capital commitment

As at 31 December 2019, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial statements was RMB7,606.6 million (31 December 2018: RMB4,686.2 million). Approved but not contracted for capital commitment of the Group was RMB7,579.0 million as at 31 December 2019 (31 December 2018: RMB10,012.7 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "**PBOC**") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside People's Republic of China, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the Hong Kong dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposure but may adopt hedging measures in the future.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Disposal of 70% Equity Interest in Chongqing Sunshine 100

On 1 April 2019, Sunshine 100 Real Estate Group Co., Ltd.*(陽光壹佰置業集團有限公司)(the "**Sunshine 100 Group**", a wholly-owned subsidiary of the Company), entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Sunac South-West Real Estate Development (Group) Co., Ltd.* (融創西南房地產開發(集團)有限公司) ("**Sunac**"), Sunshine 100 Real Estate (Liaoning) Co., Ltd.* (陽光一佰置業(遼寧)有限公司) ("**Sunshine 100 Liaoning**"), Yangpu Huadian Properties Co., Ltd.* (洋浦華電置業有限公司) and Chongqing Sunshine 100 Real Estate Development Co., Ltd.* (重慶陽光壹佰房地產開發有限公司) ("**Chongqing Sunshine 100**"), pursuant to which Sunshine 100 Group has conditionally agreed to sell, and Sunac has conditionally agreed to purchase, 70% equity interest in Chongqing Sunshine 100 for a total consideration of approximately RMB1,334.1 million comprising (i) an equity consideration of RMB370.0 million payable in cash (subject to adjustment); and (ii) the shareholder loan of approximately RMB964.1 million.

In addition, pursuant to the Equity Transfer Agreement, Sunshine 100 Group shall continue to extend a shareholder loan amounting to approximately RMB292.8 million to Chongqing Sunshine 100 after completion. The completion took place on 18 April 2019. As at the date of this report, the Company indirectly holds 20% equity interest in Chongqing Sunshine 100 through Sunshine 100 Group and Sunshine 100 Liaoning.

On 16 March 2020, the parties to the Equity Transfer Agreement entered the Shareholders' Resolutions of Chongqing Sunshine 100 to provide for the replacement of the Consideration Adjustment Mechanism (as defined in the Announcement issued on 1 April 2019) with another adjustment mechanism (the "**Dividend Adjustment Mechanism**") through a future dividend distribution plan of Chongqing Sunshine 100. It should be noted that although Completion has already taken place, under the Dividend Adjustment Mechanism, if the consideration and the Total SS100 Dividend (as defined in the announcement dated 16 March 2020 set out below) which the Company is likely to obtain reaches to its maximum possible extent, the consideration for the equity interest will be approximately RMB3,034.1 million at most in total after adjustment from approximately RMB1,334.1 million (although the Company does not think it likely to be adjusted to its maximum extent). Under the Dividend Adjustment Mechanism, the consideration for the equity interest might be adjusted, but the majority of the adjustment will be out of the Total SS100 Dividend. The consideration for the shareholder loan will not be adjusted.

The consideration so adjusted will cause the consideration ratio of the size tests ratios under Chapter 14 of the Listing Rules to exceed 75%. As a result, the Disposal is now re-classified as a very substantial disposal of the Company, which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For details, please refer to the Company's announcements dated 1 April 2019 and 16 March 2020 and circular dated 13 June 2019.

Disposal of 100% Equity Interest in Eminent Star and Provision of Financial Assistance

On 13 April 2019, Chang Jia International Limited（長佳國際有限公司）("**Chang Jia**", a subsidiary of the Company in which the Company owns 55% of the total issued share capital), entered into an equity and loan acquisition agreement (the "**Equity and Loan Acquisition Agreement**") with, inter alia, Victor Select Limited（凱擇有限公司）("**Victor Select**") and Eminent Star Group Limited（卓星集團有限公司）("**Eminent Star**"), pursuant to which Chang Jia has conditionally agreed to sell, and Victor Select has conditionally agreed to purchase, the entire issued share capital and loans of Eminent Star for a total consideration of approximately RMB4,661.2 million payable in cash comprising (i) an equity consideration of RMB4,397.0 million (subject to adjustment(s)); and (ii) the loan consideration of approximately RMB264.2 million (the "**Disposal**").

Sunshine 100 and certain subsidiaries of Sunshine 100 (including Chang Jia) had advanced loans to Eminent Star in the past, which amounted to approximately RMB264.2 million as at 31 March 2019 (the "**Loans**"), which consists of offshore loans in the amount of approximately RMB126.1 million (the "**Offshore Loans**") and onshore loans in the amount of approximately RMB138.1 million (the "**Onshore Loans**"). Pursuant to the terms of the Equity and Loan Acquisition Agreement, the parties acknowledge that the Offshore Loans shall be assigned to Victor Select for a consideration of approximately RMB126.1 million and the Onshore Loans shall be assigned to the nominee of Victor Select for a consideration of approximately RMB138.1 million.

Upon completion, Eminent Star will cease to be a subsidiary of the Company and the financial results of Eminent Star and its subsidiaries will no longer be consolidated into the financial statements of the Group. For details, please refer to the Company's announcements dated 13 April 2019 and 31 December 2019 as well as circular dated 13 June 2019. As at 31 December 2019, Chang Jia has received approximately RMB1,744.2 million of the total consideration.

The Deposit (as defined in the announcements set out below) had been paid to the shareholders of Chang Jia for safe-keeping as then Chang Jia was in the process of opening a bank account in Hong Kong. On 1 September 2019, Chang Jia entered into an agreement with its shareholders (the "**Agreement**"), being Keyasia Investment Limited (基亞投資有限公司) ("**Keyasia**") (a wholly-owned subsidiary of the Company) (as to 55%), Shiny New Limited (耀新有限公司) ("**Shiny New**") (as to 24%) and Shan Ying Limited (善盈有限公司) ("**Shan Ying**") (as to 21%), to record that Chang Jia had directed that the Deposit be safe-kept by Keyasia, Shiny New and Shan Ying in proportion to their respective shareholding interest in Chang Jia. The portion of the Deposit received and safe-kept by Shiny New and Shan Ying is RMB495.0 million (being 45% of the Deposit). The Agreement is in fact a transitional measure to enable Chang Jia to be paid under the Equity and Loan Acquisition Agreement. Pursuant to the Agreement, the parties agree that if Chang Jia is required to pay tax in relation to the Disposal, the shareholders will apply the Deposit towards the payment thereof, and the shareholders will return the Deposit, or the balance of the Deposit if tax payment has been made for and on behalf of Chang Jia, to Chang Jia once Chang Jia has successfully opened its own bank account. For details, please refer to the Company's announcements dated 1 September 2019, 23 September 2019 and 31 December 2019.

As of the date of this report, the Deposit is no longer safe-kept by shareholders of Chang Jia as Chang Jia has opened its bank account in Hong Kong.

Acquisition of 15% Equity Interest in Hunan Sunshine 100 and 8.85% Equity Interest in Hubei Sunshine 100

On 22 April 2019, Sunshine 100 Group entered into two equity transfer agreements with Tianjin Nongken Hongyilian Investment Co., Ltd.* (天津農墾宏益聯投資有限公司) ("**Tianjin Nongken Hongyilian**"), pursuant to which Sunshine 100 Group will acquire 15% equity interest in Sunshine 100 Real Estate (Hunan) Development Co., Ltd.* (陽光壹佰(湖南)置業發展有限責任公司) ("**Hunan Sunshine 100**", a subsidiary of the Company) and 8.85% equity interest in Hubei Sunshine 100 Real Estate Development Co., Ltd.* (湖北陽光一百房地產開發有限公司) ("**Hubei Sunshine 100**", a subsidiary of the Company), from Tianjin Nongken Hongyilian, at a consideration of RMB100.0 million each. For details, please refer to the announcement of the Company dated 22 April 2019.

Acquisition of Land Use Rights in Xinglong

On 9 May 2019, Xinglong Sunshine 100 Real Estate Development Co., Ltd. (興隆縣陽光壹佰房地產開發有限公司) ("**Xinglong Sunshine 100**"), an indirect non-wholly-owned subsidiary of the Company, entered into a letter of acceptance with Xinglong County Natural Resources and Planning Bureau confirming Xinglong Sunshine 100 of its successful bid for the land use rights of the Land Lot No. 20193 for a consideration of approximately RMB258.7 million through the tender process held by Xinglong County Public Resources Trading Center on 9 May 2019 for transfer of state-owned land use rights. For details, please refer to the announcement of the Company dated 9 May 2019.

Provision of Financial Assistance by the Company or Sunshine 100 Group to the Borrowers

During the period between 28 January 2016 to 7 December 2018, the Company or Sunshine 100 Group granted loans to the borrowers, each being an independent third party, in an aggregate principal amount of approximately RMB1,547.4 million (consisting of RMB1,035.0 million, USD62.5 million and HKD95.0 million). For details, please refer to the announcement of the Company dated 19 July 2019.

Disposal of 100% Equity Interest in Dongguan Qingyuan

On 2 August 2019, Shenzhen Shoujia Holding Development Limited Company*（深圳首佳控股發展有限公司）("**Shenzhen Shoujia**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with, inter alia, Shenzhen Shi Chengjin Holding Group Limited Company*（深圳市誠進控股集團有限公司）("**Shenzhen Chengjin**") and Dongguan Qingyuan Incubator Limited Company*（東莞市清園孵化器有限公司）("**Dongguan Qingyuan**"), pursuant to which, Shenzhen Shoujia has conditionally agreed to sell, and Shenzhen Chengjin has conditionally agreed to purchase, 100% equity interest and loans of Dongguan Qingyuan for a total consideration of RMB513.0 million comprising (i) an equity consideration of approximately RMB116.8 million (the "**Equity Consideration**"); (ii) a loan consideration of approximately RMB347.5 million (the "**Loan Consideration**"); and (iii) a debt consideration of approximately RMB48.6 million (the "**Debt Consideration**").

The Equity Consideration is the consideration for the purchase of 100% equity interest in target company Dongguan Qingyuan. The Loan Consideration comprises loans in the amount of approximately RMB282.0 million and RMB59.6 million that Dongguan Qingyuan owes to each of Sunshine 100 Group and Beijing International Trust Limited Company*（北京國際信託有限公司）("**Beijing Trust**"), respectively, and a premium of approximately RMB5.9 million. The Debt Consideration comprises debts that Dongguan Qingyuan owes to third parties in the amount of approximately RMB38.4 million (the "**Third Party Debts**") and interest payable by Dongguan Qingyuan to Beijing Trust in the amount of approximately RMB10.3 million.

Upon the First Completion, Dongguan Qingyuan will cease to be the subsidiary of the Company and its financial results will cease to be consolidated in the financial statements of the Company. For details, please refer to the announcements of the Company dated 4 August 2019 and 18 October 2019. As of the date of this report, the First Completion (as defined in the abovementioned announcements) has taken place.

Exercise of Call Option and Acquisition of Equity Interest in Tianjin Langyida

On 27 June 2018, Sunshine 100 Group, a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**Joint Venture Agreement**") with Shanghai Youngor（上海雅戈爾置業開發有限公司）("**Shanghai Youngor**"), Ningbo Hongyi（寧波泓懿股權投資合夥企業(有限合夥)）("**Ningbo Hongyi**") and Suzhou Langyida Company Management Co., Ltd.*（天津琅壹達企業管理有限公司）("**Suzhou Langyida**"). Pursuant to the Joint Venture Agreement, Shanghai Youngor and Ningbo Hongyi granted a call option to Sunshine 100 Group, pursuant to which Sunshine 100 Group has the right to request each of Shanghai Youngor and Ningbo Hongyi to sell 14.5% of their equity interest in Suzhou Langyida (the "**Call Option**") at a price equal to 29% of Suzhou Langyida's total paid-up capital with accrued interest thereon at a rate of 20% per annum. If Sunshine 100 Group exercises the Call Option, it shall simultaneously assume 29% of the outstanding shareholders' loan plus any outstanding interest at a rate of 12% per annum.

On 23 September 2019, Sunshine 100 Group entered into a supplemental and amendment agreement (the "**Supplemental and Amendment Agreement**") with Shanghai Youngor, Ningbo Hongyi and Tianjin Langyida Company Management Co., Ltd.* (天津琅壹達企業管理有限公司) ("**Tianjin Langyida**", formerly known as Suzhou Langyida) to supplement and amend the Joint Venture Agreement. Pursuant to the Supplemental and Amendment Agreement, the parties agreed that Sunshine 100 Group shall (i) exercise the Call Option at the consideration equal to 29% of Tianjin Langyida's total paid-up capital (being RMB29.0 million) with accrued interest at a rate of 15% per annum, (ii) purchase the remaining 51% equity interest in Tianjin Langyida held by Shanghai Youngor and Ningbo Hongyi at a consideration equal to 51% of Tianjin Langyida's total paid-up capital (being RMB51.0 million) with accrued interest at a rate of 15% per annum, and (iii) guarantee Tianjin Langyida's repayment of the Shareholders' Loan to Shanghai Youngor and Ningbo Hongyi with accrued interest at a rate of 15% per annum.

For details, please refer to the announcement of the Company dated 23 September 2019 and the supplementary announcement of the Company dated 9 October 2019.

Acquisition of Remaining Equity Interests in Three Project Companies in Wenzhou

On 22 November 2019, Sunshine 100 Group, a wholly owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with the Current Holders (as defined below), the Sellers (as defined below) and Wenzhou Zhongxin Tower Construction and Development Co., Ltd.* (溫州中心大廈建設發展有限公司) ("**Wenzhou Zhongxin**"), Wenzhou Shihe Shengtaicheng Development Co., Ltd.* (溫州世和生態城開發有限公司) ("**Wenzhou Shengtaicheng**") and Wenzhou Zhongxin Haoyuan Investment Co., Ltd.* (溫州中信昊園投資有限公司) ("**Wenzhou Zhongxin Haoyuan**", the connected persons of the Company at the subsidiary level, together with Wenzhou Zhongxin and Wenzhou Shengtaicheng, the "**Three Project Companies**"). The "Current Holders" are Sichuan Zhonghang Haoyuan Investment Co., Ltd.* (四川中行昊園投資有限公司), Chongqing Shihe Hengye Dichan Group Co., Ltd.* (重慶世和恆業地產(集團)有限公司) and Shanghai Haoming Equity Investment and Fund Management Co., Ltd.* (上海昊銘股權投資基金管理有限公司), each of them being the connected person of the Company at the subsidiary level. The "Sellers" are (i) Chengdu Rongren Yale Trading Co., Ltd.* (成都榮仁雅樂商貿有限公司), (ii) Shuozhou Sanyuan Commercial Group Co., Ltd.* (朔州市三源商業集團有限公司), (iii) Chongqing Xishang Huatian Agricultural Technology Co., Ltd.* (重慶溪上花沺農業科技有限公司), (iv) Sichuan Huahan Energy Development Co., Ltd.* (四川華漢能源開發有限公司), and (v) Lhasa Yuyong Automobile Services Co., Ltd.* (拉薩市豫勇汽車服務有限責任公司). Pursuant to the Equity Transfer Agreement, the Current Holders shall first transfer the remaining equity interest they hold in the Three Project Companies, comprising 49% equity interest in Wenzhou Zhongxin, 49% equity interest in Wenzhou Shengtaicheng and 51% equity interest in Wenzhou Zhongxin Haoyuan (the "**Remaining Equity Interest**"), to the Sellers. Thereafter, the Sellers shall transfer the remaining equity interest in Three Project Companies to Sunshine 100 Group for a total consideration of approximately RMB1,106.0 million.

For details, please refer to the announcement dated 22 November 2019 and the circular of the company dated 20 January 2020. As at the date of this report, the acquisition of Wenzhou Zhongxin Haoyuan has been completed. It is anticipated that the remaining conditions for Wenzhou Zhongxin and Wenzhou Shengtaicheng will be satisfied by the end of May 2020.

Disposal of 90% Equity Interests in Wenzhou Zhongxin Haoyuan

On 26 December 2019, Sunshine 100 Group, a wholly-owned subsidiary of the Company, entered into a series of project documents with Beijing Trust and Wenzhou Zhongxin Haoyuan, including an equity transfer agreement, an investment agreement, a capital increase agreement and a Wenzhou Zhongxin Haoyuan management agreement, pursuant to which the parties will collaborate on the development of Wenzhou Zhongxin Haoyuan project, while Sunshine 100 Group will be mainly responsible for the management and operation of Wenzhou Zhongxin Haoyuan, and Beijing Trust will invest capital into Wenzhou Zhongxin Haoyuan and be entitled to shareholder rights. As part of the collaboration, 90% equity interest in Wenzhou Zhongxin Haoyuan will be transferred from Sunshine 100 Group to Beijing Trust, with a consideration up to RMB790.0 million, while Sunshine 100 Group will be primarily responsible for the day-to-day operations and management of Wenzhou Zhongxin Haoyuan. For further details, please refer to the announcement of the Company dated 27 December 2019 and the supplemental announcement of the Company dated 8 January 2020.

Save as disclosed above, the Company had no other major investments, acquisitions or disposals during the Reporting Period.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, there is no plan authorized by the Board for other substantial investments or additions of capital assets.

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 4,090 employees (31 December 2018: 4,472 employees). The staff costs of the Group for the Reporting Period were RMB570.9 million (2018: RMB565.8 million) The Group has adopted a performance-based incentive system to motivate its staff. In addition to basic salary, year-end bonuses are provided to employees with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. The Group has established a regular assessment mechanism to assess the performance of its employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, the Group makes contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of its employees in China. During the Reporting Period, the Group made contributions in an aggregate of approximately RMB36.7 million to the employee retirement scheme (2018: RMB37.6 million).

Age of the Group's employees is as follows:

Age	Number of employees
Below 30	878
31-40	1,491
41-50	1,071
Above 51 to 60	650

EVENTS AFTER THE REPORTING PERIOD

Further issue of US$105.0 million 11.5% senior notes due 2021

On 20 January 2020, the Company, the offshore subsidiaries providing guarantees for notes and the initial purchasers comprising CCB International Capital Limited ("**CCB International**"), China Industrial Securities International Brokerage Ltd. ("**China Industrial Securities International**") and Haitong International Securities Company Limited ("**Haitong International**") entered into the subscription agreement in relation to the further issue of US$105.0 million 11.5% senior notes due 2021. CCB International, China Industrial Securities International and Haitong International were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes. The estimated gross proceeds of the notes, after deducting issue discounts in connection with the offering, amounted to approximately US$103.6 million, which was intended to be used to repay certain of its existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 28 January 2020. For details, please refer to the announcement of the Company dated 24 January 2020.

Repurchase of Shares

The Company has repurchased a total of 3,198,000 shares on the Stock Exchange from 1 January 2020 up to the date of this report, details of which are as follows:

Dates of repurchase	Number of shares repurchased	Price per share *(HK$)* Highest	Lowest
2 January 2020	48,000	1.46	1.44
3 January 2020	13,000	1.45	1.44
6 January 2020	58,000	1.44	1.43
7 January 2020	20,000	1.46	1.43
9 January 2020	280,000	1.49	1.43
10 January 2020	112,000	1.47	1.40
13 January 2020	26,000	1.45	1.42
14 January 2020	58,000	1.43	1.41

Dates of repurchase	Number of shares repurchased	Price per share *(HK$)* Highest	Lowest
15 January 2020	10,000	1.42	1.42
16 January 2020	65,000	1.45	1.43
21 January 2020	55,000	1.45	1.40
23 January 2020	145,000	1.42	1.38
24 January 2020	110,000	1.43	1.40
30 January 2020	16,000	1.43	1.39
3 February 2020	192,000	1.39	1.36
4 February 2020	63,000	1.42	1.39
5 February 2020	13,000	1.40	1.39
6 February 2020	324,000	1.43	1.36
7 February 2020	63,000	1.40	1.37
10 February 2020	123,000	1.39	1.37
11 February 2020	211,000	1.40	1.38
12 February 2020	10,000	1.40	1.38
13 February 2020	101,000	1.40	1.39
14 February 2020	383,000	1.39	1.33
17 February 2020	72,000	1.40	1.39
18 February 2020	124,000	1.40	1.38
19 February 2020	10,000	1.40	1.36
20 February 2020	128,000	1.39	1.35
21 February 2020	105,000	1.39	1.38
24 February 2020	138,000	1.40	1.38
25 February 2020	122,000	1.39	1.37

Save as disclosed herein, from 1 January 2020 up to the date of this report, no repurchase of shares (whether on the Stock Exchange or otherwise) had been made by the Company and there were no other events subsequent to the Reporting Period which have material effect on the Group. The repurchased shares from 1 January 2020 to 25 February 2020 were cancelled on 16 March 2020.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yi Xiaodi (易小迪) former name: Yi Daichang (易代昌), aged 56, is the Chairman of the Board of Directors of the Company, the pioneer founder, an executive Director, the Chief Executive Officer and the Chairman of the Company's nomination committee, and is in charge of the corporate strategy of the Group. Mr. Yi was appointed as an executive Director on 20 September 2007 and the Chief Executive Officer on 10 May 2018 by the Company, respectively.

Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (陽光 100 國際公寓) in Beijing.

Mr. Yi received an award for being a leader in real estate innovation in Beijing (北京地產創新領袖人物) from sina.com (新浪網) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改變中國十年影響力人物) by the Asian Living Environment Association (亞洲人居環境協會) and the Economic Observer (經濟觀察報) in 2004, an award for his outstanding contributions to creating a living environment in China (中國人居環境傑出貢獻人物榮譽稱號) by the China Real Estate and Residential Housing Research Association (中國房地產及住宅研究會) and the Chinese Environmental Protection Fund (中華環境保護基金會) in 2005, an award for outstanding contribution to the creation of value in cities in the real estate industry of China (創造城市價值中國地產年度卓越貢獻人物) by the Chinese Living Environment Committee (中國人居環境委員會) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006 年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會), an award for special contribution for 2009 China urban commercial value (2009 中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009 年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012 年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009 品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the "Special Promoting Award"on the 14th Venice Architectural Biennale paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni's series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇).

Mr. Yi obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master's degree in economics from Renmin University of China (中國人民大學) in October 1989.

Mr. Fan Xiaochong (范小冲), aged 55, is an executive Director appointed by the Company on 20 September 2007. Mr. Fan was appointed as the Vice Chairman of the Board of Directors of the Company on 25 August 2016, assisting Mr. Yi Xiaodi in formulating the corporate strategies of the Group, takes charge of the development of the cultural creativity-based economy (新經濟文創) of the Company and provides assistance in respect of land acquisition, human resources and other matters of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxin Guanghua Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Group from 2003 to August 2017.

Mr. Fan received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution to China real estate(中國地產傑出貢獻人物獎)in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會).

Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

NON-EXECUTIVE DIRECTORS

Ms. Fan Xiaohua (范曉華), aged 77, is a non-executive Director appointed by the Company on 20 September 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been a Director of the Group since August 2005 and was involved in the decision-making process and supervised internal audit of the Company. Ms. Fan served as head of the technology department, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of "Second Batch of Top Professional Talents in Nanning" (南寧市第二批專業技術拔尖人才) between 1991 and 1993.

She obtained a bachelor's degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

Mr. Wang Gongquan (王功權), aged 58, was appointed as a non-executive Director of the Company on 1 August 2015. Mr. Wang served as a partner of IDG Technology Venture Investments, LP (IDG技術創業投資基金) from 1999 to 2005, the managing partner and senior partner of Beijing Dinghui Venture Investment Advisory Company Limited (北京鼎暉創新投資顧問有限公司) from 2005 to 2011, and an independent director of China Digital TV Holding Co., Ltd. (中華數位電視控股有限公司), a company listed on the New York Stock Exchange (NYSE: STV) from 2007 to 2010. Mr. Wang obtained a bachelor's degree in engineering with major in management engineering from Jilin University of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in 1984.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Yunchang (顧雲昌), aged 75, formerly known as Gu Yongchuang (顧勇闖) was appointed as our independent non-executive Director on 17 February 2014. Mr. Gu currently serves as the executive chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013.

Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986.

Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China's city and village residential construction techniques, carrying on a State key project "2000 China", and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011. Mr. Gu has been an independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) from June 2007 to March 2017; an independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code:000031) from April 2012 to June 2018; and an independent director of Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) from May 2013 to May 2019. Mr. Gu has been an independent non-executive director of CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since October 2012 and Jiayuan International Group Limited (SEHK stock code: 2768) since February 2017. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction.

Mr. Gu graduated from Tongji University and obtained a graduate certificate in Urban Planning in July 1966.

Mr. Ng Fook Ai, Victor (黃博愛), aged 71, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Huang has over 35 years' experience in senior investment management, including private equity fund management. He also provides seed money for several joint ventures and startups, including IPO, trading sales, Merger and Acquisition, etc.

Mr. Ng has been an independent director and the chairman of audit and risk committee of SB Reit Management Pte Ltd. (listed on the main board of the Singapore Stock Exchange, stock code: SV3U), a company listed on the main board of the Singapore Stock Exchange, since May 2015; a director of The Place Holdings Limited (listed on the main board of the Singapore Stock Exchange, stock code: E27) since January 2018; chairman of the Board of Health Bank Holdings Ltd (listed on the main board of the Singapore Stock Exchange, stock code: 40B) (formely known as SMI International Holdings Ltd) since May 2018.

Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively. Mr. Ng is a fellow of the Chartered Management Institute, United Kingdom.

Mr. Wang Bo (王波), aged 61, was appointed as an independent non-executive Director of the Company on 1 August 2015. Mr. Wang served as a researcher in the 1989 World Bank Annual Report team in 1988, and a researcher in the Financial Policy and Systems Division of the World Bank from 1988 to 1994. He worked at the investment management department of China Securities Market Research and Design Center (中國證券市場研究設計中心投資管理部) from 1994 to 1995, and served as the chief economist of Vantone Group (萬通集團) and Beijing Vantone Industrial Co., Ltd. (北京萬通實業股份有限公司) from 1995 to 1997. From 1997 to 2014, he worked at Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) and successively served as, inter alia, a management consulting manager, a senior manager, a global partner of Accenture, the general manager of management consulting of Greater China, the managing director of the government and medical business department of Greater China and the managing director of Greater China. Mr. Wang is a permanent director of China Mergers & Acquisitions Association (中國併購公會) and had served as an executive director of China Mergers & Acquisitions Association, the vice chairman of the China Enterprise Confederation Management Advisory Committee (中國企業聯合會管理諮詢委員會)and the chairman of the appraisal committee of "China M&A Awards"(中國併購專項獎).

Mr. Wang obtained a bachelor's degree in economics with major in fiscal and financial studies from the School of Finance of Renmin University of China (中國人民大學財政系) in 1984 and a master's degree in economics with major in financial theory and international economics from Department of Economics of the American University (美利堅大學經濟系) in the United States in 1993.

SENIOR MANAGEMENT

Mr. Yi Xiaodi (易小迪) is the Chief Executive Officer of the Group. For the biography of Mr. Yi, please refer to the sub-section headed "Executive Directors" above in this annual report.

Mr. Chen Shengjie (陳勝傑), aged 58, is the chief financial officer of the Group and the general manager of the financial center of the Group. He is responsible for the Group's financial affairs. Mr. Chen joined the Group at the end of December 2017.

Mr. Chen served as the deputy head of the Commerce and Trade Audit Department (商貿司) under the National Audit Office of the People's Republic of China from 1986 to 1993, the assistant to general manager of China National Nonferrous Materials Corporation (中國有色金屬材料總公司) from 1993 to 1998, the chief accountant of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from 1998 to 2004, the general manager of China Chengtong Resources Recycling Development & Utilization Company (中國誠通資源再生開發利用公司) from 2004 to 2014, an executive director of Yunfeng Financial Group Limited (雲鋒金融集團有限公司) (formerly known as Reorient Group Limited (瑞東集團有限公司)) from 2011 to 2014, the chairman of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司, formerly known as Zhongchang Marine Company Limited (中昌海運股份有限公司)) from 2014 to 2015.

Mr. Chen graduated from Capital University of Economics and Business (首都經濟貿易大學) (formely known as Beijing Finance & Trade College) with an bachelor degree in business management and obtained an Executive Master of Business Administration from Tsinghua University.

Mr. Ding Gong (丁工), aged 52, is the vice president of the Group and general manager of product centre of the Group. Mr. Ding joined the Group in September 2003 as the assistant to the project general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010, the assistant to the Chief Executive Officer from September 2011 to May 2018 and the vice president of the Group in May 2018.

Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

Mr. Wang Jianting (王建庭), aged 56, is the vice president of the Group in May 2019 and responsible for the financial and cost management of the Group. Mr. Wang has extensive experience in enterprise operation and management and enterprise financial management.

Prior to joining the Group, Mr. Wang was successively worked at the headquarter of China Guodian Group (中國國電集團), China Longyuan Power Group (龍源電力集團) and Financial Company of Guodian Group (國電集團財務公司) during 1985 to 2017 and worked in financial audit, engineering construction, safty production and other fileds. During the period, he was honored with the secondary medal of Guodian Group. As the general manager of Jiangsu Longyuan Company (江蘇龍源公司), Mr. Wang has constructed the new energy projects with national franchaise and put them into operation, which were awarded numbers of classical engineering awards since the founding of China, turning into the sample works and were on-site visited by Jiang Zeming, the former Chinese president. Mr. Wang also as Chinese chief negotiation representative, negotiated with General Electric, the international giant, Vestas Company, the then first-ranking in global wind power equipment manufacture, Gamesa Company, the largest new energy group in Spain and other companies in respect of commercial and procurement projects. From March 2017 to May 2019, Mr. Wang served as the executive vice president of Baota Group (寶塔集團) and Chairman and general manager of Baota Investment Company (寶塔投資公司).

Mr. Wang graduated from Capital University of Economics and Business (首都經濟貿易大學) (formely known as Beijing Finance & Trade College) in financial accounting and has been to Singapore and the United State for training.

Mr. Xiong Jianhua (熊建華), aged 55, has served as the vice president of the Group and the general manager of the product center of the Group, in charge of the work of the Group's design department, since February 2019. Since Mr. Xiong joined the Group in July 2015, he has held the position of executive general manager of Chongqing Banan Project from July 2015 to December 2017, in full charge of the daily work of the project, and was also responsible for the cost department and development department. He has served as the assistant to the president from December 2017 to February 2019. Mr. Xiong has extensive industry experience in architectural design.

Prior to joining the Group, Mr. Xiong had been an architect in Chongqing Architectural Design Institute of China (重慶市設計院) for ten years, and has accumulated rich architectural design experience. Later, he served as a director of Chongqing Xinpu Property Development Co., Ltd. (重慶新浦物業發展有限公司) and a general manager of Chongqing Jufu Investment Holding (Group) Co., Ltd. (重慶聚富投資控股(集團)有限公司).

Mr. Xiong obtained a bachelor of science degree in architecture from Chongqing Institute of Architectural Engineering in 1986.

Mr. He Jie (賀傑), aged 58, is the assistant to the president, chief legal officer and joint company secretary of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office and he was appointed as administrative director general and legal counsel in January 2008, assistant to the president and chief legal officer in January 2014 and joint company secretary on 17 March 2018.

Prior to joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢服務有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

Mr. Wu Lei (吳雷), aged 48, is the vice president of the Group and the general manager of the Central-South China Project Management Centre and Wuhan Zhifang project. Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009 and the deputy general manager of Central-South China Project Management Centre in December 2011, the general manager of Yixing project and Chengdu project since February 2016 and March 2016, respectively, the general manger of Wuxi Taihu new project from March 2017 to Juanuary 2018, the general manager of Wuhan Lakeside Residence project since July 2016, the general manager of Wenzhou City Company (溫州城市公司) from February 2018 to November 2019 and worked for Wuhan Zhifang project since September 2018.

Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from the Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

JOINT COMPANY SECRETARY

Mr. He Jie (賀傑) was appointed as Joint Company Secretary of the Group on 17 March 2017. For the biography of Mr. He, please refer to the sub-section headed "Senior Management" above in this annual report.

Dr. Ngai Wai Fung (魏偉峰), aged 58, is the Company Secretary of the Company. Dr. Ngai currently is the director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited and is also a vice president of the Hong Kong Institute of Chartered Secretaries. Dr. Ngai has over 26 years' experience and knowledge in senior management and professional matters in listed companies, including IPO, Merger and Acquisition, corporate financing, internal control, governance and company secretary etc. Dr. Ngai is a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He also is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Dr. Ngai obtained a Doctorate in Finance from the Shanghai University of Finance and Economics, a Master's degree in Corporate Finance from the Hong Kong Polytechnic University, a Master's degree in Business Administration (MBA) from Andrews University of the United States and a Bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom.

Dr. Ngai resigned as the company secretary of the Company at the end of November 2019.

Mr. Tsang Ho Yin (曾浩賢), aged 34, is the Joint Company Secretary of the Group. Mr. Tsang is currently a senior associate of Stevenson, Wong & Co, specialising in corporate finance and commercial law. Mr. Tsang has been appointed as the independent non-executive Director of INNO-TECH Holdings Limited (stock code: 8202) since June 2019; the non-executive Director of China Regenerative Medicine International Limited (stock code: 8158) since January 2020. Mr. Tsang has been appointed as the Joint Company Secretary of Mabpharm Limited-B (stock code: 2181) and company secretary of Mobile Internet (China) Holdings Limited (stock code: 1439) since May 2019 and February 2020, respectively. Mr. Tsang was appointed as the company secretary and authorised representative of Sino Energy International Holdings Group Limited (stock code: 1096) from November 2018 to July 2019; and the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019.

Mr. Tsang obtained a bachelor degree in laws and commerce (accounting) from University of Melbourne, Australia in August 2008 and then obtained a master degree in laws from the same university. Mr. Tsang then obtained the Postgraduate Certificate in Laws from the City University of Hong Kong in July 2011. Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in May 2012 and December 2013, respectively.

Report of the Directors

The board of directors (the "**Board**") of the Company is pleased to present the directors' report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 September 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "**Companies Law**"). The Company's shares (the "**Shares**") became listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2014 ("**Listing Date**") (the "**Listing**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in property and land development, property investment, property management and hotel operation in China. An analysis of the Group's revenue for the year by principal activities is set out in note 2 to the financial statements.

The fair review, major risks and uncertainties in relation to the businesses of the Group, the performance of the Group during the year and the discussion and analysis on significant factors in relation to results and financial conditions are set out in the Chairman's Statement, Financial Review and Business Review of this annual report, respectively. The future development of the Group's businesses is discussed in different parts of this annual report, including the Chairman's Statement and the chapters regarding significant investments or capital assets of this annual report.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on pages 103 to 104 of this annual report.

SUBSIDIARIES

Details of the subsidiaries as at 31 December 2019 are set out in note 12 to the financial statements.

FINAL DIVIDENDS

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

DIVIDEND POLICY

The Company has adopted the dividend policy ("**Dividend Policy**"). Pursuant to the dividend policy, subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

The amount of dividend actually distributed to our Shareholders will depend upon the Group's earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has an absolute discretion to recommend any dividend for any year, and there is no assurance that dividends of any amount will be declared or distributed in any future year.

FINANCIAL SUMMARY

A financial summary of the Group's results, assets and liabilities for the last five financial years are set out on pages 13 to 14 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$1,876.1 million. As at 31 December 2019, all proceeds raised have been applied in the manner consistent with that disclosed in the Company's prospectus dated 27 February 2014 (the "**Prospectus**").

USE OF NET PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS

The Company issued 6.50% convertible bonds in principal amount of US$200.0 million due 2021 on 11 August 2016 ("**2016 Convertible Bonds**"). The net proceeds from issue of 2016 Convertible Bonds were approximately US$197.6 million, which are proposed to be utilised for refinancing of existing indebtedness and general corporate purposes. As at 31 December 2019, all proceeds have been utilised by the Company, among which, approximately 97.1%, i.e. US$191.8 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 2.9%, i.e. US$5.8 million, has been utilised for general working capital.

The conversion price, originally at HK$3.69, shall be adjusted to HK$3.66 pursuant to condition 6(C)(vi) of the terms and conditions as a result of the issue of 235,055,000 new subscription shares to the subscriber at a price of HK$3.10 per subscription share on 28 December 2017 pursuant to the subscription agreement.

As at 31 December 2019, unpaid principal amount for 2016 Convertible Bonds was US$45.4 million. As calculated based on the conversion price of 2016 Convertible Bonds at HK$3.66 per share, a maximum of 96,214,508 Shares will be allotted and issued if the conversion rights attached to outstanding 2016 Convertible Bonds are fully exercised, representing approximately 3.76% of the then issued share capital of the Company on 31 December 2019 and approximately 3.41% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 convertible bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 21 June 2019.

The Company also issued convertible bonds in the principal amount of HK$750.0 million with 4.8% annual ratio due 2023 on 17 September 2018, ("**2018 Convertible Bonds**"). The net proceeds from issue of 2018 Convertible Bonds were HK$735.0 million, which proposed to be utilised for refinancing of existing indebtedness and general corporate purposes. As at 31 December 2019, all proceeds have been utilised by the Company, among which, approximately 99.6%, i.e. HK$731.9 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 0.4%, i.e. HK$3.1 million, has been utilised for general working capital.

As at 31 December 2019, unpaid principal amount for 2018 Convertible Bonds was HK$750.0 million. As calculated based on the conversion price of 2018 Convertible Bonds at HK$4.5 per share, a maximum of 166,666,666 Shares will be allotted and issued if the conversion rights attached to outstanding 2018 Convertible Bonds are fully exercised, representing approximately 6.52% of the then issued share capital of the Company on 31 December 2019 and approximately 5.91% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 Convertible Bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 21 June 2019.

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company:

	31 December 2019		Upon conversion of the 2016 Convertible Bonds in full at the conversion price of HK$3.66 per share		Upon conversion of the 2018 Convertible Bonds in full at the conversion price of HK$4.5 per share	
Substantial shareholders	**Number of shares**	**Approximate percentage of issued shares**	**Number of shares**	**Approximate percentage of issued shares**	**Number of shares**	**Approximate percentage of issued shares**
Joywise Holdings Limited	1,458,218,906	57.00%	1,458,218,906	54.94%	1,458,218,906	53.52%
Beyond Steady Limited	235,055,000	9.19%	235,055,000	8.86%	235,055,000	8.63%
Central New Ventures Limited	310,263,000	12.13%	310,263,000	11.69%	310,263,000	11.39%

On 31 December 2019, the Group recorded total net assets of approximately RMB11,748.2 million, net current assets of approximately RMB14,322.2 million and cash and cash equivalents of approximately RMB2,438.6 million. So far as the Company is concerned, based on the financial positions of the Group, it is expected that the Company is able to meet its redemption obligations under the issued 2016 Convertible Bonds and 2018 Convertible Bonds whose conversion rights are not yet exercised.

Based on the implied internal rate of returns of 2016 Convertible Bonds, the Company's share prices at future dates at which it would be equally financially advantageous for the bonds holders to convert 2016 Convertible Bonds or have them redeemed were as follows:

Date	**Share price** *(HK$)*
31 December 2019	4.49
31 December 2020	4.25

Based on the implied internal rate of returns of 2018 Convertible Bonds, the Company's share prices at future dates at which it would be equally financially advantageous for the bonds holders to convert 2018 Convertible Bonds or have them redeemed were as follows:

Date	**Share price** *(HK$)*
31 December 2019	4.89
31 December 2020	4.67

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the principal risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below. Besides, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

POLICY AND MARKET RISK

Substantially all of the Group's property portfolio is located in the PRC and all of the Group's revenue is derived from the PRC. As such, the Group is therefore subject to the risks associated with China's real estate market. The Group's operations in the PRC may be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

In order to better respond to the opportunities and challenges from the changes in policies, the Group maintained close communication with relevant authorities and carried out in-depth study on the policy direction. In addition to maintain growth by accelerating the development of existing products, in view that China has now started entering a mature period of real estate development, the proportion of sales from non-residential real estate products gradually picks up and governmental policies also shows greater support for the operation of rental housing and commercial properties, the Group will accelerating transformation by increasing the proportions of three core products, i.e. Commercial Street Complex, Himalaya Apartments and Arles Town projects, to fully capture the market opportunities.

OPERATION RISK

The Group's operation is subject to a number of risk factors distinctive to property development and property related businesses. Default on the part of its buyers, tenants, sub-tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the Group's operational results and reputation.

The Group set up relevant systems and policies to prevent accidents. In particular, various systems were established for management of quality, progress, safety, material and cost of project development with project management staff of regional and front-line companies monitoring project progress, construction quality and work site on a real-time basis. It conducted strict assessment on suppliers and implemented stringent control on construction changes, improved construction safety protection measures and set specific assessment indicators.

CAPITAL RISK

Property development is capital intensive. The Group finances its land acquisitions and property developments through a combination of internally generated funds and external financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the conditions of the financial markets and economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business operations and financial condition of the Group.

Under the current challenging financial condition, the Group strengthened the centralized capital management to ensure the capital safety. We emphasized on active sales and timely return on investment and ensured reasonable investment based on the operation and financing plans, thereby achieving dynamic equilibrium of cash flow. Meanwhile, the Group also expanded and diversified the financing channels, actively facilitated financial innovation, consolidated financial resources and established an effective ecosystem of financial cooperation so as to respond to the market risk and meet the capital requirements for the Group's development.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and conducts its operations mainly in Renminbi. The foreign currency risk of the Group was mainly arisen by loans and receivables in other currencies. The Group closely monitored the fluctuations of the Renminbi exchange rate and gave prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2019, the Group had not engaged in hedging activities for managing foreign currency risk.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, purchases from the Group's five largest suppliers accounted for 22.6% (2018: 14.9%) of the Group's total purchases and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

For the Reporting Period, the Group's sales to its five largest customers accounted for 3.4% (2018: 1.0%) of the Group's total revenue and sales to the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

None of the directors of the Company (the "**Directors**") or any of their associates or any shareholders of the Company (the "**Shareholders**")(who, to the best of the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH CLIENTS AND SUPPLIERS

We are committed to maintaining sound relationship with customers and improving their satisfaction. By providing continuing training and putting forward strict requirements, our front-line receptionists, sales persons, and property management personnel, etc. are able to continuously promote the level of communication and service for customers. Also, we keep focusing on user experience, collect and respond to customers' feedback and therefore the Company and its brand remain to be highly recommended among customers.

We have adopted a just, fair and transparent purchasing system which enables us to obtain competitive price and terms and to avoid the impact of changes in prices of other regions or items. In general, we may purchase raw materials from different local suppliers, and we may obtain all sorts of raw materials from different sources to impair our reliance on one supplier. The time of payment provided by suppliers is subject to various factors, including our relationship with suppliers and the transaction scale.

The Group has a diversified customer base, majority of which are individual property buyers. The Directors consider that the Group is not reliant on any single customer. The largest supplier of the Group engages in property construction, with which the Group has had business relationship for over 10 years.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the Reporting Period are set out in note 9 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Company and the Group during the Reporting Period are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital for the Reporting Period are set out in note 27(a) to the financial statements.Except for the abovementioned disclosure regarding repurchase of shares, as at the year ended 31 December 2019, the authorized share capital or the issued share capital of the Company have no any movement.

PROFESSIONAL TAX ADVICE RECOMMENDED

The Shareholders of the Company are advised to seek professional advice if they are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out on page 107 in the consolidated statement of changes in equity and in note 27(d) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, details of the reserves available for distribution of the Company are set out in note 27(a) to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2019 are set out in note 24 to the financial statements.

DIRECTORS

The Directors holding office from 1 January 2019 up to the date of this annual report were:

Executive Directors:

Mr. Yi Xiaodi (Chairman) (appointed on 20 September 2007, and re-elected on 26 June 2017)
Mr. Fan Xiaochong (Vice Chairman) (appointed on 20 September 2007, and re-elected on 21 June 2019)

Non-executive Directors:

Ms. Fan Xiaohua (appointed on 20 September 2007, and re-elected on 25 June 2018)
Mr. Wang Gongquan (appointed on 1 August 2015, and re-elected on 21 June 2019)

Independent non-executive Directors:

Mr. Gu Yunchang (appointed on 17 February 2014, and re-elected on 25 June 2018)
Mr. Ng Fook Ai, Victor (appointed on 17 February 2014, and re-elected on 21 June 2019)
Mr. Wang Bo (appointed on 1 August 2015, and re-elected on 25 June 2018)

According to articles 84(1) and 84(2) of the articles of association of the Company (the "**Articles of Association**"), Mr. Yi Xiaodi, Ms. Fan Xiaohua and Mr. Gu Yunchang will retire from office, and being eligible, have been recommended by the Board for re-election as Directors at the forthcoming Annual General Meeting ("**AGM**") to be held in 2020. The proposals for the reelection of the aforementioned Directors will be put forward at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 40 to 46 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors for the period from 1 January 2019 up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

None of the Directors has entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of each of the Directors, please see the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' SIGNIFICANT INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee of the Board (the "**Remuneration Committee**") was set up for reviewing the Group's emolument policy and remuneration structure of all the directors and senior management of the Group, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Group. The remunerations of the Directors were determined by the Board with reference to the duties and responsibilities of the individual Directors, the performance of the Company and the prevailing market conditions, and after taking the advice from the Remuneration Committee.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as incentive to eligible participants, details of which are set out in the sub-section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 6 and 7 to the financial statements.

No Director has waived or has agreed to waive any emoluments during the Reporting Period.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

From 1 January 2019 and up to the date of this annual report, change in the information that is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules was as follows:

In May 2019, Mr. Gu Yunchang resigned as the independent director of Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375).

Save as disclosed above, there is no other information in respect of the Directors and the Chief Executive Officer required to be disclosed under Rule 13.51B(1) of the Listing Rules.

RELATIONSHIP WITH EMPLOYEES

We believe that employees are the most valuable asset of the Group, and our human resources management aims to recognise and give back to our employees' contribution. By means of providing competitive remuneration and implementing appraisal system with appropriate incentives as well as providing adequate training and opportunities, we endeavor to promote the career development of the Group's employees. Approximately 248 employees have been serving for the Group for over 10 years.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"))(i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1,2,3
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1,2,4
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1,2,5

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) 40% of the issued share capital of Joywise Holdings Limited ("**Joywise**") is held by Ming Fai International Limited ("**Ming Fai**") and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited ("**Harvest Well**"). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

(3) Mr. Yi Xiaodi is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may join in from time to time (the "**Yi Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of the discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the "**Individual Controlling Shareholders**"), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may join in from time to time (the "**Sunshine Trust I**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into between Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the "**2010 Agreement**") and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the "**2013 Agreement**"). By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

Mr. Yi Xiaodi has the control of Delight Grandeur Limited（愉偉有限公司）("**Delight Grandeur**") which holds 18,800,000 Shares, accounting for 0.73% of the issued share capital. By virtue of the SFO, Mr. Yi Xiaodi is deemed to be interested in the Shares held by Delight Grandeur.

(4) Mr. Fan Xiaochong is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may join in from time to time (the "**FXC Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of a discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may join in from time to time (the "**Sunshine Trust II**"). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Ms. Fan Xiaohua is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, her family members and other persons who may join in from time to time (the "**FXH Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed to be interested in the Shares held by Joywise under the SFO.

(ii) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in Shares	Percentage of shareholding	Notes
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	3
Yi Xiaodi	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	4
Fan Xiaochong	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	5
Fan Xiaohua	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	Joywise	50,000	100%	6
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	3
Yi Xiaodi	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	1
Fan Xiaochong	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	2
Fan Xiaohua	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	3

Notes:

(1) Please refer to Note (3) in the sub-section above headed "(i) Interest in the Company".

(2) Please refer to Note (4) in the sub-section above headed "(i) Interest in the Company".

(3) Please refer to Note (5) in the sub-section above headed "(i) Interest in the Company".

(4) Please refer to Notes (2) and (3) in the sub-section above headed "(i) Interest in the Company".

(5) Please refer to Notes (2) and (4) in the sub-section above headed "(i) Interest in the Company".

(6) Please refer to Notes (2) and (5) in the sub-section above headed "(i) Interest in the Company".

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other corporate body.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Name of Shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,458,218,906 (L)	57.00%	1, 2
		235,055,000 (L)	9.19%	
Ming Fai	Interest of a controlled corporation	1,693,273,906 (L)	66.19%	1, 3
Harvest Well	Interest of a controlled corporation	1,693,273,906 (L)	66.19%	1, 4
Fantasy Races Limited	Interest of a controlled corporation	1,693,273,906 (L)	66.19%	1, 5
Jin Xiangfei	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1, 6
Liu Chaohui	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1, 7
Tian Feng	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1, 8
Li Mingqiang	Person acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.93%	1, 9
Cititrust Private Trust (Cayman) Limited	Trustee Interest of a controlled corporation	1,693,273,906 (L)	66.19%	1, 10
Beyond Steady Limited	Beneficial owner	235,055,000 (L)	9.19%	1,11
		235,055,000 (S)	9.19%	
	Person having a security interest in shares	891,335,000 (L)	34.84%	
Huarong International Financial Holdings Limited	Interest of a controlled corporation	1,126,390,000 (L)	44.03%	1,11
		235,055,000 (S)	9.19%	
China Huarong Asset Management Co., Ltd.	Interest of a controlled corporation	1,126,390,000 (L)	44.03%	1,11
		235,055,000 (S)	9.19%	
CITIC Securities Company Limited	Interest of a controlled corporation	95,974,400 (L)	3.75%	1, 12
		155,958,400 (S)	6.10%	
Central New Ventures Limited	Beneficial owner	310,263,000 (L)	12.13%	1,13
Shanghai Libo Investment Center (LP)	Interest of a controlled corporation	310,263,000 (L)	12.13%	1,13
Beijing Fudingxin Investment Management Co., Ltd.	Interest of a controlled corporation	310,263,000 (L)	12.13%	1,13
FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd.	Interest of a controlled corporation	310,263,000 (L)	12.13%	1,13
Wang Zhiqiang	Beneficial owner Interest of spouse Interest of a controlled corporation	130,312,559 (L)	5.09%	1,14
Ma Li	Beneficial owner Interest of spouse	130,312,559 (L)	5.09%	1,15

Notes:

(1) The letter "L" denotes the person's long positions in the Shares. The Letter "S" denotes the person's short position in the Shares.

(2) Joywise holds 66.19% of the issued share capital of the Company, including 9.19% of derivative interests.

(3) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed to be interested in the Shares held by Joywise under the SFO.

(4) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed to be interested in the Shares held by Joywise under the SFO.

(5) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above and notes 2 and 3, Fantasy Races Limited is deemed to be interested in the Shares held by Joywise under the SFO.

(6) Mr. Jin Xiangfei is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may join in from time to time (the "**Jin Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Creative Goal Limited is interested in.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Jin Xiangfei is deemed to be interested in the Shares held by Joywise under the SFO.

(7) Ms. Liu Chaohui is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may join in from time to time (the "**Liu Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Ms. Liu Chaohui is deemed to be interested in the Shares held by Joywise under the SFO.

(8) Mr. Tian Feng is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may join in from time to time (the "**Tian Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed to be interested in the Shares held by Joywise under the SFO.

(9) Mr. Li Mingqiang is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may join in from time to time (the "**Li Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed to be interested in the Shares held by Joywise under the SFO.

(10) Cititrust Private Trust (Cayman) Limited (the "**Trustee**") is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "History, Reorganization and Group Structure — Establishment of Offshore Trusts" from page 121 to page 122 of the Prospectus ("**Prospectus**").

In light of the above and notes 2 and 3, the Trustee is deemed to be interested in the Shares held by Joywise under the SFO.

(11) 100% of the equity interests of Beyond Steady Limited are indirectly held by Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. Therefore, Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. are deemed to be interested in the Shares held by Beyond Steady Limited under the SFO.

(12) 100% of the equity interests of CSI Capital Management Limited are indirectly held by CITIC Securities Company Limited. Therefore, CITIC Securities Company Limited is deemed to be interested in the Shares held by CSI Capital Management Limited under the SFO.

(13) 60% of the equity interest of Central New Ventures Limited is held by Shanghai Libo Investment Center (LP). Beijing Fudingxin Investment and Management Co., Ltd., wholly owned by FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd., is the general partner of Shanghai Libo Investment Center (LP). Therefore, Shanghai Libo Investment Center (LP), Beijing Fudingxin Investment and Management Co., Ltd. and FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd. are deemed to be interested in the Shares held by Central New Ventures Limited under the SFO.

(14) Mr. Wang Zhiqiang is interested in 130,312,559 shares of the Company, comprising 110,047,559 shares held by himself, 14,468,000 shares held through Zhongran Investments Company Limited, and 5,797,000 shares held by his spouse Ms. Ma Li which are deemed to be interested in by him.

(15) Ms. Ma Li is interested in 130,312,559 shares of the Company, comprising 5,797,000 shares held by herself, and 124,515,559 shares held by her spouse Mr. Wang Zhiqiang which are deemed to be interested in by her.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No controlling shareholders (as defined in the Listing Rules) or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Issue of US$200. 0 million 11.5% senior notes due 2021

On 27 June 2019, the Company, the offshore subsidiaries of the Company providing guarantees for the notes and the initial purchasers comprising Haitong International, CCB International, TFI Securities And Futures Limited ("**TF International**"), and CM Securities (HongKong) Company Limited ("**CM Financial**") entered into a subscription agreement in relation to the issue of US$200.0 million 11.5% senior notes due 5 July 2021. Haitong International and CCB International were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes, and TF International and CM Finance were the joint lead managers and joint bookrunners in connection with the issue of the notes. The estimated gross proceeds of the notes, after deducting issue discounts in connection with the offering, amounted to approximately US$196.6 million, which was intended to be used to repay certain of its existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 6 July 2019. For details, please refer to the announcement of the Company dated on 28 June 2019.

Repurchase of shares

During the Reporting Period, the Company repurchased a total of 56,312,000 ordinary shares at share prices ranging from HK$1.36 to HK$ 1.79 per share, of which 50,927,000 repurchased shares were cancelled on 27 March 2019, 3,155,000 shares were cancelled on 2 December 2019 and 2,230,000 shares were cancelled on 20 January 2020. The issued share capital of the Company has also been reduced accordingly. The expenses in an aggregate amount of HK$89.3 million incurred by the Company for such repurchased shares cancelled during the Reporting Period have been included in retained earnings.

The repurchase of shares by the Company during the Reporting Period was carried out by the Directors in accordance with the authorization of shareholders at the last two annual general meetings of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Repurchase of senior notes

During the Reporting Period, the Company made on-market repurchases on the Singapore Exchange Securities Trading Limited of senior notes due on 5 July 2021 in the aggregate principal amount of approximately US$29.9 million for a total consideration of US$30.5 million. The repurchased senior notes due on 5 July 2021 will be cancelled accordingly.

As at the date of the report, after repurchase of the above senior notes due on 5 July 2021, the principal amount of the outstanding senior notes due on 5 July 2021 is US$323.0 million.

Redemption of convertible bonds

During the Reporting Period, the Company redeemed convertible bonds due 2021 (the "**2016 CB**") in the aggregate principal amount of US$153.6 million for a total consideration of approximately US$163.8 million. As at the date of this report, after the redemption of the above 2016 CB, the principal amount of the outstanding 2016 CB is US$45.4 million.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law or the laws of the Cayman Islands where the Company was incorporated which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Individual Controlling Shareholders, Joywise, Ming Fai, Harvest Well (together with the Individual Controlling Shareholders, the "**Controlling Shareholders**") has, under the deed of non-competition dated 17 February 2014 (the "**Deed of Non-Competition**"), undertaken and covenanted with the Company that for so long as they and/or their respective associates (as defined in the Listing Rules), directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of the Company, each of them will not, and will procure his associates not to directly or indirectly, (including through any controlled company, associate, corporate body, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the property development business in the PRC.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition for disclosure in this annual report during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors (other than independent non-executive Directors) or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competed or might compete with the businesses of the Group.

CONNECTED TRANSACTIONS

The connected transactions of the Group during the Reporting Period are as follows:

Provision of financial assistance to Beijing Trust by the Company and Sunshine Assets Management

On 24 January 2019, Sunshine Asset Management Beijing Sunshine 100 Asset Management Co., Ltd. ("**Sunshine Asset Management**", a wholly-owned subsidiary of the Group), Beijing Trust and Xinglong County Huamao Construction and Development Co., Ltd. ("**Xinglong Huamao**") entered into the Project Documents, including the Equity Transfer Agreement, the Additional Investment Agreement and the Shortfall Funding Agreement, pursuant to which, the parties will collaborate on the project whereby Sunshine Asset Management will take the lead in the operation of the Xinglong Huamao and Beijing Trust will provide the funding required for the project.

Pursuant to the Shortfall Funding Agreement, Sunshine Asset Management shall assume the obligation to make payments for any shortfall in Beijing Trust's agreed investment return from the Project Company over the two-year investment period and the repayment of the Trust Principal invested in the Xinglong Huamao. In order to secure such obligation, Sunshine Asset Management will transfer 79.001% of the equity interest it held in the Project Company to Beijing Trust and will pledge the remaining 20.999% equity interest to Beijing Trust. Further, each of Sunshine 100 Group, the Company and Mr. Yi Xiaodi shall provide a guarantee in favour of Beijing Trust in respect of Sunshine Asset Management's obligation to pay for the shortfall.

As Beijing Trust is a connected person of the Company at the subsidiary level, the transactions contemplated under the Shortfall Funding Agreement and the Equity Pledge Contract constitute provision of financial assistance to a connected person of the Company under Chapter 14A of the Listing Rules. In light of the fact that the Shortfall Funding Agreement and the Equity Pledge Contract have been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Shortfall Funding Agreement and the Equity Pledge Contract are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Shortfall Funding Agreement and the Equity Pledge Contract are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

In addition, Sunshine Asset Management's obligations under the Shortfall Funding Agreement and the Equity Pledge Contract constitute financial assistance provided by it for the benefit of the Xinglong Huamao (a subsidiary of the Company) to Beijing Trust, as a credit enhancement measure for Beijing Trust's investment in the Xinglong Huamao. Pursuant to Rule 14.04(1)(e)(ii), the Shortfall Funding Agreement and the Equity Pledge Contract do not constitute transactions under Chapter 14 of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Equity Transfer Contract are less than 5%, the Equity Transfer Contract does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. The transaction contemplated under the Equity Transfer Contract constitutes a connected transaction of the Company with a connected person at the subsidiary level under Chapter 14A of the Listing Rules. In light of the fact that the Equity Transfer Contract has been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Equity Transfer Contract are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Equity Transfer Contract is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Similarly, pursuant to Chapter 14A of the Listing Rules, the guarantee provided by the Company and Sunshine 100 Group respectively to Beijing Trust constitutes provision of financial assistance to a connected person by the Company. In light of the fact that such guarantees have been approved by the Board and the independent non-executive Directors have confirmed that the terms of such guarantees are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, such guarantees are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules. As such guarantees are provided for the benefit of the Project Company (a subsidiary of the Company) to Beijing Trust, pursuant to Rule 14.04(1)(e)(ii), they do not constitute transactions under Chapter 14 of the Listing Rules.

The guarantee provided by Mr. Yi Xiaodi, a Director, to Beijing Trust for the benefit of Sunshine Asset Management constitutes financial assistance received by the Company, as it is conducted on normal commercial terms or better and not secured by the assets of the Group, the guarantee is fully-exempt under Chapter 14A.90 of the Listing Rules.

For details, please refer to the announcement of the Company dated 24 January 2019.

Entering into the Facility Agreement between Sunmode and Luen Thai Land

On January 31, 2019, Sunmode Limited ("**Sunmode**", a wholly-owned subsidiary of the Company) entered into the Facility Agreement with Luen Thai Land Limited ("**Luen Thai Land**", a substantial shareholder of Chang Jia International Limited ("**Chang Jia**", a non-wholly owned subsidiary of the Company)), pursuant to which Luen Thai Land has agreed to make available the Credit Facility (which includes the original loans already drawn down under the original loan agreements) to Sunmode at the interest rate of 9% per annum. The Loans are secured by the Share Charges.

Luen Thai Land is the holder of 45% of the issued share capital of Chang Jia, hence Luen Thai Land is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Luen Thai Land is not connected with the Company at the issuer level. The Loans constitute the receiving of financial assistance by the Company from a connected person at the subsidiary level. The Facility Agreement has been approved by the Board. The Board (including the independent nonexecutive Directors) has confirmed that the terms of the Facility Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. The Loans are therefore exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since Luen Thai Land is a connected person of the Company, the Share Charges constitute financial assistance provided by the Company to a connected person at the subsidiary level. The Share Charges have been approved by the Board. The Board (including the independent non-executive Directors) has confirmed that the terms of the Loans and the Share Charges are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. In light of the above, the transactions contemplated under the Share Charges are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As the Share Charges constitute financial assistance provided by the Company to Luen Thai Land for the benefit of the Company's subsidiaries, pursuant to Rule 14.04(1)(e)(ii) of the Listing Rules, the Share Charges do not constitute transactions under Chapter 14 of the Listing Rules.

For details, please refer to the announcement of the Company dated 31 January 2019.

Deposit Received from Disposal of 100% Equity Interest in Eminent Star by Chang Jia to be Safe-kept by Shiny New and Shan Ying

For details of the transaction, please refer to the section "Major investments, acquisitions and disposals" set out in this report.

For the purposes of the Listing Rules, such portion of the Deposit received and safe-kept by Shiny New and Shan Ying is considered to be financial assistance from the Group to its connected person at the subsidiary level.

The provision of financial assistance to Shiny New and Shan Ying under the Agreement constitutes a connected financial assistance of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules since Shiny New and Shan Ying are connected persons only at the subsidiary level and the provision of financial assistance to Shiny New and Shan Ying under the Agreement has been approved by the Board and all the independent non-executive Directors have confirmed that the terms of the Agreement is fair and reasonable, on normal commercial terms or better and in the interests of the Company and Shareholders as a whole.

Acquisition of 15% Equity Interest in Hunan Sunshine 100 and 8.85% Equity Interest in Hubei Sunshine 100

For details of the transaction, please refer to the section "Major investments, acquisitions and disposals" set out in this report.

Tianjin Nongken Hongyilian is a substantial shareholder holding 15% equity interest of Hunan Sunshine 100, a subsidiary of the Company, and thus is a connected person of the Company at the subsidiary level. Therefore, the Equity Transfers constitute connected transactions between the Company and a connected person at the subsidiary level.

The Board of the Directors (including all independent non-executive Directors) has approved the transactions and confirmed that the terms of the transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole. Therefore, the transactions are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but subject to the reporting and announcement requirements.

Acquisition of Remaining Equity Interests in Three Project Companies in Wenzhou

For details of the transaction, please refer to the section "Major investments, acquisitions and disposals" set out in this report.

Wenzhou Zhongxin is owned as to 51% by Sunshine 100 Group and 49% by Zhonghang Haoyuan. Wenzhou Shengtaicheng is owned as to 51% by Sunshine 100 Group and 49% by Chongqing Shihe. Shihe Hengye directly holds 100% equity interest in each of Zhonghang Haoyuan and Chongqing Shihe. As such, Shihe Hengye, Zhonghang Haoyuan and Chongqing Shihe are connected persons of the Company at the subsidiary level. Wenzhou Zhongxin Haoyuan is owned as to 51% by Shanghai Haoming and 49% by Sunshine 100 Group. Shihe Hengye also directly holds 100% equity interest in Shanghai Haoming. As such, Shanghai Haoming and Wenzhou Zhongxin Haoyuan, being subsidiaries of Shihe Hengye, are also connected persons of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Equity Transfer Agreement also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Equity Transfer Agreement has been approved by the Board and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. As Shihe Hengye and each of the Current Holders are connected persons of the Company at the subsidiary level, the Equity Transfer Agreement is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A. 101 of the Listing Rules.

Disposal of 90% Equity Interests in Wenzhou Zhongxin Haoyuan

For details of the transaction, please refer to the section "Major investments, acquisitions and disposals" set out in this report.

As Beijing Trust is a connected person of the Company at the subsidiary level, the transactions contemplated under the Project Documents constitute a connected transaction under Chapter 14A of the Listing Rules. In light of the fact that the Project Documents have been approved by the Board and the independent nonexecutive Directors have confirmed that the terms of the Project Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Project Documents are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Save as disclosed above, a summary of significant related party transactions, which do not constitute (or are fully exempt) connected transactions or continuing connected transactions, made during the Reporting Period is disclosed in note 31 to the financial statements.

LITIGATION RELATED TO CHENGDU PRIMARY LAND DEVELOPMENT PROJECT

In 2005 and 2007, the Group entered into a series of co-operation agreements with Chenghua District, Chengdu and local government authorities under it to conduct primary development of a parcel of land located in the district. Pursuant to these frame agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost the Group have incurred to prepare it and if the Group win the bid at the auction, the Group will be entitled to deduct its incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to the Group (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

The project consists of four phases with site areas of approximately 244,361 square metres, 59,967 square metres, 14,667 square metres and 109,334 square metres respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to the Group pursuant to the frame agreements with the Group. The Group cumulatively received approximately RMB1,927.0 million from the Chenghua district government out of such land premium proceeds. A remaining land premiums that the Group are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on the Group's balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings at the Sichuan Higher People's Court against the Government of Chenghua District, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu (成都市成華區危房改造開發辦公室), for the payment of the Land clearance income and the management fees of RMB15 million, which totaled RMB596.1 million. Sichuan Higher People's Court accepted the case on 10 February 2015 and commenced the court session for the case in June 2015.

During the trial of the Case, the Group had negotiated with the Government of Chenghua District for several times in the hope of reaching a settlement. As part of the settlement agenda, the Group filed an application for withdrawal of the Case (the "**Withdrawal Application**") to the Higher Court on 24 July 2018, and the Higher Court has accepted and approved the Withdrawal Application. Both parties wish to reach a settlement agreement in respect of the Case and determine the amount of settlement as soon as possible. As at the date of this report, both parties had not reached a settlement agreement in respect of the Case. The Company will publish relevant announcements on the website of the Stock Exchange and the Company's website when there is any material development in respect of the case.

LITIGATION RELATED TO THE LOAN TO BAIJIARUI

The Group, a wholly-owned subsidiary of the Company, filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) for a dispute arising from a private lending. The lawsuit has been formally accepted by the No. 3 Intermediate People's Court of Beijing Municipality.

The lawsuit relates to a loan in the principal amount of RMB250.0 million granted by the Group to Shenzhen Baijiarui Investment Co., Ltd. (深圳市佰佳瑞投資有限公司) ("**Baijiarui**") with an interest rate of 12% per annum and a renewed term up to 31 December 2018 pursuant to the loan contract (the "**Loan Contract**") entered into with Baijiarui on 28 January 2016 and several supplementary contracts signed subsequently. To guarantee the performance of the Loan Contract, Shenzhen China Create City Renewal Group Co., Ltd. (深圳市中科創城市更新集團有限公司) ("**China Create City Renewal**") has provided a pledge guarantee for the full settlement of obligations under the Loan Contract by pledging the 100% equity interest in Baijiarui and derivative interests thereof held by it, and Shenzhen China Create Asset Management Co., Ltd. (深圳市中科創資產管理有限公司) ("**China Create Asset**") has provided a joint liability guarantee. Upon maturity of the loan, the borrower failed to repay RMB250.0 million out of the loan principal and interest accrued thereon, and neither China Create City Renewal nor China Create Asset performed their respective guarantee. Sunshine 100 Group filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality, requesting that (1) Baijiarui should repay the principal of the loan of RMB250.0 million; (2) the Group should be compensated with priority from the proceeds from disposal, discount, auction or sale, of 100% equity interest in Baijiarui and derivative interests thereof pledged by China Create City Renewal; and (3) China Create Asset should undertake joint guarantee liability for the first request.

The Group has applied to the No. 3 Intermediate People's Court of Beijing Municipality to take interim measures against the property of the defendant worth RMB250.0 million. The court has issued a civil ruling to freeze the 30% equity interest in China Create City Renewal held by China Create Asset up to RMB250.0 million.

On 29 September 2019, the No. 3 Intermediate People's Court of Beijing Municipality issued a first instance judgement in favour of the Group, whereby Baijiaru should repay the principal of the loan of RMB250.0 million and pay the legal costs of RMB400,000 to the Group. The judgement was issued via notice and took effect on 4 January 2020.

As the Group won the lawsuit in respect of the principal of the loan, the Group separately filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) for the loan interest and penalty interest. In accordance with the notice received by the Group on 18 March 2020, the lawsuit has been formally accepted by the No. 3 Intermediate People's Court of Beijing Municipality.

The Group requested for the following rulings that: (1) Baijiarui should repay the loan interest of the loan principal of RMB250.0 million to the Group, amounting to approximately RMB80.9 million; (2) Baijiarui should repay the penalty interest and compound interest of the loan to the Group until the date that all principal and interests of the loan have been repaid in full (the penalty interest and compound interest being approximately RMB60.4 million which is calculated temporarily up to 31 December 2019); (3) where Baijiarui could not repay the interest, penalty interest and compound interest of the loan in full, the Group is entitled to be compensated with priority from the proceeds from disposal, discount, auction or sale, of 100% equity interest in Baijiarui and derivative interests thereof (including dividend, allotment and rights incurred from bonus issue) pledged by China Create City Renewal; (4) China Create Asset should undertake joint guarantee liability for the abovementioned request of the interest, penalty interest and compound interest of the loan; and (5) Baijiarui, China Create City Renewal and China Create Asset should undertake the court costs, property protection fee and legal fees incurred from the case.

As at the date of the report, the aforementioned litigation related to loan interest and penalty interest has not been heard by the court.

LITIGATION RELATED TO YUEYANG HANSEN

Yueyang Sunshine 100 Real Estate Co., Ltd. ("**Yueyang Sunshine 100**"), a wholly-owned subsidiary of the Company, became the enforcement applicant under the Execution Case (2018) Xiang Zhi No.6 ((2018) 湘執 6 號執行案件) of the Higher People's Court of Hunan Province (湖南省高級人民法院) and was approved by the Intermediate People's Court of Changde City of Hunan Province (湖南省常德市中級人民法院) to seize the property of Yueyang Hansen Hotel Co., Ltd. (岳陽漢森酒店有限公司) ("**Yueyang Hansen**"), being the party subject to enforcement order.

On 9 November 2017, China Great Wall Asset Management Co., Ltd. Hunan Branch (中國長城資產管理股份有限公司湖南省分公司) ("**Great Wall Asset**") participated in a civil mediation on the dispute arising from a financial loan contract with Yueyang Hansen and its guarantors, being Xiao Han and Wu Fang, and obtained the Civil Mediation Order (2017) Xiang Min Chu No.16 ((2017)湘民初16號《民事調解書》) (the "**Civil Mediation Order**") issued by the Higher People's Court of Hunan Province. According to the agreement under the Civil Mediation Order, Yueyang Hansen should repay the principal of the debt of RMB200 million and the interest and penalty interest thereof to Great Wall Asset before 31 January 2018. Due to the failure of Yueyang Hansen to fulfill the Civil Mediation Order and upon the request of Great Wall Asset, the Higher People's Court of Hunan Province filed a case for enforcement on 21 March 2018, and issued an enforcement ruling on 10 September 2018 to designate the Intermediate People's Court of Changde City to enforce the ruling.

In June 2018, Great Wall Asset, through Tianjin Financial Assets Exchange, conducted a public auction of its aforesaid debt and affiliated rights in Yueyang Hansen, including the principal and interest thereof provided in the Civil Mediation Order and its mortgage rights in the property under the name of Yueyang Hansen. Yueyang Sunshine 100 won the auction at the consideration of RMB248 million, and signed an asset transfer agreement" (the "**Asset Transfer Agreement**") with Great Wall Asset to secure all the debt and affiliated rights under the Civil Mediation Order. As agreed in the Asset Transfer Agreement, as of 30 April 2018, the principal and interest thereof (including penalty interest, compound interest and liquidated damages) of the debt totaled RMB297.2 million.

On 12 April 2019, as requested by Yueyang Sunshine 100, the Intermediate People's Court of Changde City ruled that the enforcement applicant has been changed from Great Wall Asset to Yueyang Sunshine 100.

On 16 May 2019, Yueyang Sunshine 100 received a notice from the Intermediate People's Court of Changde City, stating that all properties of Yueyang Hansen with the measurement nos.511132020001, 511132020002, 511132020003 and 511132020004 were seized.

Yueyang Sunshine 100 has reached an executive settlement with Yueyang Hansen, and has submitted an application for executive settlement to the Intermediate People's Court of Changde City of Hunan Province. With the consent of the Intermediate People's Court of Changde City of Hunan Province, the case was closed on 16 December 2019.

Save as disclosed above, as at the date of this report, so far as was known to the Directors, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance, and no other litigation or claim of material importance was to be pending or threatened against the Company nor any of its subsidiaries.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 17 February 2014.

1. Purpose

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and

(iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1. 00 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

3. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (as defined in the Prospectus), being 200,000,000 Shares.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

5. Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official 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 a Share.

6. Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

7. Restrictions on the times of grant of options

A grant of options may not be made when inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual results, half year, quarterly or other interim period (whether or not required under the Listing Rules);

(ii) the deadline for the Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be),

and no options shall be granted where the grant of options is to a Director:

(iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

8. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

9. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

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

As at the date of this annual report, no option under the Share Option Scheme has been granted by the Company. The total number of 200,000,000 shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 7.83% of the shares of the Company in issue as at the date of this annual report. As at 31 December 2019, the remaining life of the Share Option Scheme is approximately four years and two months.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company has not entered into any other equity-linked agreements.

ENVIRONMENT POLICIES AND PERFORMANCE

It is the Group's enterprise and social responsibility to promote sustainable development and conservation to the environment. The Group commits itself to saving power and carrying out company affairs in sustainable ways so as to minimize our impact on the environment.

The Group has been implementing the idea of energy saving and pollution prevention, taking active actions (such as conserving water and power and reducing pollution and emission in the process of construction) and formulating emergency and controlling procedures as prevention measures against unexpected environmental pollutions. For details, please refer to the 2019 Environmental, Social and Governance Report which will be published separately on the websites of the Stock Exchange and the Company.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Law, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, auditor or other officer of the Company, other than for any matter in respect of any fraud or dishonesty which may attach to any such persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH LAWS AND REGULATIONS WHICH HAVE SIGNIFICANT EFFECT ON THE COMPANY

The Group is operated principally by subsidiaries of the Company in the PRC which itself is listed on the Stock Exchange. Our operation is subject to the relevant laws and regulations of the PRC and Hong Kong. For the Reporting Period and up to the date of the annual report, we have complied with all the relevant laws and regulations of the PRC and Hong Kong in all material respects.

CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations of approximately RMB14.1 million.

POST BALANCE SHEET EVENTS

Events after the Reporting Period of the Group are set out in the sub-section "Events after the Reporting Period" of Management Discussion and Analysis on pages 38 to 39 of this annual report.

Save as foregoing, the Group has no material post balance sheet events which are required to be disclosed in the audited financial statements.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has adopted and complied with all the applicable provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for the following deviations from Code Provisions A.2.1 which are described in further details in the section headed "Corporate Governance Report" in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 78 to 92 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirements of the Listing Rules for the Reporting Period.

AUDITOR

KPMG has acted as auditor of the Company for the Reporting Period.

KPMG shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Chairman and Executive Director
Yi Xiaodi

Beijing, the PRC, 31 March 2020

Corporate Governance Report

The Board is pleased to present the corporate governance report in the annual report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the year ended 31 December 2019, the Company has adopted and complied with all applicable code provisions (the "**Code Provisions**") under the CG Code, except the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi has served as the chairman and chief executive of the Company since 11 May 2018. This arrangement deviates from the requirement that the two positions should be held separately by different individuals as prescribed in the code provision A.2.1 of the CG Code. However, the Board is of the view that the roles of chairman and Chief Executive Officer assumed by Mr. Yi Xiaodi will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operation of the Board as the majority of Board members are non-executive directors and independent non-executive directors. Moreover, the Board comprises experienced and high caliber individuals and meets regularly to discuss major issues affecting operations of the Company, and all directors are properly and promptly briefed on relevant matters with adequate, complete and reliable information.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Yi Xiaodi and Mr. Fan Xiaochong, two non-executive Directors, namely Ms. Fan Xiaohua, Mr. Wang Gongquan and three independent non-executive Directors, namely Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since 1 January 2019 up to the date of this annual report, the Board at all times met the requirements of Rules 3.10 and 3. 10A of the Listing Rules. Of the three independent non-executive Directors appointed, which represents at least one-third of the Board, one independent non-executive Director, namely Mr. Ng Fook Ai, Victor, is equipped with appropriate professional qualifications or adequate accounting or related financial management expertise.

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

Save as disclosed in the biographies of the Directors as set out under the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Board Diversity Policy

In order to enhance the efficiency of the Board and corporate governance standard of the Company, the Board should maintain a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) so that the Board is highly independent and is able to make independent judgments efficiently.The Company has adopted Board Diversity Policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity from various criteria, including but not limited to the gender, age, cultural and education background, race, professional and industry experience, skills, knowledge, length of service and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board.

The selection of candidates will be based on the Company's Nomination Policy while taking into account the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and the needs of the Board without focusing on a single diversity aspect.

As at the date of the Annual Report, the Board comprises seven directors. Three of them are independent non-executive Directors, through which the Company expects to promote critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

As regards the Code Provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors will disclose their commitments to the Company annually.

Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the Reporting Period, the individual training record of each Director is set out as follows:

	Training course
Executive Directors	
Mr. Yi Xiaodi	(A) and (B)
Mr. Fan Xiaochong	(A) and (B)
Non-executive Directors	
Ms. Fan Xiaohua	(A) and (B)
Mr. Wang Gongquan	(A) and (B)
Independent Non-executive Directors	
Mr. Gu Yunchang	(A) and (B)
Mr. Ng Fook Ai, Victor	(A) and (B)
Mr. Wang Bo	(A) and (B)

(A) Attended the training courses organized by the Company and delivered by Morrison & Foerster LLP
(B) Perused Environment, Society & Governance Reporting Guide and watched the vedio of ESG Governance and Report

Chairman and Chief Executive Officer

Under the current organization structure of the Company, Mr. Yi Xiaodi is the Chairman of the Board and Chief Executive Officer. The Chairman leads the Board and is responsible for formulating corporate and business strategies of the Company and making major corporations and operations decisions of the Company. The Chief Executive Officer focuses on the business development of the Company and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy of the Company. Their respective responsibilities are clearly defined and set out in writing.

Appointment, Re-Election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company under which they have agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. On 1 March 2020, each of the executive Directors has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Ms. Fan Xiaohua, a non-executive Director, has entered into a service contract with the Company under which she agreed to act as a non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either Ms. Fan or the Company. On 1 March 2020, Ms. Fan has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Gongquan, a non-executive Director, has entered into a service contract with the Company under which he agreed to act as a non-executive Director for a term of three years commencing from 1 August 2018, which may be terminated by not less than three months' notice in writing served by either Mr. Wang or the Company.

Mr. Gu Yunchang and Mr. Ng Fook Ai, Victor, the independent non-executive Directors, have signed appointment letters with the Company for a term of three years with effect from the Listing Date. On 13 March 2020, each of Mr. Gu and Mr. Ng has entered into new appointment letters with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Bo, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years with effect from 1 August 2018.

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company but every Director is subject to retirement by rotation at least once every three years and, being eligible, can offer himself for re-election at the annual general meeting. Any new Director appointed by the Board to fill a causal vacancy is subject to re-election by the Shareholders at the first annual general meeting of the Company after appointment. Any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly. During the Reporting Period, four Board meetings were held. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other meetings of the Board and the Board Committees, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or members of the relevant Board Committees at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the relevant Board Committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Sufficient details of the matters considered, decisions reached and concerns raised by any Directors are recorded in the minutes of the meetings of the Board and Board Committees. Draft minutes of each meeting of the Board or Board Committees are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, four Board meetings were held and the attendance is set out in the table below:

	2018 Annual Results	Proposed Issue of USD Senior Notes	2019 Interim Results	Discloseable and Exempt Connected Transactions Disposal of 90% Equity Interest in Wenzhou Zhongxin Haoyuan
Executive Directors				
Mr. Yi Xiaodi	✓	✓	✓	✓
Mr. Fan Xiaochong	✓	✓	✓	✓
Non-executive Directors				
Ms. Fan Xiaohua	✓	✓	✓	✓
Mr. Wang Gongquan	✓	✓	✓	✓
Independent non-executive Directors				
Mr. Gu Yunchang	✓	✓	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓	✓	✓
Mr. Wang Bo	✓	✓	✓	✓

✓ represents attending the meeting

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Delegation by the Board

The Board reserves its rights of decision over all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have the option to obtain independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions are entered into by the management.

Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include the following:

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

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Gu Yunchang and Mr. Wang Bo, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of 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 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 assess the independence of independent non-executive Directors;
- to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
- to review the policy on Board diversity (the "**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; and to make disclosure of its review results in the annual report of the Company annually.

The Company has adopted the nomination policy ("**Nomination Policy**"). Pursuant to the Nomination Policy, the Nomination Committee will assess the candidate or the incumbent on criteria such as credibility, accomplishment and experience in real estate industry or other professional areas, commitment in respect of available time and relevant interest, Board diversity in all aspects, including but not limited to the gender, age, cultural and education background, race, professional experience, knowledge and length of service, etc.. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, one meeting was held by the Nomination Committee and the attendances are set out in the table below:

	2018 Annual Results
Executive Director	
Mr. Yi Xiaodi	✓
Independent non-executive Directors	
Mr. Gu Yunchang	✓
Mr. Wang Bo	✓

✓ represents attending the meeting

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Bo (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to the following:

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

- either: (i) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- to review and approve the 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 Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to review and approve the management's remuneration with reference to the Board's corporate policies and objectives; and

- to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, one meeting was held by the Remuneration Committee and the attendances are set out in the table below:

	2018 Annual Results
Executive Director	
Mr. Fan Xiaochong	✓
Independent non-executive Directors	
Mr. Gu Yunchang	✓
Mr. Wang Bo	✓

✓ represents attending the meeting

Details of the remuneration by band of the 7 members of the senior management of the Company, whose biographies are set out on pages 43 to 46 of this annual report, for the year ended 31 December 2019 are set out below:

Remuneration band (RMB'000)	Number of individuals
Below 1,000	1
1,000 to 2,000	5
2,001 to 3,000	1

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Ng Fook Ai, Victor (chairman), Mr. Wang Bo and Mr. Gu Yunchang. The main duties of the Audit Committee include the following:

- to deal with the relationship with the Company's external auditors;
- to review the Company's financial information;
- to oversee the Company's financial reporting system, risk management and internal control procedures; and
- to perform the Company's corporate governance functions.

During the Reporting Period, four meetings were held by the Audit Committee and the attendances are set out in the table below:

	2018 Annual Results	The Second Meeting	2019 Interim Results	The Fourth Meeting
Independent non-executive Directors				
Mr. Gu Yunchang	✓	✓	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓	✓	✓
Mr. Wang Bo	✓	✓	✓	✓

✓ represents attending the meeting

The Audit Committee reviewed the financial control system, crisis management, risk management and internal control processes, discussed with the management with regard to the risk management and internal control systems and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the Reporting Period as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control and other matters.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 93 to 102 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks to be assumed by the Company in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in management and overseeing the formulation, implementation and supervision of the risk management and internal control systems.

The Board confirms that, through the Audit Committee, it has reviewed the effectiveness of the Group's system of risk management and internal control for the Reporting Period.

The risk management and internal control of the Group are conducted through the departments daily operation, including a sound corporate structure and defined terms of reference, such as authorization approval, validation, and segregation of duties. By reference to any changes in the external environment and the Company's business development mode, the management and the officers of key competent departments will jointly continue to assess major risks and the possibility of their occurrence, to provide solutions and monitor the progress of risk management. The Company also actively carry out the informatization construction, including the continuous optimization of collaborative office system (OA/ Portal), Oracle accounting system, Hyperion budget system and customer relationship management system (CRM), and provide timely and accurate data to the management to strengthen the Company's risk control in decision-making.

In addition, we seek to proactively identify any concerns and issues relating to potential non-compliance by providing training (organized by our administrative and legal department) to the management of all departments regarding the need for preventive and self-check measures, ensuring that all applicable laws and regulations are complied and material internal control deficiency is identified and addressed timely. In the meantime, the direct supervision departments or our management would inspect relevant departments on a regular or irregular basis and conduct internal control assessment regularly to identify risks that have potential impact on the business and all aspects (including key operational and financial processes, regulatory compliance and information security) of the Group.

The management monitored the assessment of risk management and internal control and have reported/ confirmed to the Board and the Audit Committee on the effectiveness of risk management and internal control systems for the Reporting Period.

The Group has established an employee reporting channel including email account and telephone hotline through which an employee can report potential non-compliance exposures and raise concerns over possible improper behaviors in financial reporting, internal control or other aspects, so that we could promptly detect problems and undertake corrective measures.

The Group has developed its disclosure policy and process which specifies in detail the process and monitoring measures to assess, handle and disclose potential inside information, including notify the relevant Directors and employees about the blackout period and restriction in security trading.

The Group has set up an internal audit department, conducting independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal audit department examines key issues in relation to the accounting practices and all material controls and provides its findings and recommendations for improvement to the Audit Committee.

Since the outbreak of the novel coronavirus epidemic ("**COVID-19**") in early 2020, strict prevention and control measures have been adopted throughout China. The temporary close of commercial housing sales centers in most cities and the suspension of project constructions has brought pressure to the real estate market of the country and affected the planned commencement of project sales and property sales of the Group. Since the beginning of the year, the Group has actively taken a variety of measures to mitigate the negative impact of the epidemic and speed up the resumption of work and production in an orderly manner, including optimizing and improving the online work platform and sales platform, and timely adjusting the construction progress, the commencement of project sales and the supply structure. At present, COVID-19 is still spreading in other countries around the world, but in Mainland China, it has been effectively controlled. The Group believes that the overall Chinese real estate industry will gradually return to normal within this year under a series of fiscal and monetary policies for steady growth launched by the central government.

The Audit Committee confirmed that it has reviewed the effectiveness of risk management and internal control systems of the Company according to its term of reference since 1 January 2019 and is of the view that the risk management and internal control systems are effective and adequate. The Audit Committee will continue to conduct regular review on risk management and internal control systems in the future.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and considered that, the risk management and internal control systems of the Company for the Reporting Period are effective and adequate.

AUDITOR'S REMUNERATION

Service fees paid/payable by the Group to KPMG, the external auditor, for the Reporting Period are set out as follows:

Service rendered	***RMB'000***
Audit services:	
Annual audit	8,850
Review of the interim financial report	1,500
Others	2,863
Non-audit services	351
Total	13,564

JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules, during the Reporting Period, the Company engaged Dr. Ngai Wai Fung ("**Dr. Ngai**"), a Director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited (a corporate service provider) and Mr. He Jie ("**Mr. He**"), the assistant to the president and chief legal officer of the Group, as its joint company secretaries for the year ended 30 November 2019. With effect from 1 December 2019, the Company has engaged Mr. Tsang Ho Yin ("**Mr. Tsang**"), a senior associate of Stevenson, Wong & Co. and Mr. He, as its joint company secretary. During the Reporting Period, Mr. He, together with Dr. Ngai and Mr. Tsang are responsible for advising the Board on corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable laws, rules and regulations. The primary contact person of the Company is Mr. He, a joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Dr. Ngai, Mr. Tsang and Mr. He have undertaken not less than 15 hours of relevant professional training during the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The primary contact person of the Company is Mr. Chen Shengjie, the chief financial officer of the Company.

The AGM of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the Chairman of the Board Committees of the Company will attend the AGM to answer shareholders' questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.ss100.com.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue raised at a general meeting, including the election of individual Directors. All resolutions put forward at a general meeting will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Calling Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to Article 58 of the Articles of Association.

Any one or more Shareholders 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 or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition; and such meeting shall be held within two (2) months after such requisition.

Such requisition shall be made in writing to the Board or the joint company secretaries of the Company by the following channels:

Address: 39/F, Gloucester Tower, The Landmark
15 Queen Road Central,
Hong Kong
Email: ir@ss100.com.cn

If within 21 days of such requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards to how to nominate a person to stand for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at 39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong (email address: ir@ss100.com.cn).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was adopted by the Board on 17 February 2014 and became effective on the Listing Date. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange. During the period from 1 January 2019 up to the date of this annual report, there was no significant change in constitutional documents of the Company.

Independent Auditor's Report

To the shareholders of Sunshine 100 China Holdings Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 236, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of investment properties

Refer to Note 10 to the consolidated financial statements and the accounting policies on page 120.

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties with a total carrying amount of RMB11,670,105,000 as at 31 December 2019, which accounted for 20.0% of the Group's total assets as at that date. The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income was RMB529,499,000 and represented 13.2% of the Group's profit before taxation for the year ended 31 December 2019. The investment properties principally comprise office and retail properties mainly located in tier 2 and tier 3 cites in Mainland China.	Our audit procedures to assess the valuation of investment properties included: • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer;

The Key Audit Matter	How the matter was addressed in our audit
The fair values of investment properties as at 31 December 2019 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.	• assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer; • involving our internal valuation specialists, on a sample basis, to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics; • comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and • considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 16 to the consolidated financial statements and the accounting policies on page 131.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of properties under development and completed properties held for sale totalled RMB27,977,447,000 as at 31 December 2019, which accounted for 47.9% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value. The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions. Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities. We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.	Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included: • evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs; • conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; • challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of similar type and size and in similar location; • assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and • evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Assessing the recoverability of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 30(a) to the consolidated financial statements and the accounting policies on page 124.

The Key Audit Matter

Based on a series of agreements entered into by the Group and the Government of Chenghua District in Sichuan Province, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a notice dated 2 July 2013 to confirm this amount.

Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court accepted and approved an application for withdrawal of the trial filed by the Group on 26 July 2018. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of RMB581,089,000 due from the Government of Chenghua District in Sichuan Province included:

- obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance and negotiation status between the Group and the Government of Chenghua District; and
- assessing management's judgement in connection with the recoverability of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District and challenging management's assessment in respect of the ability of the Government of Chenghua District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable and no expected credit loss allowance was required, taking into consideration a legal opinion received from an external lawyer about the legitimacy of the Group's right to receive the outstanding balance and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance. We identified the recoverability of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the assessment of its recoverability requires the application of management judgement.	

Assessing the recoverability of loans provided to third parties

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 133.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying value of loans provided to third parties totalled RMB2,852,398,000 after deducting a loss allowance of RMB1,004,932,000. Management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs, pursuant to the requirements under IFRS 9 "Financial Instruments" which has been adopted by the Group since 1 January 2018. The determination of ECLs is subject to management judgement on a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information, available remedies for recovery, collateral valuation and the seniority of the claim. We identified the recoverability of loans provided to third parties as a key audit matter because of its financial significance to the Group and because the assessment of their recoverability is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the recoverability of loans provided to third parties included: • evaluating the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans provided to third parties, and the estimate of ECLs; • assessing management's judgement in connection with the assessment of credit risk and the estimate of ECLs for individual credit-impaired debtor, on a sample basis, including reviewing the debtor's repayment history and financial information, researching market information about the debtor's business, evaluating management's assessment of the value of any collateral held and the timing and means of realisation of collateral, and considering other sources of repayment asserted by management; • where a lawsuit against individual debtor has been filed by the Group and obtained the judgment from the court, comparing the result of judgment with the carrying amount of loans provided to the individual debtor; • inspecting cash repayments from debtors subsequent to the financial year end; and • considering whether the disclosures in the consolidated financial statements in respect of the expected credit losses for loans provided to third parties satisfy the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019** **RMB'000**	2018 (Note) RMB'000
Revenue	2	**8,288,648**	7,579,091
Cost of sales		**(6,188,628)**	(5,988,281)
Gross profit		**2,100,020**	1,590,810
Valuation gains on investment properties	10	**529,499**	888,666
Other income	3	**2,521,513**	278,970
Selling expenses		**(483,241)**	(553,707)
Administrative expenses		**(590,769)**	(545,904)
Other operating expenses	30	**(182,864)**	(990,400)
Profit from operations		**3,894,158**	668,435
Finance income	4(a)	**696,812**	519,354
Finance costs	4(a)	**(585,580)**	(550,788)
Share of profits less losses of associates		**12,888**	(28,216)
Profit before taxation	4	**4,018,278**	608,785
Income tax	5	**(803,169)**	(366,012)
Profit for the year		**3,215,109**	242,773
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(3,016)**	(18,017)
Other comprehensive income for the year		**(3,016)**	(18,017)
Total comprehensive income for the year		**3,212,093**	224,756

The notes on pages 111 to 236 form part of these financial statements. Details of dividends payables to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company		**1,804,811**	(29,954)
Non-controlling interests		**1,410,298**	272,727
Profit for the year		**3,215,109**	242,773
Total comprehensive income for the year			
Attributable to:			
Equity shareholders of the Company		**1,801,795**	(47,971)
Non-controlling interests		**1,410,298**	272,727
Total comprehensive income for the year		**3,212,093**	224,756
Earnings/(loss) per share *(RMB)*	8		
Basic		**0.70**	(0.01)
Diluted		**0.55**	(0.01)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**31 December 2019 RMB'000**	31 December 2018 (Note) RMB'000
Non-current assets			
Property and equipment	9	**643,367**	697,864
Investment properties	10	**11,670,105**	11,707,246
Intangible assets	11	**863,900**	–
Restricted deposits	21	**42,900**	130,054
Investments in associates	13	**1,325,528**	905,007
Trade and other receivables	20	**192,315**	576,506
Deferred tax assets	14(b)	**691,570**	1,400,667
Other non-current financial assets	15	**273,730**	103,777
Total non-current assets		**15,703,415**	15,521,121
Current assets			
Properties under development and completed properties held for sale	16	**27,977,447**	32,464,688
Land development for sale	17	**2,013,294**	866,431
Contract costs	18	**249,106**	246,555
Trade and other receivables	20	**8,338,127**	7,674,633
Restricted deposits	21	**1,567,656**	1,975,407
Cash and cash equivalents	22	**2,438,612**	2,588,630
Trading securities	23	**107,953**	114,663
Total current assets		**42,692,195**	45,931,007
Current liabilities			
Loans and borrowings	24	**10,601,383**	10,419,807
Trade and other payables	25	**6,805,049**	7,207,298
Contract liabilities	19	**9,106,391**	9,094,428
Lease liabilities	26	**23,738**	–
Contract retention payables		**155,554**	173,482
Current tax liabilities	14(a)	**1,677,894**	1,093,894
Total current liabilities		**28,370,009**	27,988,909
Net current assets		**14,322,186**	17,942,098
Total assets less current liabilities		**30,025,601**	33,463,219

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**31 December 2019 RMB'000**	31 December 2018 *(Note)* RMB'000
Non-current liabilities			
Loans and borrowings	24	**14,452,841**	19,275,499
Contract retention payables		**154,463**	170,166
Lease liabilities	26	**61,251**	–
Trade and other payables	25	**423,249**	469,535
Deferred tax liabilities	14(b)	**3,185,570**	3,939,724
Total non-current liabilities		**18,277,374**	23,854,924
NET ASSETS		**11,748,227**	9,608,295
CAPITAL AND RESERVES	27		
Share capital		**20,240**	20,704
Reserves		**9,146,484**	7,454,138
Total equity attributable to equity shareholders of the Company		**9,166,724**	7,474,842
Non-controlling interests		**2,581,503**	2,133,453
TOTAL EQUITY		**11,748,227**	9,608,295

Approved and authorised for issue by the board of directors on 31 March 2020.

YI Xiaodi	**FAN Xiaochong**
Directors	*Directors*

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Treasury shares	Capital redemption reserve	Exchange reserve	General reserve fund	Property revaluation reserve	Retained profits *(Note)*	Sub-total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018		20,700	3,419,358	–	–	(3,776)	707,302	13,036	3,454,903	7,611,523	1,769,996	9,381,519
Changes in equity for 2018:												
(Loss)/profit for the year		–	–	–	–	–	–	–	(29,954)	(29,954)	272,727	242,773
Other comprehensive income		–	–	–	–	(18,017)	–	–	–	(18,017)	–	(18,017)
Total comprehensive income		–	–	–	–	(18,017)	–	–	(29,954)	(47,971)	272,727	224,756
Conversion of convertible bonds		4	1,366	–	–	–	–	–	–	1,370	–	1,370
Equity transaction with non-controlling interests		–	–	–	–	–	–	–	(90,080)	(90,080)	83,080	(7,000)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	7,684	7,684
Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	(34)	(34)
Transfer to general reserve fund		–	–	–	–	–	30,564	–	(30,564)	–	–	–
Balance at 31 December 2018 and 1 January 2019		20,704	3,420,724	–	–	(21,793)	737,866	13,036	3,304,305	7,474,842	2,133,453	9,608,295
Changes in equity for 2019:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,804,811**	**1,804,811**	**1,410,298**	**3,215,109**
Other comprehensive income		**–**	**–**	**–**	**–**	**(3,016)**	**–**	**–**	**–**	**(3,016)**	**–**	**(3,016)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(3,016)**	**–**	**–**	**1,804,811**	**1,801,795**	**1,410,298**	**3,212,093**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,250**	**4,250**
Distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,176,170)**	**(1,176,170)**
Repurchase of own shares	27(c)											
– par value paid		**(464)**	**–**	**(21)**	**–**	**–**	**–**	**–**	**–**	**(485)**	**–**	**(485)**
– premium paid		**–**	**(76,279)**	**(2,841)**	**–**	**–**	**–**	**–**	**–**	**(79,120)**	**–**	**(79,120)**
– transfer between reserves		**–**	**(464)**	**–**	**464**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of a subsidiary	34	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**263,684**	**263,684**
Equity transaction with non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,308)**	**(30,308)**	**30,308**	**–**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,320)**	**(84,320)**
Transfer to general reserve fund		**–**	**–**	**–**	**–**	**–**	**47,203**	**–**	**(47,203)**	**–**	**–**	**–**
Balance at 31 December 2019		**20,240**	**3,343,981**	**(2,862)**	**464**	**(24,809)**	**785,069**	**13,036**	**5,031,605**	**9,166,724**	**2,581,503**	**11,748,227**

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Profit before taxation		**4,018,278**	608,785
Adjustments for:			
– Depreciation	4(c)	**69,393**	55,078
– Valuation gains on investment properties	10	**(529,499)**	(888,666)
– Finance costs	4(a)	**569,166**	536,695
– Finance income	4(a)	**(696,812)**	(519,354)
– Net loss on disposal of property and equipment		**63**	432
– Net loss/(gain) on disposal of investment properties	3	**31,192**	(9,085)
– Gain on disposal of subsidiaries	3	**(2,117,598)**	–
– Remeasurement to fair value of pre-exsiting interest in acquiree	3	**(399,839)**	–
– Impairment loss on trade and other receivables	4(c)	**117,168**	958,003
– Write-down of/(reversal of) properties under development and completed properties held for sale	4(c)	**31,769**	(31,622)
– Gain on bargain purchase	3	**–**	(250,519)
– Share of profits less losses of associates		**(12,888)**	28,216
		1,080,393	487,963
Decrease/(increase) in properties under development and completed properties held for sale		**1,938,203**	(502,512)
(Increase)/decrease in land development for sale		**(188,460)**	247,315
Decrease in trade and other receivables		**232,221**	1,447,420
Decrease/(increase) in restricted deposits		**301,435**	(153,720)
(Decrease)/increase in trade and other payables, and contract retention payables		**(785,797)**	82,958
Increase in contract liabilities		**145,531**	604,707
Increase in contract costs		**(2,551)**	(42,156)
Cash generated from operation		**2,720,975**	2,171,975
Income tax paid		**(357,412)**	(429,235)
Net cash generated from operating activities		**2,363,563**	1,742,740

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Investing activities			
Finance income received		**180,791**	178,875
Proceeds from disposal of property and equipment		**2,180**	7,634
Proceeds from disposal of investment properties		**68,008**	173,384
Prepayment for acquisition of an associate		**(4,000)**	–
Prepayment for acquisition of a subsidiary		**(28,327)**	–
Acquisition of subsidiaries, net of cash acquired	34	**(49,442)**	(124,544)
Acquisition of property and equipment		**(12,415)**	(44,473)
Acquisition of investment properties		**(84,128)**	(188,852)
Acquisition of associates		**(274,987)**	(25,207)
Proceeds from disposal subsidiaries	35	**3,739,523**	–
Loans provided to related parties	31	**(3,404)**	(138,059)
Repayment of loans provided to a related party	31	**117,500**	–
Loans provided to third parties		**(3,084,320)**	(2,433,717)
Repayment of loans provided to third parties		**2,935,365**	1,663,663
Loans provided to associates	31	**(154,952)**	(562,566)
Repayment of loans provided to an associate	31	**20,170**	–
Loans provided to non-controlling interests		**(290,389)**	(152,788)
Acquisition of non-listed equity securities		**(169,953)**	(36,777)
Acquisition of non-controlling interests		**–**	(7,000)
Net cash generated from/(used in) investing activities		**2,907,220**	(1,690,427)

The notes on pages 111 to 236 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Financing activities			
Proceeds from loans and borrowings	22(b)	**11,003,445**	9,420,797
Repayment of loans and borrowings	22(b)	**(10,889,011)**	(8,819,116)
Repayment of senior notes	22(b)	**–**	(583,283)
Repayment of PRC bonds	22(b)	**(1,506,789)**	(1,500,000)
Redemption of convertible bonds	22(b)	**(1,109,726)**	–
Proceeds from issue of convertible bonds	22(b)	**–**	580,876
Proceeds from issue of senior notes	22(b)	**1,015,060**	2,215,097
Interest paid	22(b)	**(2,869,464)**	(2,521,215)
Decrease/(increase) in restricted deposits	22(b)	**193,470**	(1,001,628)
Loans from related parties	22(b)	**557**	91,586
Repayment of loans from related parties	22(b)	**(317)**	(17,841)
Capital contribution from non-controlling interests		**4,250**	7,684
Capital element of lease rentals paid	22(b)	**(23,163)**	–
Interest element of lease rentals paid	22(b)	**(7,686)**	–
Repurchase of own shares		**(79,605)**	–
Distribution to non-controlling interests		**(1,176,170)**	–
Net cash used in financing activities		**(5,445,149)**	(2,127,043)
Net decrease in cash and cash equivalent		**(174,366)**	(2,074,730)
Cash and cash equivalents at 1 January	22(a)	**2,588,630**	4,654,189
Effect of foreign exchange rate changes		**24,348**	9,171
Cash and cash equivalents at 31 December	22(a)	**2,438,612**	2,588,630

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

The notes on pages 111 to 236 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

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

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People's Republic of China (the "PRC").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see Note 1(i));

– investments in equity securities (see Note 1(g)); and

– derivative financial instruments (see Note 1(h)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Changes in accounting policies

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

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

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

a. *New definition of a lease*

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

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 29(c). For an explanation of how the Group applies lessee accounting, see Note 1(l).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.54%.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

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

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

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

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

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

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

The Group recognised right-of-use assets of RMB88,376,000 (RMB22,788,000 was recognised in investment properties and RMB65,588,000 was recognised in property and equipment) and the lease liabilities of RMB88,376,000 as at 1 January 2019.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB83,355,000 right-of-use assets (RMB29,466,000 was recognised in investment properties and RMB53,889,000 was recognised in property and equipment) and RMB84,989,000 lease liabilities as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised RMB24,797,000 depreciation charges and RMB7,686,000 interest costs from these leases.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

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

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

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17.

IFRS 16 has no material impact on financial result, segment results and cash flows of the Group.

d. *Leasehold investment property*

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

e. *Lessor accounting*

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

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

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (Continued)

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

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

(g) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(z)(vii)).

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(ii) Equity investments

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

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(z)(iii).

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(m)).

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

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

– Hotel properties	30–40 years
– Supermarkets	20–30 years
– Office premises	20–30 years
– Motor vehicles	5–8 years
– Office equipment	3–5 years

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

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are the exclusive right of land development, which is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(m)).

Amortisation of intangible assets with finite useful lives is capitalised as part of the cost of that asset. The exclusive right of land development with finite useful lives are amortised from the date they are available for use and based on the completion progress of land development.

The period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets

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

As a lessee

(A) Policy applicable from 1 January 2019

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (Continued)

As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

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

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 1(i).

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

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

(B) Policy applicable prior to 1 January 2019

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

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

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables including loans provided to non-controlling interests in subsidiaries, related parties, and third parties); and

- contract assets as defined in IFRS 15 (see Note 1(q));

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

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

- variable-rate financial assets: current effective interest rate.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

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

Significant increases in credit risk (Continued)

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

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

Basis of calculation of interest income

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

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

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

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

Write-off policy

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

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

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

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

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

- property, plant and equipment (other than properties carried at revalued amounts); and

- goodwill.

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

- *Calculation of recoverable amount*

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

- *Recognition of impairment losses*

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

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

- *Reversals of impairment losses*

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

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

(iv) Interim financial reporting and impairment

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

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

(n) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– ***Property under development for sale***

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

– ***Completed property held for sale***

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

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative for the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties under development and completed properties held for sale are sold, the carrying amount of those properties under development and completed properties held for sale is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of properties under development and completed properties held for sale to net realisable value and all losses of properties under development and completed properties held for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognised as a reduction in the amount of properties under development and completed properties held for sale recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties under development and completed properties held for sale (see Note 1(o)), or property, plant and equipment (see Note 1(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

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

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

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 1(z).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(z)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(r)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see Note 1(z)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(r)).

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

(r) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(q)).

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

(s) Loans and borrowings

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds

(i) Convertible notes that contain an equity component

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible bonds (Continued)

(ii) Other convertible notes (Continued)

The derivative component is subsequently remeasured in accordance with Note 1(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

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

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

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) Termination benefits

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

(x) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (Continued)

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

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

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

  – the same taxable entity; or

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

(y) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions and contingent liabilities (Continued)

(ii) Onerous contracts

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

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(y)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(y)(i).

(z) Revenue recognition

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

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

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

(i) Sale of properties

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, and a corresponding contract asset (see Note 1(q)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 1(q)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, *Borrowing Costs*, in accordance with the policies set out in Note 1(bb), if significant.

(ii) Revenue from land development for sale

Revenue from land development for sale is recognised upon the transfer of control in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Property management and hotel operation income

Property management and hotel operation income is recognised over the periods in which the services management are rendered.

(v) Property selling agency income

Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognised according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

(vi) Brand-use service income

Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the assets (see Note 1(m)(i)).

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting periods. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are a joint venture of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue

The principle activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**7,638,985**	6,944,119
Property management and hotel operation income	**457,899**	443,365
Light-asset operation income	**29,363**	38,726
	8,126,247	7,426,210
Revenue from other sources		
Rental income from investment properties	**162,401**	152,881
	8,288,648	7,579,091
Disaggregated by timing of revenue recognition		
Point in time	**6,568,202**	6,094,501
Over time	**1,720,446**	1,484,590
	8,288,648	7,579,091

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by segment and by the timing of revenue recognition is disclosed in Note 2(b)(i).

The Group's customer base is diversified and there are no customers with whom transactions have exceed 10% of the Group's revenue.

(b) Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation, and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the mixed-use business complexes segment that develops and sells business complex products;

(b) the multi-functional residential communities segment that develops and sells residential properties and develops land;

(c) investment properties segment that leases offices and commercial premises;

(d) the property management and hotel operation segment that provides property management services, and hotel accommodation services; and

(e) the light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) *Segment results, assets and liabilities (Continued)*

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	Year ended 31 December 2019					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	2,104,247	4,434,592	–	–	29,363	6,568,202
Over time	548,502	551,644	162,401	457,899	–	1,720,446
Revenue from external customer	2,652,749	4,986,236	162,401	457,899	29,363	8,288,648
Inter-segment revenue	–	–	32,553	81,089	–	113,642
Reportable segment revenue	2,652,749	4,986,236	194,954	538,988	29,363	8,402,290
Cost of sales	(1,901,808)	(3,888,888)	–	(560,913)	(5,695)	(6,357,304)
Reportable segment gross profit/(loss)	750,941	1,097,348	194,954	(21,925)	23,668	2,044,986
Valuation gains on investment properties	–	–	529,499	–	–	529,499
Other income	(494,093)	3,032,716	(29,998)	4,432	–	2,513,057
Net operating expenses	(351,836)	(622,006)	(22,262)	(64,676)	(44)	(1,060,824)
Net finance costs	(20,910)	(36,872)	(7,816)	(14,689)	–	(80,287)
Reportable segment (loss)/profit before taxation	(115,898)	3,471,186	664,377	(96,858)	23,624	3,946,431
Income tax	(27,719)	(655,109)	(167,345)	(2,005)	(2,126)	(854,304)
Reportable segment (loss)/profit	(143,617)	2,816,077	497,032	(98,863)	21,498	3,092,127
Additions on investment properties and property and equipment	11,191	2,310	96,761	14,629	367	125,258

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	At 31 December 2019					
	Mixed-use business complexes *RMB'000*	**Multi-functional residential communities** *RMB'000*	**Investment properties** *RMB'000*	**Property management and hotel operation** *RMB'000*	**Light-asset operation** *RMB'000*	**Total** *RMB'000*
Loans and borrowings	**2,822,903**	**14,344,693**	**–**	**952,490**	**–**	**18,120,086**
Reportable segment assets	**12,870,293**	**35,641,319**	**11,808,640**	**1,399,824**	**102,136**	**61,822,212**
Reportable segment liabilities	**12,399,072**	**34,243,571**	**527,285**	**1,047,487**	**32,785**	**48,250,200**

	Year ended 31 December 2018					
	Mixed-use business complexes *RMB'000* *(Note)*	Multi-functional residential communities *RMB'000* *(Note)*	Investment properties *RMB'000* *(Note)*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	1,176,631	4,879,144	–	–	38,726	6,094,501
Over time	221,258	667,086	152,881	443,365	–	1,484,590
Revenue from external customer	1,397,889	5,546,230	152,881	443,365	38,726	7,579,091
Inter-segment revenue	–	–	11,650	61,907	–	73,557
Reportable segment revenue	1,397,889	5,546,230	164,531	505,272	38,726	7,652,648
Cost of sales	(1,445,083)	(4,157,448)	–	(447,391)	(12,648)	(6,062,570)

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2018					
	Mixed-use business complexes *RMB'000* *(Note)*	Multi-functional residential communities *RMB'000* *(Note)*	Investment properties *RMB'000* *(Note)*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Reportable segment gross (loss)/profit	(47,194)	1,388,782	164,531	57,881	26,078	1,590,078
Valuation gains on investment properties	–	–	888,666	–	–	888,666
Net operating expenses	(209,004)	(901,665)	(13,550)	(91,306)	(1,538)	(1,217,063)
Net finance (costs)/income	(579)	(171,049)	31	(20,268)	3	(191,862)
Reportable segment (loss)/profit before taxation	(256,777)	316,068	1,039,678	(53,693)	24,543	1,069,819
Income tax	45,453	(280,720)	(256,344)	(1,668)	(2,209)	(495,488)
Reportable segment (loss)/profit	(211,324)	35,348	783,334	(55,361)	22,334	574,331
Additions on investment properties and property and equipment	26,003	8,517	197,098	3,927	62	235,607

	At 31 December 2018					
	Mixed-use business complexes *RMB'000* *(Note)*	Multi-functional residential communities *RMB'000* *(Note)*	Investment properties *RMB'000* *(Note)*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Loans and borrowings	4,571,818	16,453,862	–	581,440	–	21,607,120
Reportable segment assets	11,692,208	38,992,879	11,930,806	1,238,111	107,395	63,961,399
Reportable segment liabilities	11,628,000	38,458,643	534,896	1,017,670	55,804	51,695,013

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit, assets and liabilities

	2019 RMB'000	2018 (Note) RMB'000
Revenue		
Reportable segment revenue	**8,402,290**	7,652,648
Elimination of intra-group revenue	**(113,642)**	(73,557)
Consolidated revenue *(Note 2(a))*	**8,288,648**	7,579,091
Profit		
Reportable segment profit	**3,092,127**	574,331
Elimination of intra-group loss	**34,468**	25,581
Unallocated head office and corporate income/(loss)	**88,514**	(357,139)
Consolidated profit	**3,215,109**	242,773
Loans and borrowings		
Reportable segment loans and borrowings	**18,120,086**	21,607,120
Unallocated head office and corporate loans and borrowings	**6,934,138**	8,088,186
Consolidated loans and borrowings	**25,054,224**	29,695,306
Assets		
Reportable segment assets	**61,822,212**	63,961,399
Elimination of intra-group balances	**(21,157,594)**	(19,957,249)
Unallocated head office and corporate assets	**17,730,992**	17,447,978
Consolidated total assets	**58,395,610**	61,452,128
Liabilities		
Reportable segment liabilities	**48,250,200**	51,695,013
Elimination of intra-group balances	**(20,561,523)**	(19,217,022)
Unallocated head office and corporate liabilities	**18,958,706**	19,365,842
Consolidated total liabilities	**46,647,383**	51,843,833

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(iii) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

3 OTHER INCOME

	Note	2019 RMB'000	2018 RMB'000
Disposal of subsidiaries	35	**2,117,598**	–
Remeasurement to fair value of pre-existing interest in acquiree	(i)	**399,839**	–
Gain on bargain purchase		**–**	250,519
Net (loss)/gain on disposal of investment properties		**(31,192)**	9,085
Others		**35,268**	19,366
		2,521,513	278,970

Notes:

(i) The remeasurement to fair value of the Group's pre-existing interest in a subsidiary acquired during the year, resulted in a gain of RMB399,839,000. See Note 34(a)(iii).

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	2019 RMB'000	2018 (Note) RMB'000
Finance income		
Interest income on financial assets measured at amortised cost	**(435,205)**	(517,404)
Dividend income from the trading securities	**(3,215)**	(1,950)
Net change in fair value of the derivative component of the convertible bonds *(Note 24(e))*	**(258,392)**	–
	(696,812)	(519,354)
Finance costs		
Total interest expense on loans and borrowings *(Note 22(b))*	**2,888,167**	2,657,834
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction*	**(2,391,047)**	(2,274,488)
	497,120	383,346
Net change in fair value of the derivative component of the convertible bonds *(Note 24(e))*	**–**	16,745
Net foreign exchange loss	**26,227**	130,450
Net change in fair value of the trading securities	**38,133**	6,154
Interest element of lease rentals paid	**7,686**	–
Bank charges and others	**16,414**	14,093
	585,580	550,788

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 1(c).

* The borrowing costs have been capitalised at a rate of 4.20% – 14.00% per annum (2018: 4.69% – 18.00%).

4 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2019 RMB'000	2018 RMB'000
Contributions to defined contribution retirement plan	**36,740**	37,555
Salaries, wages and other benefits	**534,146**	528,258
	570,886	565,813

(c) Other items

	2019 RMB'000	2018 (Note) RMB'000
Depreciation charge *(Note 9)*		
– Owned property, plant and equipment*	**44,596**	55,078
– Right-of-use assets*	**24,797**	–
	69,393	55,078
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	**–**	22,666
Impairment losses		
– Trade and other receivables *(Note 30(a))*	**117,168**	958,003
– Write-down of/(reversal of) properties under development and completed properties held for sale	**31,769**	(31,622)
	148,937	926,381
Auditors' remuneration		
– Audit services	**13,213**	10,916
– Tax services	**351**	3,757
	13,564	14,673
Rental receivable from investment properties less direct outgoing of RMB Nil	**(162,401)**	(152,881)

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 1(c).

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Note	2019 RMB'000	2018 RMB'000
Provision for the year			
– PRC Corporate Income Tax		**662,574**	254,721
– Land Appreciation Tax		**304,584**	184,381
Over-provision of PRC Corporate Income tax in respect of prior years		**(1,748)**	(348)
Deferred tax	14(b)	**(162,241)**	(72,742)
		803,169	366,012

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Group incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**4,018,278**	608,785
Notional tax at profit before taxation, calculated at the tax rate of 25%	**1,004,570**	152,196
Provision for Land Appreciation Tax	**304,582**	184,381
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(76,146)**	(46,095)
Tax effect of unused tax losses not recognised	**55,794**	34,825
Effect of preferential tax rate	**(466,038)**	92,046
Tax effect of share of profits less losses of associates	**(3,222)**	7,054
Tax effect of non-deductible expenses	**85,125**	3,779
Over-provision in prior years	**(1,748)**	(348)
Tax effect of non-taxable income	**(99,748)**	(61,826)
Actual tax expense	**803,169**	366,012

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2019 Total *RMB'000*
Chairman:					
Mr. Yi Xiaodi	–	1,248	834	50	2,132
Executive director:					
Mr. Fan Xiaochong	–	1,183	798	50	2,031
Non-executive directors:					
Mrs. Fan Xiaohua ("Mrs. Fan")	–	580	183	–	763
Mr. Wang Gongquan	296	–	–	–	296
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	299	–	–	–	299
Mr. Gu Yunchang	299	–	–	–	299
Mr. Wang Bo	296	–	–	–	296
	1,190	3,011	1,815	100	6,116

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2018 Total *RMB'000*
Chairman:					
Mr. Yi Xiaodi	–	1,246	960	42	2,248
Executive director:					
Mr. Fan Xiaochong	–	1,182	960	40	2,182
Non-executive directors:					
Mrs. Fan	–	580	144	–	724
Mr. Wang Gongquan	238	–	–	–	238
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	238	–	–	–	238
Mr. Gu Yunchang	238	–	–	–	238
Mr. Wang Bo	238	–	–	–	238
	952	3,008	2,064	82	6,106

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**3,570**	2,466
Discretionary bonuses	**1,310**	2,149
Retirement scheme contributions	**79**	104
	4,959	4,719

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2019 **Numbers of individuals**	2018 Numbers of individuals
HKD1,500,001 to HKD2,000,000	**2**	2
HKD2,000,001 to HKD2,500,000	**1**	1

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB1,804,811,000 (2018: loss attributable to equity shareholders of the Company of RMB29,954,000) and the weighted average of 2,563,577,724 ordinary shares (2018: 2,611,907,327 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Note	**2019**	2018
Issued ordinary shares at 1 January		**2,611,907,327**	2,611,736,625
Effect of shares repurchased and cancelled	27(c)	**(48,206,200)**	–
Effect of treasury shares	27(c)	**(123,403)**	–
Exercise of conversion of convertible bonds		**–**	170,702
Weighted average number of ordinary shares at 31 December		**2,563,577,724**	2,611,907,327

8 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted earnings per share

There was no difference between basic and diluted loss per share for the year ended 31 December 2018.

For the year ended 31 December 2019, the calculation of diluted earnings per share is based on the diluted profit attributable to equity shareholders of the Company of RMB1,655,588,000 and the diluted weighted average number of ordinary shares of 3,025,337,438 calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2019 *RMB'000*
Profit attributable to equity shareholders	**1,804,811**
After tax effect of effective interest on the liability component of convertible bonds	**105,109**
After tax effect of gains recognised on the derivative component of convertible bonds	**(254,332)**
Profit attributable to equity shareholders (diluted)	**1,655,588**

(ii) Weighted average number of ordinary shares (diluted)

	2019
Weighted average number of ordinary shares at 31 December	**2,563,577,724**
Effect of conversion of convertible bonds	**461,759,714**
Weighted average number of ordinary shares (diluted) at 31 December	**3,025,337,438**

9 PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2018	726,549	59,407	91,958	49,230	95,739	1,022,883
Acquisition of subsidiaries	–	–	–	–	663	663
Reclassification	–	–	15,498	–	(15,498)	–
Additions	24,071	970	768	5,590	13,074	44,473
Transfer to properties under development and completed properties held for sale	–	–	(15,498)	–	–	(15,498)
Disposals	(2,044)	(21)	(894)	(3,425)	(8,810)	(15,194)
At 31 December 2018	748,576	60,356	91,832	51,395	85,168	1,037,327
Impact on initial application of IFRS 16 *(Note)*	–	–	65,588	–	–	65,588
At 1 January 2019	**748,576**	**60,356**	**157,420**	**51,395**	**85,168**	**1,102,915**
Additions	**12,522**	**–**	**4,333**	**3,729**	**4,929**	**25,513**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**778**	**778**
Disposals of subsidiaries	**–**	**–**	**(32)**	**(764)**	**(771)**	**(1,567)**
Transfer to investment properties	**(73,173)**	**–**	**–**	**–**	**–**	**(73,173)**
Disposals	**(76)**	**(643)**	**(4,226)**	**(1,885)**	**(6,590)**	**(13,420)**
At 31 December 2019	**687,849**	**59,713**	**157,495**	**52,475**	**83,514**	**1,041,046**

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Hotel properties *RMB'000*	Supermarkets *RMB'000*	Office premise *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2018	151,741	5,078	50,445	34,425	62,765	304,454
Charge for the year	27,393	1,826	7,288	4,895	13,676	55,078
Reclassification	–	–	12,941	–	(12,941)	–
Transfer to properties under development and completed properties held for sale	–	–	(12,941)	–	–	(12,941)
Written back on disposals	(1,552)	(20)	(826)	(1,248)	(3,482)	(7,128)
At 31 December 2018	177,582	6,884	56,907	38,072	60,018	339,463
At 1 January 2019	**177,582**	**6,884**	**56,907**	**38,072**	**60,018**	**339,463**
Charge for the year	**28,207**	**1,233**	**23,980**	**3,955**	**12,018**	**69,393**
Written back on disposals	**(63)**	**(491)**	**(3,627)**	**(1,016)**	**(5,980)**	**(11,177)**
At 31 December 2019	**205,726**	**7,626**	**77,260**	**41,011**	**66,056**	**397,679**
Net book value:						
At 31 December 2018	570,994	53,472	34,925	13,323	25,150	697,864
At 31 December 2019	**482,123**	**52,087**	**80,235**	**11,464**	**17,458**	**643,367**

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See Note 1(c).

9 PROPERTY AND EQUIPMENT (CONTINUED)

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB614,445,000 as at 31 December 2019 (2018: RMB659,391,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 24(j).

(c) As at 31 December 2019, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB27,722,000 (2018: RMB30,713,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(d) Right-of-use assets

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

		31 December 2019 ***RMB'000***	01 January 2019 *RMB'000*
Office premise, carried at depreciated cost	(i)	**43,178**	65,588
Hotel properties, carried at depreciated cost	(ii)	**10,711**	–
Investment property, carried at fair value, with remaining lease term of:			
– between 10 and 50 years	(iii)	**29,466**	22,788
		83,355	88,376

9 PROPERTY AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 ***RMB'000***	2018 *(Note)* *RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Office premise	**22,986**	–
– Hotel properties	**1,811**	–
	24,797	–
Interest on lease liabilities *(Note 4(a))*	**7,686**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**5,924**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	22,666

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 1(c).

9 PROPERTY AND EQUIPMENT (CONTINUED)

During the year, additions to right-of-use assets related to the expensed lease payments payable under new tenancy agreements were RMB19,776,000.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 22(c) and Note 26, respectively.

(i) Office premise

The Group has obtained the right to use office premise as its office work building through tenancy agreements. The leases typically run for an initial period of 2 to 7 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes an option to purchase the leased office premise at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(ii) Hotel properties

The Group has obtained the right to use hotel properties by sale and leasebacks through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. None of the leases include an option to renew the lease when all terms are renegotiated, None of the leases includes an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(iii) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 2 to 13 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the lease payments is increased years to reflect market rentals. None of the leases includes variable lease payments.

10 INVESTMENT PROPERTIES

	Properties under construction *RMB'000*	**Completed properties** *RMB'000*	**Total** *RMB'000*
At 1 January 2018	1,618,139	9,139,048	10,757,187
Additions	196,776	–	196,776
Transfer from properties under development and completed properties held for sale	89,944	391,983	481,927
Valuation surplus on investment properties for the year	71,952	816,714	888,666
Transfer to completed properties	(642,419)	642,419	–
Disposals	–	(617,310)	(617,310)
At 31 December 2018	1,334,392	10,372,854	11,707,246
At 31 December 2018	**1,334,392**	**10,372,854**	**11,707,246**
Impact on initial application of IFRS 16 *(Note)*	**–**	**22,788**	**22,788**
At 1 January 2019	**1,334,392**	**10,395,642**	**11,730,034**
Additions	**124,226**	**31,700**	**155,926**
Transfer from properties under development and completed properties held for sale	**89,887**	**178,417**	**268,304**
Transfer from property and equipment	**–**	**73,173**	**73,173**
Valuation gains on investment properties for the year	**87,645**	**441,854**	**529,499**
Transfer to completed properties	**(95,082)**	**95,082**	**–**
Disposal of subsidiaries	**(270,668)**	**(700,226)**	**(970,894)**
Disposals	**–**	**(115,937)**	**(115,937)**
At 31 December 2019	**1,270,400**	**10,399,705**	**11,670,105**

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See Note 1(c).

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2019	**Fair value measurements as at 31 December 2019 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Investment properties:				
— Commercial	**11,670,105**	**–**	**–**	**11,670,105**

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties:				
— Commercial	11,707,246	–	–	11,707,246

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: RMB Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2019. The valuations were carried out by CHFT Advisory And Appraisal Ltd ("CHFT"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price (RMB/sq.m.)	6,120 – 75,900 (2018: 6,625 – 72,107)	23,507 (2018: 22,744)
	Income capitalization approach	Capitalisation rate	3.5% – 6.5% (2018: 3.5% – 7.0%)	5.55% (2018:5.3%)
		Market monthly rent rate (RMB/sq.m.)	24 – 280 (2018:15 – 266)	166 (2018:126)
Investment properties under construction	Direct comparison approach	Market unit sale price (RMB/sq.m.)	13,599 – 41,643 (2018: 13,599 – 30,248)	27,965 (2018: 26,658)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by CHFT by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer's profits. The fair value measurement is positively correlated to the market unit sale price.

The (loss)/gain on disposal of investment properties and changes in fair value of investment properties are presented in "other income" and "valuation gains on investment properties" in the consolidated statements of comprehensive income, respectively.

(b) The investment properties were under medium-term leases in the PRC.

(c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 24(j).

(d) As at 31 December 2019, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB770,619,000 (2018: RMB1,035,698,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(e) As at 31 December 2019, completed investment properties with carrying value of RMB74,031,000 of the Group (2018: RMB72,203,000), were pledged with banks to secure banking facilities of a third party of the Group until July 2021.

(f) As at 31 December 2019, certain investment properties with carrying value of RMB1,242,000,000 (2018: RMB1,262,000,000) of the Group are not permitted for sale until the end of May 2021.

10 INVESTMENT PROPERTIES (CONTINUED)

(g) Total future minimum lease payments receivables by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Within 1 year	**115,049**	122,968
After 1 year but within 2 years	**107,128**	109,864
After 2 year but within 3 years	**91,717**	96,762
After 3 year but within 4 years	**73,783**	77,595
After 4 year but within 5 years	**63,007**	57,497
After 5 years	**386,599**	304,425
	837,283	769,111

11 INTANGIBLE ASSET

	Exclusive right of land development *RMB'000*
Cost	
At 1 January 2018, 31 December 2018 and At 1 January 2019	–
Acquisition of a subsidiary	863,900
At 31 December 2019	863,900
Accumulated amortisation:	
At 1 January 2018, 31 December 2018 and At 31 December 2019	–
Net book value:	
At 31 December 2019	863,900
At 31 December 2018	–

Intangible asset for the year ended 31 December 2019 represented the recognition of the exclusive right of land development, an intangible asset, acquired from the acquisition of a subsidiary, amounting to RMB863,900,000, which was determined by reference to the excess earnings method under income approach. See Note 34(a)(i).

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
1	Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司 **	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	100%	–	100%	Property development
2	Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司 *	Beijing, the PRC	RMB1,000,000,000	100%	–	100%	Investment holding
3	Chang Zhou Kailei Properties Limited ("Changzhou Kailei") 常州凱雷置業有限公司 *	Jiangsu Province, the PRC	RMB117,640,000	51%	–	51%	Property development
4	Sunshine 100 Real Estate (Hunan) Co., Ltd. ("Hunan Sunshine 100") 陽光壹佰(湖南)置業發展有限責任公司 *	Hunan Province, the PRC	RMB105,880,000	100%	–	100%	Property development
5	Wu Xi Yitou Development Co., Ltd. ("Wuxi Yitou") 無錫藝投開發有限責任公司 *	Jiangsu Province, the PRC	RMB30,000,000	100%	–	100%	Property development
6	Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI	USD50,000	55%	–	55%	Investment holding *Note (i)*
7	Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司 *	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development *Notes (i)*
8	Wenzhou Shihe Ecological Town Development Co., Ltd. ("Wenzhou Shihe") 溫州世和生態城開發有限公司 *	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development
9	Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司 *	Shandong Province, the PRC	RMB100,000,000	49%	–	49%	Property development *Note (i)*
10	Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司 *	Tibet Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Sales Management

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
11	Wei Fang Sunshine 100Real Estate Development Co., Ltd. ("Weifang Sunshine 100") 濰坊陽光壹佰置業有限公司 *	Shandong Province, the PRC	RMB200,000,000	100%	–	100%	Property development
12	Yueyang Lixin Cultural Tourism Development Co., Ltd. ("Yueyang Lixin") 岳陽利信文化旅遊發展有限公司 *	Hunan Province, the PRC	RMB20,480,000	51%	–	51%	Property development
13	Wenzhou Zhongxin Haoyuan Investment Co., Ltd. ("Wenzhou Zhongxin Haoyuan") 溫州中信昊園投資有限公司 *	Zhejiang Province, the PRC	RMB100,000,000	100%	–	100%	Property development

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a sino-foreign equity joint venture enterprise in the PRC.

The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Jinan Sunshine 100		
NCI percentage	**51%**	51%
Current assets	**2,313,867**	1,981,334
Non-current assets	**1,480,818**	1,536,778
Current liabilities	**(1,689,315)**	(1,208,357)
Non-current liabilities	**(806,307)**	(884,162)
Net assets	**1,299,063**	1,425,593
Carrying amount of NCI	**662,522**	727,052
Revenue	**349,558**	357,940
Profit for the year	**73,470**	245,262
Total comprehensive income	**73,470**	245,262
Profit allocated to NCI	**37,470**	125,084
Dividends paid to NCI	**102,000**	–
Cash flows from operating activities	**458,414**	699,756
Cash flows from investing activities	**22**	(223)
Cash flows from financing activities	**(261,448)**	(480,000)
Chang Jia		
NCI percentage	**45%**	45%
Current assets	**5,012,606**	3,648,620
Non-current assets	**125,716**	87,983
Current liabilities	**(3,685,828)**	(2,755,733)
Non-current liabilities	**(183,288)**	(101,984)
Net assets	**1,269,206**	878,886
Carrying amount of NCI	**571,143**	395,499
Revenue	**962,543**	1,267,999
Profit for the year	**2,736,919**	329,496
Total comprehensive income	**2,736,919**	329,496
Profit allocated to NCI	**1,231,614**	148,273
Dividends paid to NCI	**1,055,970**	–
Cash flows from operating activities	**(65,379)**	320,822
Cash flows from investing activities	**179,515**	(541,572)
Cash flows from financing activities	**(292,058)**	(165,546)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2019 *RMB'000*	2018 *(Note)* *RMB'000*
Wenzhou Center		
NCI percentage	**49%**	49%
Current assets	**2,253,010**	2,404,167
Non-current assets	**1,047,112**	973,199
Current liabilities	**(1,836,776)**	(1,888,578)
Non-current liabilities	**(833,220)**	(905,827)
Net assets	**630,126**	582,961
Carrying amount of NCI	**308,762**	285,651
Revenue	**35,768**	1,013,120
Profit for the year	**47,164**	37,495
Total comprehensive income	**47,164**	37,495
Profit allocated to NCI	**23,110**	18,373
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**11,024**	112,607
Cash flows from investing activities	**(53,928)**	(325)
Cash flows from financing activities	**–**	(420,000)

Note: The subsidiary has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB Nil relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

13 INVESTMENTS IN ASSOCIATES

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

	Name of company	Place of incorporation	Particulars and paid-in capital *RMB'000*	Proportion of ownership interest held by subsidiaries	Principal activity
1	Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing, the PRC	66,660	49%	Property investment
2	Guangxi Tianqi Investment Co., Ltd. ("Guangxi Tianqi") 廣西天祺投資有限公司	Guangxi, the PRC	60,000	30%	Property investment
3	Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司	Chongqing, the PRC	379,130	30%	Property development

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

	2019 RMB'000	2018 (Note) RMB'000
Beijing Yinxin		
Current assets	**213,216**	198,461
Non-current assets	**1,228,405**	1,215,631
Current liabilities	**(105,168)**	(109,632)
Non-current liabilities	**(310,125)**	(306,900)
Equity	**1,026,328**	997,560
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**1,026,328**	997,560
Group's effective interest	**49%**	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**502,901**	488,804
Revenue	**31,550**	25,623
Profit from continuing operations	**28,768**	29,280
Total comprehensive income	**28,768**	29,280
Dividends received from the associate	**–**	–
Guangxi Tianqi		
Current assets	**1,859,446**	1,838,999
Non-current assets	**122**	185
Current liabilities	**(827,051)**	(854,149)
Non-current liabilities	**–**	–
Equity	**1,032,517**	985,035
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**1,032,517**	985,035
Group's effective interest	**30%**	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**309,755**	295,510
Revenue	**411,186**	381,525
Profit from continuing operations	**47,482**	40,268
Total comprehensive income	**47,482**	40,268
Dividends received from the associate	**–**	–

Note: The associate has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB Nil relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Chongqing Sunshine 100

	2019 RMB'000
Current assets	7,849,458
Non-current assets	5,236
Current liabilities	(4,383,042)
Non-current liabilities	(2,700,000)
Equity	771,652
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	771,652
Group's effective interest	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	425,889
Revenue	189,112
Loss from continuing operations	(14,775)
Total comprehensive income	(14,775)
Dividends received from the associate	–

Aggregate information of associates that are not individually material:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**86,983**	120,693
Aggregate amounts of the Group's share of those associates'		
— Loss from continuing operations	**(11,020)**	(54,644)
— Total comprehensive income	**(11,020)**	(54,644)

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2019 RMB'000	31 December 2018 RMB'000
PRC Corporate Income Tax payable	**1,293,146**	719,411
Land Appreciation Tax payable	**384,748**	374,483
	1,677,894	1,093,894

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Note	Tax losses RMB'000	Land development for sale, properties under development and completed properties held for sale RMB'000	Investment properties RMB'000	Amortisation of capitalised contract costs RMB'000	Loss allowance RMB'000	Property and equipment RMB'000	Fair value adjustment on intangible asset RMB'000	Total RMB'000
At 1 January 2018		501,780	(1,406,093)	(1,567,459)	(51,099)	–	(9,331)	–	(2,532,202)
Credited/(charged) to profit or loss	5(a)	76,033	16,743	(199,058)	(10,540)	189,181	383	–	72,742
Acquisition of subsidiaries		–	(79,597)	–	–	–	–	–	(79,597)
At 31 December 2018		577,813	(1,468,947)	(1,766,517)	(61,639)	189,181	(8,948)	–	(2,539,057)
At 1 January 2019		**577,813**	**(1,468,947)**	**(1,766,517)**	**(61,639)**	**189,181**	**(8,948)**	**-**	**(2,539,057)**
Credited/(charged) to profit or loss	5(a)	**84,559**	**185,559**	**(123,667)**	**(10,210)**	**25,615**	**385**	**-**	**162,241**
Acquisition of subsidiaries	34	**3,733**	**-**	**-**	**-**	**-**	**-**	**(215,975)**	**(212,242)**
Disposal of subsidiaries	35	**(61,310)**	**18,188**	**138,180**	**-**	**-**	**-**	**-**	**95,058**
At 31 December 2019		**604,795**	**(1,265,200)**	**(1,752,004)**	**(71,849)**	**214,796**	**(8,563)**	**(215,975)**	**(2,494,000)**

14 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**691,570**	1,400,667
Deferred tax liabilities recognised in the consolidated statement of financial position	**(3,185,570)**	(3,939,724)
	(2,494,000)	(2,539,057)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(x), the Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB798,399,000 at 31 December 2019 (2018: RMB690,142,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2019, RMB100,677,000, RMB161,350,000, RMB138,508,000, RMB176,464,000 and RMB221,400,000 of these tax losses will expire in 2020, 2021, 2022, 2023 and 2024, respectively.

(d) Deferred tax liabilities not recognised

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future. As at 31 December 2019, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB6,274,789,000 (2018: RMB6,274,337,000). Deferred tax liabilities of RMB627,479,000 (2018: RMB627,434,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

15 OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity securities designated at FVOCI (non-recycling)		
— Unlisted equity securities	**273,730**	103,777

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	31 December 2019	31 December 2018
Properties under development	**20,847,784**	25,884,879
Completed properties held for sale	**7,129,663**	6,579,809
	27,977,447	32,464,688

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
In the PRC		
— Long-term lease	**3,414,045**	3,379,719
— Medium-term lease	**2,191,724**	2,203,785
	5,605,769	5,583,504

(b) The amount of properties under development expected to be recovered after more than one year is analyzed as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Properties under development	**16,401,582**	19,157,170

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

16 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

(c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Carrying amount of properties sold	**5,623,010**	5,524,943
Write-down of/(reversal of) properties under development and completed properties held for sale	**31,769**	(31,622)
	5,654,779	5,493,321

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 24(j).

17 LAND DEVELOPMENT FOR SALE

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Land development for sale	**2,013,294**	866,431

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(z)(ii), revenue in relation to land development for sale is recognised depending on the timing of sales of related land plots by the government to third parties.

18 CONTRACT COSTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract costs		
— Sales commissions	**249,106**	246,555

Contract costs capitalised as at 31 December 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at reporting date. Contract costs are recognised as part of "Selling expenses" in the statement of comprehensive income in the period in which sales from properties is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2019 was RMB168,432,000 (2018:RMB178,104,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2018:RMB Nil).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

As at 31 December 2019, the amount of capitalised contract costs that is expected to be recovered after more than one year was RMB91,823,000 (2018:RMB93,767,000).

19 CONTRACT LIABILITIES

Contract liabilities represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Balance at 1 January	**9,094,428**	8,083,120
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(7,613,478)**	(7,352,434)
Increase in contract liabilities as a result of sales deposits	**7,625,441**	8,363,742
Balance at 31 December	**9,106,391**	9,094,428

The amount of contract liabilities expected to be recognised as income after more than one year is RMB3,609,667,000 (2018: RMB4,164,893,000).

20 TRADE AND OTHER RECEIVABLES

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables and bill receivables	(a)	**929,451**	952,602
Loans provided to third parties, net of loss allowance	(b)	**2,852,398**	3,029,336
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		**752,160**	951,818
Loans provided to associates	(c)	**242,339**	648,417
Amounts due from other related parties	(d)	**24,265**	138,059
Consideration receivables	35(e)	**1,085,145**	–
Other receivables, net of loss allowance		**324,576**	354,885
Financial assets measured at amortised cost, net of loss allowance		**6,210,334**	6,075,117
Deposits and prepayments		**2,320,108**	2,176,022
		8,530,442	8,251,139
Less: non-current portion of other receivables		**192,315**	576,506
		8,338,127	7,674,633

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bill receivables, based on the revenue recognition date, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 6 months	**70,974**	130,814
6 months to 1 year	**18,283**	22,227
Over 1 year	**840,194**	799,561
	929,451	952,602

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Loans provided to third parties

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 11% (2018: 11%) per annum. Pursuant to the accounting policy as set out in Note 1, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon (see Note 30(a)).

During the year ended 31 December 2018, a total loss allowance of RMB902 million was recognised on the loans provided to third parties, which was primarily related to loans provided to a number of companies indirectly owned by an individual (the "Individual") or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018. Management determined that the credit risks of such balances of RMB1,002 million related to the Individual increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised thereon (see Note 30(a)). Management's estimation on the loss allowance has considered the value of the legal titles of land and properties obtained by the Group as collaterals and other forms of guarantees provided by the debtors and the Individual as credit enhancements. As at 31 December 2019, the above loss allowance of RMB902 million was not reversed due to the credit risks have not been changed.

(c) Loans provided to associates

The balance as at 31 December 2019 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB242,339,000 will be matured in 2021.

The balance as at 31 December 2018 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB411,910,000 will be matured in 2021.

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Amounts due from other related parties

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Loans provided to the entities under control of Mrs. Fan	*(i)*	**3,706**	117,500
Advance provided to a key management personnel of the Group	*(ii)*	**20,559**	20,559
		24,265	138,059

(i) The balance amounting to RMB3,706,000 as at 31 December 2019 (2018: RMB117,500,000) represented loans provided to the entities under control of Mrs. Fan, bearing an interest rate at 10% per annum and will be matured on 9 April 2020.

(ii) The balance amounting to RMB20,559,000 as at 31 December 2019 (2018: RMB20,559,000) represented amounts provided to a key management personnel of the Group, Mr. Chen Meng, which were interest-free, unsecured and had no fixed terms of repayment.

21 RESTRICTED DEPOSITS

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Non-current restricted deposits for:			
— Guarantee for mortgage loans	(i)	**26,344**	18,294
— Guarantee for demolition fees	(ii)	**35**	35
— Guarantee for construction fees	(iii)	**12,916**	9,393
— Restricted cash related to pre-sale proceeds received	(v)	**3,600**	95,873
— Guarantee for loans and borrowings	22(b)/24(j)	**5**	6,459
		42,900	130,054
Current restricted deposits for:			
— Guarantee for mortgage loans	(i)	**112,053**	140,743
— Guarantee for demolition fees	(ii)	**–**	20,284
— Guarantee for construction fees	(iii)	**35,409**	64,231
— Guarantee for bills payable	(iv)	**10,058**	22,437
— Restricted cash related to pre-sale proceeds received	(v)	**428,728**	559,288
— Guarantee for loans and borrowings	22(b)/24(j)	**981,408**	1,168,424
		1,567,656	1,975,407
		1,610,556	2,105,461

The above restricted deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2019, the Group had restricted bank deposits of RMB138,397,000 (2018: RMB159,037,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.

21 RESTRICTED DEPOSITS (CONTINUED)

(ii) As at 31 December 2019, the Group had restricted bank deposits of RMB35,000 (2018: RMB20,319,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iii) As at 31 December 2019, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB48,325,000 (2018: RMB73,624,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iv) As at 31 December 2019, the Group had restricted bank deposits with terms of one to six months of RMB10,058,000 (2018: RMB22,473,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB432,328,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2019 (2018: RMB655,161,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Cash on hand	**710**	672
Cash at bank	**2,437,902**	2,587,958
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**2,438,612**	2,588,630

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities

	Loans and borrowings RMB'000 Note (i)	Senior Notes RMB'000 Note 24 (a)/(b)/(c)	Corporate bonds RMB'000 Note 24(d)	Convertible bonds RMB'000 Note 24(e)	Lease liabilities RMB'000 Note 26	Restricted deposits for guarantee for loans and borrowings RMB'000 Note 21	Interest payables RMB'000 Note (ii)	Deposits related to loans RMB'000 Note (iii)	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2018	15,957,628,	1,521,917	7,917,524	1,368,070	–	(173,255)	604,335	(116,633)	29,400	27,108,986
Changes from financing cash flow:										
Proceeds from loans and borrowings	9,500,124	–	–	–	–	–	–	(79,327)	–	9,420,797
Proceeds from issue of senior notes	–	2,215,097	–	–	–	–	–	–	–	2,215,097
Proceeds from issue of convertible bonds	–	–	–	580,876	–	–	–	–	–	580,876
Repayment of loans and borrowings	(8,819,116)	–	–	–	–	–	–	–	–	(8,819,116)
Repayment of senior notes	–	(583,283)	–	–	–	–	–	–	–	(583,283)
Repayment of PRC bonds	–	–	(1,500,000)	–	–	–	–	–	–	(1,500,000)
Interest paid	–	–	–	(85,115)	–	–	(2,436,100)	–	–	(2,521,215)
Increase in restricted deposits	–	–	–	–	–	(1,001,628)	–	–	–	(1,001,628)
Loans from related parties	–	–	–	–	–	–	–	–	91,586	91,586
Repayment of loans from related parties	–	–	–	–	–	–	–	–	(17,841)	(17,841)
Total changes from financing cash flow	681,008	1,631,814	(1,500,000)	495,761	–	(1,001,628)	(2,436,100)	(79,327)	73,745	(2,134,727)
Exchange adjustments	–	125,255	–	73,233	–	–	–	–	–	198,488
Changes in fair value	–	–	–	16,745	–	–	–	–	–	16,745
Other changes:										
Interest expense *(Note 4(a))*	–	18,722	19,616	173,728	–	–	2,441,059	–	4,709	2,657,834
Acquisition of subsidiaries	1,195,655	–	–	–	–	–	–	–	–	1,195,655
Conversion of convertible bonds	–	–	–	(1,370)	–	–	–	–	–	(1,370)
Total other changes	1,195,655	18,722	19,616	172,358	–	–	2,441,059	–	4,709	3,852,119
At 31 December 2018	17,834,291	3,297,708	6,437,140	2,126,167	–	(1,174,883)	609,294	(195,960)	107,854	29,041,611

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

	Loans and borrowings *RMB'000* *Note (i)*	Senior Notes *RMB'000* *Note 24 (a)/(b)/(c)*	Corporate bonds *RMB'000* *Note 24(d)*	Convertible bonds *RMB'000* *Note 24(e)*	Lease liabilities *RMB'000* *Note 26*	Restricted deposits for guarantee for loans and borrowings *RMB'000* *Note 21*	Interest payables *RMB'000* *Note (ii)*	Deposits related to loans *RMB'000* *Note (iii)*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 31 December 2018	17,834,291	3,297,708	6,437,140	2,126,167	-	(1,174,883)	609,294	(195,960)	107,854	29,041,611
Impact on initial application of IFRS 16 *(Note iv)*	-	-	-	-	88,376	-	-	-	-	88,376
At 1 January 2019	17,834,291	3,297,708	6,437,140	2,126,167	88,376	(1,174,883)	609,294	(195,960)	107,854	29,129,987
Changes from financing cash flow:										
Proceeds from loans and borrowings	11,003,445	-	-	-	-	-	-	-	-	11,003,445
Proceeds from issue of senior notes	-	1,015,060	-	-	-	-	-	-	-	1,015,060
Repayment of loans and borrowings	(10,985,300)	-	-	-	-	-	-	96,289	-	(10,889,011)
Repayment of PRC bonds	-	-	(1,506,789)	-	-	-	-	-	-	(1,506,789)
Repayment of Convertible bonds	-	-	-	(1,109,726)	-	-	-	-	-	(1,109,726)
Interest paid	-	(24,562)	-	(120,108)	-	-	(2,709,023)	-	(15,771)	(2,869,464)
Increase in restricted deposits	-	-	-	-	-	193,470	-	-	-	193,470
Capital element of lease rentals paid	-	-	-	-	(23,163)	-	-	-	-	(23,163)
Interest element of lease rentals paid	-	-	-	-	(7,686)	-	-	-	-	(7,686)
Loans from related parties	-	-	-	-	-	-	-	-	557	557
Repayment of loans from related parties	-	-	-	-	-	-	-	-	(317)	(317)
Total changes from financing cash flow	18,145	990,498	(1,506,789)	(1,229,834)	(30,849)	193,470	(2,709,023)	96,289	(15,531)	(4,193,624)
Exchange adjustments	-	72,412	-	43,483	-	-	-	-	-	115,895
Changes in fair value	-	-	-	(258,392)	-	-	-	-	-	(258,392)
Other changes:										
Interest expenses *(Note 4(a))*	-	-	11,360	198,235	7,686	-	2,670,886	-	-	2,888,167
Non-cash transaction *(Note v)*	-	-	-	-	-	-	-	-	(91,234)	(91,234)
Acquisition of subsidiaries	18,800	-	-	-	-	-	-	-	-	18,800
Disposal of subsidiaries	(2,999,000)	-	-	-	-	-	-	-	-	(2,999,000)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	19,776	-	-	-	-	19,776
Total other changes	(2,980,200)	-	11,360	198,235	27,462	-	2,670,886	-	(91,234)	(163,491)
At 31 December 2019	14,872,236	4,360,618	4,941,711	879,659	84,989	(981,413)	571,157	(99,671)	1,089	24,630,375

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

Notes:

i As at 31 December 2019, loans and borrowing consists of long-term loans and borrowing at amortised cost amounting to RMB12,277,707,000 (2018: RMB14,097,177,000) and short-term loans and borrowing at amortised cost amounting to RMB2,534,530,000 (2018: RMB3,737,114,000), included in Note 24.

ii Interest payables were included in "Other payables" in "Trade and other payables" (Note 25).

iii Deposits related to loans were included in "Deposits and prepayments" in "Trade and other receivables" (Note 20).

iv The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See Notes 1(c).

v The amounts due to related parties of RMB91,234,000 were eliminated at consolidated statement of financial postion as at 31 December 2019 as a result of acquisition of 51% equity interests in Wenzhou Zhongxin Haoyuan Investment Co., Ltd. ("Wenzhou Zhongxin Haoyuan") (Note 34(a)).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	31 December 2019 *RMB'000*	31 December 2018 *(Note)* *RMB'000*
Related to lease rental paid		
— Within operating cash flows	**5,924**	22,666
— Within financing cash flows	**30,849**	–
	36,773	22,666

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB22,666,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see Note 22(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in Note 1(c).

23 TRADING SECURITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Listed equity securities at FVPL *(Note 30(e)(i))*		
— in Hong Kong	**107,953**	114,663

24 LOANS AND BORROWINGS

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans and borrowings at amortised cost			
— Long-term		**12,277,706**	14,097,177
— Short-term		**2,594,530**	3,737,114
— 2017 Senior Notes	*(a)*	**1,635,046**	1,594,054
— 2018 Senior Notes	*(b)*	**1,773,522**	1,703,654
— 2019 Senior Notes	*(c)*	**952,050**	–
— Corporate bonds	*(d)*	**4,941,711**	6,437,140
		24,174,565	27,569,139
Convertible bonds	*(e)*	**879,659**	2,126,167
		25,054,224	29,695,306

(a) 2017 Senior Notes

The Company issued senior notes of aggregate amount of USD235,000,000 on 20 September 2017 (the "2017 Senior Notes"), which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2017 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2017 Senior Notes.

The 2017 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2017 Senior Notes were breached.

24 LOANS AND BORROWINGS (CONTINUED)

(b) 2018 Senior Notes

The Company issued senior notes of amount of USD165,000,000 on 6 February 2018 and USD 170,000,000 on December 2018 (collectively referred to as the "2018 Senior Notes"), which are interest bearing at 8.5% per annum and 10.5% per annum, due in September 2020 and December 2021, respectively, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2018 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2018 Senior Notes.

The 2018 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2018 Senior Notes were breached.

(c) 2019 Senior Notes

The Company issued senior notes of amount of USD200,000,000 on 5 July 2019 (the "2019 Senior Notes"), which are interest bearing at 11.5% per annum, due in July 2021, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2019, the 2019 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2019 Senior Notes.

The 2019 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2019, none of the covenants relating to the 2019 Senior Notes were breached.

(d) Corporate bonds

In 2015 and 2016, Guangxi Vantone issued corporate bonds of RMB7,960,000,000 in total, which comprise following bonds

— 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum from 16 September 2015 to 15 March 2018; and with a coupon rate at 8.8% per annum and an effective interest rate at 9.3% per annum after 16 March 2018, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year. The corporate bonds were repaid during the year ended 31 December 2019;

24 LOANS AND BORROWINGS (CONTINUED)

(d) Corporate bonds (Continued)

— 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.29% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

— 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company). The corporate bonds were repaid during the year ended 31 December 2018;

— 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum from 25 January 2016 to 24 January 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.66% per annum from 25 January 2019 to 24 January 2021, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);

— 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.53% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);

— 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 7 April 2016 to 6 April 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.52% per annum from 07 April 2019 to 07 April 2021, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

— 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum from 11 July 2016 to 10 July 2019, and with a coupon rate at 8.5% per annum and an effective interest rate at 8.61% per annum from 11 July 2019 to 11 July 2021, issued on 11 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year; and

24 LOANS AND BORROWINGS (CONTINUED)

(d) Corporate bonds (Continued)

— 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum from 13 July 2016 to 12 July 2018; and with a coupon rate at 8.4% per annum and an effective interest rate at 9.31% per annum from 13 July 2018 to 12 July 2019, issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year. The corporate bonds were repaid during the year ended 31 December 2019.

(e) Convertible bonds

(i) On 28 July 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited.

As the convertible bonds do not contain an equity component, the derivative component of the USD200,000,000 convertible bonds is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2019, the carrying amounts of liability and derivative component of the convertible bonds were RMB278,741,000 (2018:RMB1,079,393,000) and RMB19,233,000 (2018:RMB452,807,000), respectively.

During the year ended 31 December 2019, the Company has redeemed an aggregate principal amount of USD153,600,000 (equivalent to approximately RMB1,109,726,000) of the outstanding convertible bond.

During the year ended 31 December 2018, HKD200,000 of the convertible bonds were converted into 423,852 shares of the Company.

24 LOANS AND BORROWINGS (CONTINUED)

(e) Convertible bonds (Continued)

(ii) On 17 September 2018, the Company issued convertible bonds due 2023, bearing interest at the rate of 4.8% per annum with an aggregate principal amount of HKD 750,000,000 (equivalent to approximately RMB580,876,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 1 January 2019 until and including the day falling ten days prior to 3 October 2023 into fully paid ordinary shares with a par value of HKD 0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD 4.50 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 100% of the principle amount. The Company has an early redemption option at any time after 3 October 2021 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 3 October 2021 at early redemption amount of 100.00% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Singapore Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2019, the carrying amounts of liability and derivative component of the convertible bonds above were RMB523,462,000 (2018: RMB490,888,000) and RMB58,223,000 (2018: RMB103,079,000), respectively.

24 LOANS AND BORROWINGS (CONTINUED)

(e) Convertible bonds (Continued)

(ii) (Continued)

	Derivative component *RMB'000*	Liabilities component *RMB'000*	Total *RMB'000*
At 1 January 2018	411,677	956,393	1,368,070
Issuance	106,640	474,236	580,876
Fair value adjustment debited into profit or loss	16,745	–	16,745
Accrued interest	–	173,728	173,728
Interest paid	–	(85,115)	(85,115)
Foreign exchange loss	20,824	52,409	73,233
Conversion of convertible bonds	–	(1,370)	(1,370)
At 31 December 2018	555,886	1,570,281	2,126,167
At 1 January 2019	**555,886**	**1,570,281**	**2,126,167**
Fair value adjustment credited into profit or loss	**(258,392)**	**–**	**(258,392)**
Accrued interest	**–**	**198,235**	**198,235**
Interest paid	**–**	**(120,108)**	**(120,108)**
Foreign exchange loss	**4,060**	**39,423**	**43,483**
Redemption of convertible bonds	**(224,098)**	**(885,628)**	**(1,109,726)**
At 31 December 2019	**77,456**	**802,203**	**879,659**

24 LOANS AND BORROWINGS (CONTINUED)

(f) The Group's long-term loans and borrowings comprise:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Loans and borrowings at amortised cost:		
— Bank loans — secured	**3,946,459**	3,679,700
— Loans from other financial institutions — secured	**8,331,247**	10,416,057
— Loans from third parties — unsecured	**–**	1,420
— 2017 Senior Notes	**1,635,046**	1,594,054
— 2018 Senior Notes	**1,773,522**	1,703,654
— 2019 Senior Notes	**952,050**	–
— Corporate bonds	**4,941,711**	6,437,140
	21,580,035	23,832,025
Convertible bonds	**879,659**	2,126,167
	22,459,694	25,958,192
Less: Current portion of long-term loans and borrowings:		
— Bank loans	**1,279,533**	1,602,700
— Loans from other financial institutions	**3,106,318**	3,583,890
— 2017 Senior Notes	**1,635,046**	–
— 2018 Senior Notes	**988,435**	–
— Corporate bonds	**997,521**	1,496,103
Sub-total	**8,006,853**	6,682,693
	14,452,841	19,275,499

24 LOANS AND BORROWINGS (CONTINUED)

(g) The Group's short-term loans and borrowings comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans and borrowings at amortised cost:		
Bank loans — secured	**923,600**	1,169,899
Loans from other financial institutions		
— secured	**1,168,130**	2,070,397
Loans from related parties		
— unsecured	**–**	2,818
Loans from third parties		
— secured	**181,000**	181,000
— unsecured	**321,800**	313,000
Sub-total	**2,594,530**	3,737,114
Current portion of long-term loans and borrowings	**8,006,853**	6,682,693
	10,601,383	10,419,807

(h) The Group's effective interest rates per annum on loans and borrowings at amortised cost are as follows:

	2019	2018
Long-term		
Bank loans	**4.75%–8.08%**	4.75%–12.50%
Loans from other financial institutions	**6.63%–13.00%**	6.63%–13.00%
Loans from third parties	**8.08%**	8.08%–13.00%
Senior Notes	**9.08%–17.50%**	9.03%–12.39%
Corporate bonds	**8.29%–9.31%**	6.94%–9.31%
Convertible bonds	**12.00%–12.01%**	8.59%–10.57%
Short-term		
Bank loans	**3.75%–7.83%**	4.56%–7.83%
Loans from other financial institutions	**7.00%– 18.00%**	7.00%–12.00%
Loans from related parties	**10.00%**	10.00%
Loans from third parties	**7.00%– 13.50%**	9.00%–13.50%

24 LOANS AND BORROWINGS (CONTINUED)

(i) The Group's loans and borrowings are repayable as follows:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Within 1 year or on demand	**10,601,383**	10,419,807
After 1 year but within 2 years	**8,111,210**	10,382,138
After 2 years but within 5 years	**5,973,131**	8,503,361
After 5 years	**368,500**	390,000
	14,452,841	19,275,499
	25,054,224	29,695,306

(j) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

(i)	*Note*	**31 December 2019** ***RMB'000***	31 December 2018 *RMB'000*
Property and equipment	*9(b)*	**376,969**	450,715
Investment properties	*10(c)*	**6,242,707**	5,814,777
Properties under development completed properties held for sale	*16(d)*	**6,126,285**	7,688,171
Restricted deposits	*21*	**981,413**	1,174,883
		13,727,374	15,128,546

(ii) As at 31 December 2019, loans and borrowings amount to RMB6,431,340,000 (2018: RMB4,265,617,000) secured by a charge over the shares of the Company and certain subsidiaries of the Group.

24 LOANS AND BORROWINGS (CONTINUED)

(k) The Group has defaulted in the repayment of loans and borrowings as follows:

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans from related parties	(a)		
— Principal payables		–	2,818
— Interest payables		–	15,771
		–	18,589
Loans from Tianjin Nongken Hongyi investment Co., Ltd.	(b)		
— Principal payables		–	1,060,397
— Interest payables		–	52,672
		–	1,113,069
		–	1,131,658

(a) The loan from a related party ("Chongqing Yuneng Wanyi") was not duly settled as the Group is in the process of negotiating certain transactions with the related party and the loan was settled together with those transactions in March 2019.

(b) The loans from Tianjin Nongken Hongyi investment Co., Ltd. ("Tianjin Nongken") were not duly settled as the Group is in the process of negotiating certain arrangement with Tianjin Nongken and the loans was settled in April 2019.

25 TRADE AND OTHER PAYABLES

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Trade payables	(a)	**4,162,880**	4,320,475
Advances received from third parties	(b)	**376,159**	473,589
Consideration payables in respect of acquisition of subsidiaries		**297,224**	157,000
Amounts due to related parties	(c)	**5,187**	111,956
Other payables	(d)	**1,232,214**	1,350,791
Financial liabilities measured at amortised cost		**6,073,664**	6,413,811
Other taxes payable		**1,154,634**	1,263,022
Less: non-current portion of trade payables		**423,249**	469,535
		6,805,049	7,207,298

(a) As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on invoice date, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	**3,739,631**	3,959,015
1 to 2 years	**252,233**	223,679
Over 2 years but within 5 years	**171,016**	137,781
	4,162,880	4,320,475

(b) Advances received from third parties

The balances as at 31 December 2019 and 2018 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment.

25 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Amounts due to related parties

	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts due to		
— Entities under control of Mrs. Fan	**1,089**	849
— Associates	**4,098**	111,107
	5,187	111,956

The balances as at 31 December 2019 and 2018 mainly represented advances from related parties, which were interest-free, unsecured and had no fixed terms of repayment.

(d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*		31 December 2018 *(Note)*	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**23,738**	**29,623**	15,916	23,199	–	–
After 1 year but within 5 years	**41,426**	**54,241**	50,528	65,758	–	–
After 5 years	**19,825**	**31,733**	21,932	33,040	–	–
	61,251	**85,974**	72,460	98,798	–	–
	84,989	**115,597**	88,376	121,997	–	–
Less: total future interest expenses		**(30,608)**		(33,621)		–
Present value of lease liabilities		**84,989**		88,376		–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in Note 1(c).

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital *Note 27(c)* *RMB'000*	Share premium *Note 27(d)(i)* *RMB'000*	Treasury Shares *Note 27(d)(i)* *RMB'000*	Capital redemption reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2018	20,700	3,419,358	–	–	4,171,465	7,611,523
Changes in equity for 2018:						
Total comprehensive income for the year	–	–	–	–	(138,051)	(138,051)
Conversion of convertible bonds	4	1,366	–	–	–	1,370
Balance at 31 December 2018 and 1 January 2019	20,704	3,420,724	–	–	4,033,414	7,474,842
Changes in equity for 2019:						
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,801,795**	**1,801,795**
Repurchase of own shares						
— par value paid	**(464)**	**-**	**(21)**	**-**	**-**	**(485)**
— premium paid	**-**	**(76,279)**	**(2,841)**	**-**	**-**	**(79,120)**
— transfer between reserves	**-**	**(464)**	**-**	**464**	**-**	**-**
Equity transaction with non-controlling interests	**-**	**-**	**-**	**-**	**(30,308)**	**(30,308)**
Balance at 31 December 2019	**20,240**	**3,343,981**	**(2,862)**	**464**	**5,804,901**	**9,166,724**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The Company did not declare any dividends for the years ended 31 December 2019 and 2018.

(c) Share capital and treasury shares

(i) Share capital

	2019 No of shares	2019 HKD'000	2018 No of shares	2018 HKD'000
Authorised:				
Ordinary shares	**4,000,000,000**	**40,000**	4,000,000,000	40,000

		2019 No of shares	2019 RMB'000	2018 No of shares	2018 RMB'000
Ordinary shares, issued and fully paid:					
At 1 January		**2,612,160,477**	**20,704**	2,611,736,625	20,700
Shares repurchase and cancelled	(ii)	**(54,082,000)**	**(464)**	–	–
Conversion of convertible bonds		**–**	**–**	423,852	4
At 31 December		**2,558,078,477**	**20,240**	2,612,160,477	20,704

(ii) Shares repurchase and cancelled

During the year ended 31 December 2019, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregated price paid RMB'000
January 2019	(46,188,000)	1.79	1.36	65,955
February 2019	(4,739,000)	1.73	1.51	6,767
September 2019	(189,000)	1.45	1.40	241
October 2019	(711,000)	1.43	1.40	906
November 2019	(2,255,000)	1.46	1.37	2,874
	(54,082,000)			76,743

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital and treasury shares (Continued)

(ii) Shares repurchase and cancelled (Continued)

54,082,000 shares out of the total repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of RMB464,000 was transferred from share premium to capital redemption reserve.

(iii) Treasury shares

	2019		2018	
	No of shares	***RMB'000***	*No of shares*	*RMB'000*
At 1 January	**-**	**-**	–	–
Shares repurchase to be cancelled	**2,230,000**	**2,862**	–	–
At 31 December	**2,230,000**	**2,862**	–	–

During the year ended 31 December 2019, the Company repurchased 2,230,000 shares on The Stock Exchange of Hong Kong Limited, at a total consideration of HKD3,185,000 which were cancelled on 20 January 2020.

Details of treasury shares purchased during the year ended 31 December 2019 are as follow:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HKD*	**Lowest price paid per share** *HKD*	**Aggregated price paid** RMB'000
November 2019	566,000	1.44	1.39	726
December 2019	1,664,000	1.47	1.39	2,136
	2,230,000			2,862

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(aa).

(iii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2019, the gearing ratio of the Group was 42.90% (2018: 48.32%).

28 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

29 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019	2018
	RMB'000	*RMB'000*
Contracted for	**733,950**	–

(b) Capital commitments

As at 31 December 2019 and 2018, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2019	2018
	RMB'000	*RMB'000*
Contracted for	**7,606,621**	4,686,190
Approved but not contracted for	**7,578,952**	10,012,736
	15,185,573	14,698,926

(c) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties
	RMB'000
Within 1 year	23,199
After 1 year but within 5 years	65,758
After 5 years	33,040
	121,997

29 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Operating lease commitments (Continued)

The Group is the lessee in respect of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 1(l). and the details regarding the Group's future lease payments are disclosed in Note 26.

(d) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB6,563,861,000 as at 31 December 2019 (2018: RMB7,266,593,000).

(e) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(f) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and loans provided to non-controlling interests in subsidiaries, related parties and third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 29(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 29(d).

(i) Trade receivables and bill receivables

The ageing analysis of trade receivables and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Neither past due nor impaired	**223,428**	77,331
1 to 6 months past due	**30,860**	24,240
6 months to 1 year past due	**11,976**	104,098
More than 1 year past due	**663,187**	746,933
	706,023	875,271
	929,451	952,602

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Trade receivables and bill receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 63.0% (2018: 61.0%) of the total trade receivables was due from the Group's largest customer.

Receivables that were past due but not impaired included revenue from land development for sale of RMB581,089,000 as at 31 December 2019 and 31 December 2018 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 31 December 2019 and 2018, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the Government of Chenghua District was required. As the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, management believes that no loss allowance is necessary in respect of the above balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB124,634,000 (2018: RMB178,424,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Trade receivables and bill receivables (Continued)

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2019 and 2018, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

(ii) Guarantees provided by the Group

As disclosed in Note 29(d), for properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts.

(iii) Loans provided to associates and non-controlling interests of subsidiaries

For receivables due from associates and non-controlling interests of subsidiaries, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects held by these associates and subsidiaries, with reference to the estimated market value of those property development projects.

(iv) Loans provided to third parties

For loans provided to third parties, whose loss allowance is measured on an individual basis, management assesses whether there is a significant increase in credit risk arising from default of the counter party based on borrowers' and guarantor's specific information primarily their past due status and their liquidities from other sources available without undue cost.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for loans provided to third parties as at 31 December 2019 and 2018:

	2019 Gross carrying Amount *RMB'000*	2019 Loss allowance *RMB'000*	2018 Gross carrying Amount *RMB'000*	2018 Loss allowance *RMB'000*
Current (not past due)				
— 12-month ECLs	**2,153,713**	**–**	2,426,437	–
— Life-time ECLs	**111,630**	**(111,630)**	686,851	(455,964)
Total	**2,265,343**	**(111,630)**	3,113,288	(455,964)
Within 1 year past due				
— 12-month ECLs	**82,712**	**–**	–	–
— Life-time ECLs	**725,315**	**(396,794)**	603,030	(396,508)
	808,027	**(396,794)**	603,030	(396,508)
1 year to 2 years past due				
— Life-time ECLs	**568,470**	**(396,508)**	215,490	(50,000)
2 year to 3 years past due				
— Life-time ECLs	**215,490**	**(100,000)**	–	–
Balance as at 31 December	**3,857,330**	**(1,004,932)**	3,931,808	(902,472)

During the year ended 31 December 2019, a total loss allowance of RMB102 million was recognised on the loans provided to third parties, which was related to loans provided to a number of companies with no guarantees and with an outstanding balance totalled RMB102 million as at 31 December 2019. Management determined that the credit risks of such balances of RMB102 million increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB102 million has been recognised thereon.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(iv) Loans provided to third parties (Continued)

As at 31 December 2018, within the gross balance of the loans provided to third parties guaranteed by the Individual of RMB852 million, for which a loss allowance of RMB852 million has been recognised on the whole balances as disclosed in Note 30(a)(iv) above, a total balance of approximately RMB521 million was originated during the year ended 31 December 2018. As at 31 December 2018, no loss allowance was recognised on a gross balance of loans provided to a third party indirectly controlled by the Individual of RMB150 million and certain loans provided to other third parties of RMB403 million measured at lifetime ECLs, primarily after taking into account the land and properties and shares of companies with property development projects in the PRC obtained by the Group as collaterals, with estimated values as determined by management with reference to the market prices of comparable land and properties in the relevant locations and the estimated values exceeded the gross balances of these loan balances totalled RMB553 million.

During the year ended 31 December 2018, the credit risks of certain loans provided to a number of companies indirectly owned by the Individual or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018, increased significantly since their initial recognition, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised against these balances. Management's assessment resulting such significant increase in the credit risks of the above balances is after taking into account of the adverse report of an investigation involving the Individual in the China, the loss of contact with the Individual, the consequential uncertainty over the Group's ability to enforce the guarantees provided by the Individual, and the viability of realising the estimated value of other collaterals held by the Group against these outstanding loans balance.

Movement in the loss allowance in respect of loans provided to third parties during the year is as following:

	2019 *RMB'000*	2018 *RMB'000*
Balance at 1 January	**902,472**	–
Impairment losses recognised during the year	**102,460**	902,472
Balance at 31 December	**1,004,932**	902,472

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
2019						
Loans and borrowings						
— Long-term	**10,120,891**	**9,304,179**	**6,866,446**	**392,203**	**26,683,719**	**22,459,694**
— Short-term	**2,868,801**	**-**	**-**	**-**	**2,868,801**	**2,594,530**
Lease liabilities *(Note)*	**29,623**	**23,956**	**30,285**	**31,733**	**115,597**	**84,989**
Contract retention payables	**155,554**	**92,303**	**62,160**	**-**	**310,017**	**310,017**
Financial liabilities measured at amortised cost	**5,650,415**	**252,232**	**171,017**	**-**	**6,073,664**	**6,073,664**
	18,825,284	**9,672,670**	**7,129,908**	**423,936**	**36,051,798**	**31,522,894**
2018						
Loans and borrowings						
— Long-term	8,895,494	12,037,908	9,599,724	414,570	30,947,696	25,958,192
— Short-term	4,102,922	–	–	–	4,102,922	3,737,114
Contract retention payables	173,482	100,998	69,168	–	343,648	343,648
Financial liabilities measured at amortised cost	6,052,351	223,679	137,781	–	6,413,811	6,413,811
	19,224,249	12,362,585	9,806,673	414,570	41,808,077	36,452,765

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 1(c).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 24(h). The annual interest rates of the Group's deposits at bank ranged from 0.1% to 2.75% as at 31 December 2019 (2018: 0.1% to 2.75%).

The interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Fixed rate instruments		
Lease liabilities *(Note)*	**84,989**	–
Loans and borrowings at amortised cost	**22,537,608**	25,881,019
Convertible bonds-liability component	**802,203**	1,570,281
	23,424,800	27,451,300
Variable rate instruments		
Loans and borrowings at amortised cost	**1,636,957**	1,688,120

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See Note 1(c).

As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB4,358,438 (2018: RMB2,033,400), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB10,558,334 (2018: RMB14,170,000).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2019 and 2018, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	Exposure to foreign currencies			
	2019		2018	
	USD	**HKD**	USD	HKD
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Trade and other receivables	**33,033**	**254,338**	32,498	219,050
Cash and cash equivalents	**21,600**	**4,473**	106,959	44,659
Restricted deposits	**785,381**	**–**	1,141,282	–
Trading Securities	**–**	**107,953**	–	114,663
Loans and borrowings	**(4,658,592)**	**(598,857)**	(4,829,908)	(593,966)
Net exposure arising from recognised assets and liabilities	**(3,818,578)**	**(232,093)**	(3,549,169)	(215,594)

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2019, would decrease the Group's profit after tax and retained profits by approximately RMB151,900,000 (2018: RMB141,179,000).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorized into the three level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into			Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements								
Assets:								
Trading securities	**107,953**	**107,953**	**-**	**-**	114,663	114,663	–	–
Liabilities:								
Derivative component of convertible bonds *(Note 24 (e))*	**77,456**	**-**	**-**	**77,456**	555,886	–	–	555,886

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair valued hierarchy (Continued)

Information about Level 3 fair value measurements.

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative component of convertible bonds issued in 2016	Binomial Tree model	Expected volatility	94.80% – 95.80% (2018: 37.00% – 38.00%)	95.30% (2018: 37.50%)
Derivative component of convertible bonds issued in 2018	Binomial Tree model	Expected volatility	45.60%-46.60% (2018:15.00% – 16.00%)	46.10% (2018: 15.50%)

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2019, for the USD200,000,000 convertible bond ,it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB281,000/RMB282,000 (2018: RMB1,867,000/RMB13,172,000), and for the HKD750,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB560,000/RMB561,000(2018: RMB1,288,000/RMB1,266,000).

The movements during the period in the balance of these Level 3 fair value measurements are as followings:

	2019 **RMB'000**	2018 RMB'000
Derivative component of convertible bonds		
At 1 January	**555,886**	411,677
Additions	**–**	106,640
Fair value adjustment (credited into)/charged to profit or loss	**(258,392)**	16,745
Foreign exchange loss	**4,060**	20,824
Redemption of convertible bonds	**(224,098)**	–
At 31 December	**77,456**	555,886

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2019 and 2018.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2019 **RMB'000**	2018 RMB'000
Loans provided to		
— Associates	**179,952**	562,566
— Entities under control of Mrs. Fan	**3,404**	117,500
— Members of key management personnel	**–**	20,559
Repayment of loans to		
— Associates	**586,030**	–
— Entities under control of Mrs. Fan	**117,500**	–
Repayment of loans from		
— Associates	**91,234**	17,090
— Entities under control of Mrs. Fan	**317**	751
Loans received from		
— An associate	**–**	91,234
— Entities under control of Mrs. Fan	**557**	–
Interest income received from		
— Associates	**–**	17,657
— Entities under control of Mrs. Fan	**302**	–
Interest repaid to		
— An associate	**15,771**	–

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Salaries, wages and other benefits	**15,200**	14,169
Contributions to defined contribution retirement plan	**322**	305
	15,522	14,474

Total remuneration is included in "Staff costs" (see Note 4(b)).

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of loans provided to associates and entities under control of Mrs. Fan above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

The PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalized its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(o), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(m)(iii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

32 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalization rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Expected credit losses of loans provided to third parties

As explained in Note 1(m)(i), the Group estimates ECLs for loans provided to third parties. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions, forecasts of future economic conditions and viability of realising the estimated value of collaterals held by the Group. If the financial condition of the debtors were to deteriorate, or the actual value of collaterals held by the Group were lower than the estimated value, actual write-offs would be higher than estimated.

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties at the applicable corporate income tax rates.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets			
Investments in subsidiaries	12	**9,165,496**	6,833,581
Property and equipment		**247**	342
		9,165,743	6,833,923
Current assets			
Other receivables		**999,833**	1,540,510
Amounts due from subsidiaries		**5,472,599**	3,227,679
Restricted deposit		**488,334**	1,141,282
Cash and cash equivalents		**26,299**	151,642
Trading securities		**107,953**	114,663
		7,095,018	6,175,776
Current liabilities			
Loans and borrowings		**2,640,653**	–
Other payables		**1,836,589**	82,778
		4,477,242	82,778
Net current assets		**2,617,776**	6,092,998
Total assets less current liabilities		**11,783,519**	12,926,921
Non-current liabilities			
Loans and borrowings		**2,616,795**	5,452,079
NET ASSETS		**9,166,724**	7,474,842
CAPITAL AND RESERVES	27(a)		
Share capital		**20,240**	20,704
Reserves		**9,146,484**	7,454,138
TOTAL EQUITY		**9,166,724**	7,474,842

Approved and authorised for issue by the board of directors on 31 March 2020.

YI Xiaodi	**FAN Xiaochong**
Directors	*Directors*

34 ACQUISITION OF SUBSIDIARIES

The Group acquired certain subsidiaries during the year ended 31 December 2019, the following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition dates:

	Wenzhou Zhongxin Haoyuan *RMB'000*	Yueyang Lixin *RMB'000*	Total *RMB'000*
Property and equipment	778	–	778
Intangible asset	863,900	–	863,900
Deferred tax assets	3,733	–	3,733
Trade and other receivables	273,989	–	273,989
Properties under development and completed properties held for sale	958,403	628,604	1,587,007
Cash and cash equivalents	558	–	558
Loans and borrowings	(18,800)	–	(18,800)
Trade and other payables	(947,585)	(364,920)	(1,312,505)
Current tax liabilities	(49,158)	–	(49,158)
Deferred tax liabilities arising from the fair value adjustment on intangible asset	(215,975)	–	(215,975)
Total net assets	869,843	263,684	1,133,527
Non-controlling interests acquired	–	(263,684)	(263,684)
Cash acquired during the year	558	–	558
Cash paid during the year	(50,000)	–	(50,000)
Net cash outflow including in the consolidated cash flow statements	(49,442)	–	(49,442)

(Expressed in Renminbi unless otherwise indicated)

34 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Wenzhou Zhongxin Haoyuan

The Group acquired 51% of the remaining equity interests and voting interests at a consideration of RMB443,620,000 in Wenzhou Zhongxin Haoyuan which was an associate of and 49% owned by the Group during the year ended 31 December 2019. As a result, the Group obtained control of Wenzhou Zhongxin Haoyuan and Wenzhou Zhongxin Haoyuan became and was accounted for as a subsidiary of the Group from then on.

Wenzhou Zhongxin Haoyuan is a project company which is principally engaged in work with regard to first grade land consolidation at Linli area of Wenzhou. Taking control of Wenzhou Zhongxin Haoyuan will help improve the overall environment and quality of the area, and in turn enhance the value of Arles Project and obtain substantial contract profits therefrom.

For the period from 4 December 2019 (the acquisition date) to 31 December 2019, Wenzhou Zhongxin Haoyuan did not recognise any revenue and incurred a gain of RMB473,000 to the Group's results for the year ended 31 December 2019. If the acquisition had occurred on 1 January 2019, management estimates that Wenzhou Zhongxin Haoyuan would have incurred a loss of RMB3,856,000 to the Group. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2019.

(i) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Land development for sale	Income Approach technique: The fair value of the target asset as the present value of the cash flows attributable to it. As the target asset will generally earn cash flows through interaction with other tangible and intangible assets, the contributions to cash flows of those other assets must be removed. Those assets are referred as contributory assets which are defined as all assets that are utilized in the realisation of expected future cash flows for the target asset. Fixed assets, working capital and assembled workforce required have been included in the calculation.

34 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Wenzhou Zhongxin Haoyuan (Continued)

(ii) Gain on bargain purchase

No gain on bargain purchase has been recognised from the acquisition of Wenzhou Zhongxin Haoyuan.

(iii) Remeasurement to fair value of pre-existing interest in acquiree

Remeasurement to fair value of pre-existing interest in acquiree has been recognised from the acquisition of Wenzhou Zhongxin Haoyuan, as presented follows:

	RMB'000
Fair value of previously held 49% equity interest	426,223
Carrying amount of investment in an associate	(26,384)
Remeasurement to fair value of pre-existing interest in acquiree	399,839

(b) Yueyang Lixin Cultural Tourism Development Co., Ltd. ("Yueyang Lixin")

During the year ended 31 December 2019, the Group entered into an agreement with Yueyang Highsun Hotel Co., Ltd, a third party company, to acquire 51% equity interest in Yueyang Lixin, a property owner that mainly engaged in the hotel operation of Yueyang Highsun Hotel, at a consideration of RMB10,408,000. As a result, the Group obtained control of Yueyang Lixin and Yueyang Lixin has been accounted for as a subsidiary of the Group from then on.

Yueyang Lixin is a hotel operator in the market of Yueyang, a city of Hunan Province. Taking control of Yueyang Lixin will enable the Group to have exposure to this market. The assets acquired and liabilities assumed did not constitute a business as defined in IFRS 3 and, therefore, the acquisition has been accounted for as assets acquisition.

35 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Eminent Star Group Limited ("Eminent Star")

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Victor Select Limited, a third party, to dispose the 55% equity interest of Eminent Star held by the Group, at a total consideration of RMB4,661 million which was comprised of an equity consideration of RMB4,397 million and a loan consideration of RMB264 million. Eminent Star was engaged in development of part of Qingyuan project. The disposal will be completed in four stages, and the first stage and the second stage had been completed as at 31 December 2019.

(b) Disposal of Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100")

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Sunac South-West Real Estate Development (Group) Co., Ltd., a third party, to dispose the 70% equity interest of Chongqing Sunshine 100 held by the Group, at a total consideration of RMB1,334 million which was comprised of an equity consideration of RMB370 million and a loan consideration of RMB964 million. Chongqing Sunshine 100 was engaged in development of Chongqing Sunshine100 project.

(c) Disposal of Sunshine 100 Resort Development Company Limited. ("Resort Development")

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Crest Honour International Limited., a third party, to dispose the 51% equity interest of Resort Development held by the Group, at a total consideration of US dollar ("USD") 8.418 million which was comprised of an equity consideration of USD4.083 million and a loan consideration of USD4.335 million. Resort Development was engaged in development of Sunmode Limited project on Saipan Island.

(d) Disposal of Dongguan Qingyuan Incubator Limited Company. ("Dongguan Qingyuan")

During the year ended 31 December 2019, the Group entered into an equity and loan acquisition agreement with Shenzhen Shi Chengjin Holding Group Limited Company, a third party, to dispose the 100% equity interest of Dongguan Qingyuan held by the Group, at a total consideration of RMB513 million which was comprised of an equity consideration of RMB117 million, a loan consideration of RMB347 million and a debt consideration of RMB49 million. Dongguan Qingyuan was engaged in development of a project located in Dongguan.

35 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(e) The disposals above had the following effects on the Group's assets and liabilities on the disposal dates:

	Eminent Star RMB'000	Chongqing Sunshine 100 RMB'000	Resort Development RMB'000	Dongguan Qingyuan RMB'000	Total RMB'000
Property and equipment	(99)	(1,264)	–	(204)	(1,567)
Investment properties	–	(700,226)	(270,668)	–	(970,894)
Deferred tax assets	–	(64,130)	–	–	(64,130)
Properties under development and completed properties held for sale	(318,458)	(4,358,010)	–	(526,227)	(5,202,695)
Trade and other receivables	(8,355)	(666,043)	–	(15,817)	(690,215)
Cash and cash equivalents	(405)	(25,443)	(1,330)	(1,149)	(28,327)
Trade and other payables	210,957	2,187,798	59,081	405,581	2,863,417
Loans and borrowings	–	2,999,000	–	–	2,999,000
Deferred tax liabilities	–	113,100	25,080	21,008	159,188
Net assets and liabilities	(116,360)	(515,218)	(187,837)	(116,808)	(936,223)
Equity consideration	2,805,391	370,000	27,229	116,840	3,319,460
Consideration cost	(5,874)	(12,155)	–	–	(18,029)
Waived interest charged to the subsidiary	–	(498,221)	–	–	(498,221)
Gain/(loss) on disposal of subsidiaries	2,683,157	(497,023)	(68,568)	32	2,117,598
Consideration received, satisfied in cash	2,297,850	1,300,000	–	170,000	3,767,850
Cash and cash equivalents disposed of	(405)	(25,443)	(1,330)	(1,149)	(28,327)
	2,297,445	1,274,557	(1,330)	168,851	3,739,523
Debt consideration	155,888	964,135	30,242	357,770	1,508,035
Consideration receivables	663,429	34,135	57,471	304,610	1,059,645

The undisclosed disposal of subsidiaries have had an immaterial effect on the Group's financial information.

(Expressed in Renminbi unless otherwise indicated)

36 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 1(c).

37 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2019, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for Accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments will have significant impact on the Group's consolidated financial statements.

39 SUBSEQUENT EVENTS

(a) The Company issued senior notes of USD18,000,000 and USD105,000,000 on 7 January 2020 and 20 January 2020, respectively, which are interest bearing at 11.5% per annum, due in 2021 and listed on the Singapore Exchange Securities Trading Limited.

(b) On 16 March 2020, the parties to the equity transfer agreement of disposal of Chongqing Sunshine 100 (see Note 35(b)), entered the shareholders' resolutions to provide for the replacement of the consideration adjustment mechanism with another adjustment mechanism (the "Dividend Adjustment Mechanism") through a future dividend distribution plan of Chongqing Sunshine 100. It should be noted that completion of the disposal has already taken place during the year ended 31 December 2019. Under the Dividend Adjustment Mechanism, the majority of the adjustment will be out of the dividend entitled by the Group. The consideration for the shareholder loan will not be adjusted.

(c) The Novel Coronavirus Pneumonia Outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and impact the Group's operations and financial position. As far as the Group's businesses are concerned, the NCP Outbreak may cause decrease of sales, but the directors of the Group consider that such impact could be temporary and not be material. The possible impact has not been reflected in these financial statements, and the actual impact may differ from estimates adopted in these financial statements as the NCP Outbreak situation continues to evolve and when further information may become available.