中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code : 00688

Accumulate Strength for Stable and Enduring Growth

Annual Report 2019

COP City Plaza, Tianjin

Contents

Board of Directors and Committees

EXECUTIVE DIRECTORS

Yan Jianguo *Chairman*
Luo Liang *Vice Chairman*
Zhang Zhichao *Chief Executive Officer* (appointed w.e.f. 11 February 2020)
Guo Guanghui

NON-EXECUTIVE DIRECTORS

Zhuang Yong *Vice Chairman* (appointed w.e.f. 11 February 2020)
Chang Ying

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Kwong Siu
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

AUTHORISED REPRESENTATIVES

Yan Jianguo
Luo Liang

AUDIT AND RISK MANAGEMENT COMMITTEE

Li Man Bun, Brian David*
Lam Kwong Siu
Fan Hsu Lai Tai, Rita

REMUNERATION COMMITTEE

Lam Kwong Siu*
Fan Hsu Lai Tai, Rita
Li Man Bun, Brian David

NOMINATION COMMITTEE

Fan Hsu Lai Tai, Rita*
Lam Kwong Siu
Li Man Bun, Brian David

* *Committee Chairman*

Corporate Information

REGISTERED OFFICE

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
Website : www.coli.com.hk

COMPANY SECRETARY

Edmond Chong

REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

INVESTOR RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0666
Facsimile : (852) 2865 7517
E-mail : coli.pr@cohl.com

LEGAL ADVISOR

Mayer Brown

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS (In Alphabetical Order)

Agricultural Bank of China
Bank of China
Bank of Communications Co., Ltd. Hong Kong Branch
Bank of Shanghai Co., Ltd
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Construction Bank (Asia) Corporation Limited
China Merchants Bank
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China
Nanyang Commercial Bank, Limited
Postal Savings Bank of China
Shanghai Pudong Development Bank Co., Ltd.
Sumitomo Mitsui Banking Corporation
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited, Hong Kong Branch

Shareholders' Information and Financial Calendar

LISTING

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**") and certain notes issued by the Company's subsidiaries are listed in SEHK and/or other stock exchange.

STOCK CODE

Shares

SEHK	:	00688
Bloomberg	:	688:HK
Reuters	:	0688.HK

FINANCIAL CALENDAR

Interim results announcement	:	22 August 2019
Share register closed for interim dividend	:	19 September 2019
Interim dividend paid	:	4 October 2019
Final results announcement	:	26 March 2020
Share register closed for annual general meeting	:	23 June 2020 to 26 June 2020 *(both days inclusive)*
Annual General Meeting	:	26 June 2020
Share register closed for final dividend	:	3 July 2020
Final dividend payable	:	15 July 2020

Corporate Structure

PROPERTY DEVELOPMENT*

- Mainland China
- Hong Kong
- Macau

COMMERCIAL PROPERTIES

- Mainland China
- Hong Kong
- Macau
- London

OTHER PROPERTY RELATED OPERATIONS

- Mainland China
- Hong Kong

* *Property development in 70 major cities in mainland China, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Ezhou, Foshan, Fuzhou, Guiyang, Haikou, Hangzhou, Harbin, Jiangmen, Jinan, Kunming, Nanchang, Nanjing, Ningbo, Qingdao, Sanya, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Tianjin, Urumqi, Wanning, Wuhan, Wuxi, Xiamen, Xi'an, Yantai, Zhangzhou, Zhaoqing, Zhengzhou, Zhenjiang, Zhongshan, Zhuhai, Baotou[#], Changzhou[#], Ganzhou[#], Guilin[#], Hefei[#], Hohhot[#], Huangshan[#], Huizhou[#], Jilin[#], Jining[#], Jiujiang[#], Lanzhou[#], Liuzhou[#], Nanning[#], Nantong[#], Qingyuan[#], Quanzhou, Shantou[#], Shaoxing[#], Weifang[#], Weinan[#], Xining[#], Xuzhou[#], Yancheng[#], Yangzhou[#], Yinchuan[#], Zibo[#] as well as in Hong Kong and Macau*

[#] *The cities where China Overseas Grand Oceans Group Limited ("**COGO**") has operations*

Financial Highlights

For the year ended 31 December	2019	2018	Change (%)
Financial Highlights *(RMB billion)*			
Revenue	**163.65**	144.03	+14
Profit attributable to equity shareholders of the Company	**41.62**	37.72	+10
Contracted property sales[1] *(HK$ billion)*	**377.17**	301.24	+25
Financial Ratios			
Net gearing ratio *(%)*	**34**	34	–[2]
Interest cover *(times)*	**7**	8	−1[3]
Dividend payout *(%)*[4]	**29**	27	+2[2]
Financial Information per Share *(RMB)*			
Earnings	**3.80**	3.44	+10
Dividends *(HK$)*	**1.02**	0.90	+13
— Interim dividend *(HK$)*	**0.45**	0.40	+13
— Final dividend *(HK$)*	**0.57**	0.50	+14
Net assets	**25.61**	22.61	+13
Land Reserves *(million sq m)*			
Development land bank[5]	**65.22**	70.10	−7

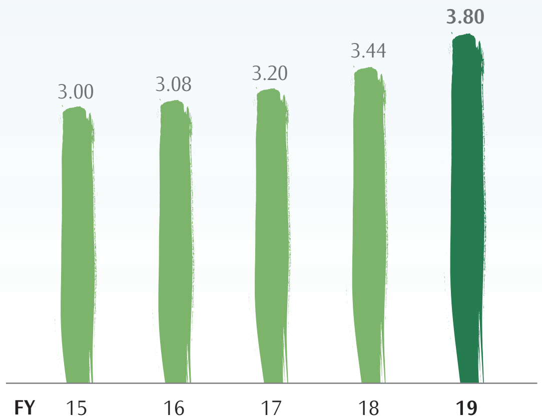
Notes:

1. *Representing China Overseas Land & Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") together with its joint ventures and associates (collectively the "**Group Series of Companies**")*
2. *Change in percentage points*
3. *Change in number of times*
4. *Calculated based on the profit attributable to equity shareholders of the Company, after deducting the net gains after tax arising from changes in fair value of investment properties*
5. *Representing year end figures of the Group Series of Companies (excluding COGO)*

Financial Highlights (continued)

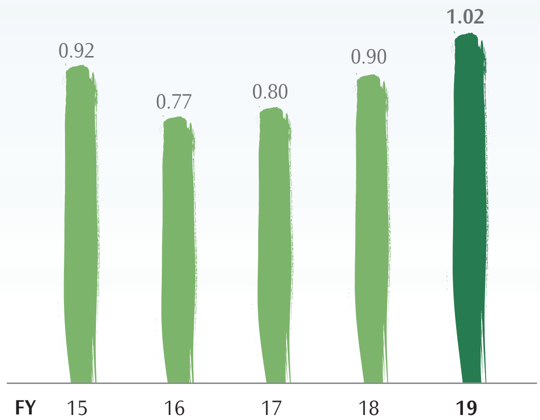
EARNINGS PER SHARE

RMB



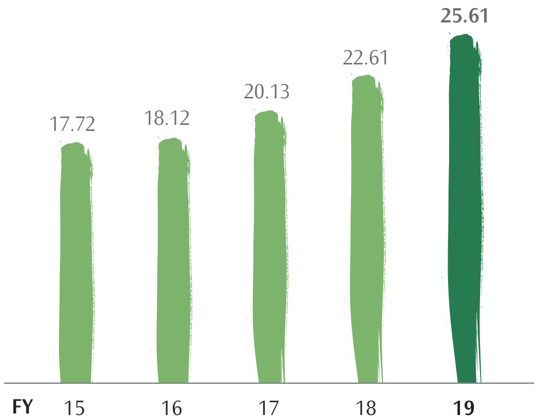
DIVIDENDS PER SHARE

HK$



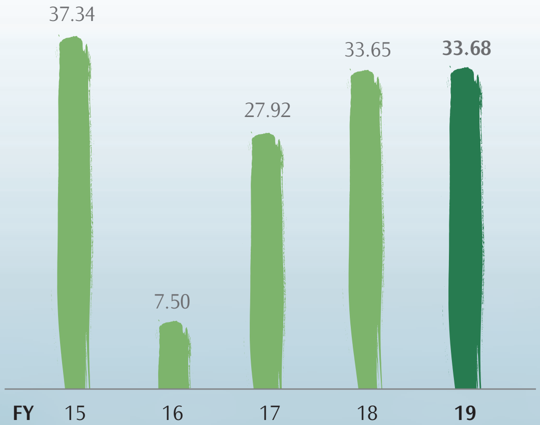
NET ASSETS PER SHARE

RMB



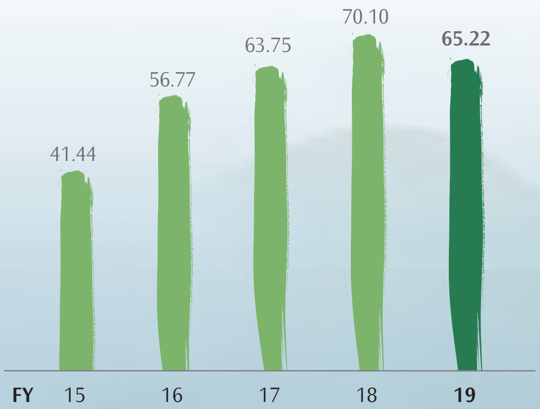
NET GEARING RATIO

%



LAND RESERVES*

million sq m



* *Representing the Group Series of Companies (excluding COGO)*

Group Financial Summary

KEY FINANCIAL INFORMATION AND RATIOS

Financial Year	2015 RMB	2016 RMB	2017 RMB	2018 RMB	**2019 RMB**
Earnings per share	3.00	3.08	3.20	3.44	**3.80**
Dividends per share *(HK$)*	0.92	0.77	0.80	0.90	**1.02**
— **Interim dividend** ***(HK$)***	0.20	0.35	0.35	0.40	**0.45**
— **Special interim dividend** ***(HK$)***	0.31*	–	–	–	**–**
— **Final dividend** ***(HK$)***	0.41	0.42	0.45	0.50	**0.57**
Net assets per share	17.72	18.12	20.13	22.61	**25.61**
Net gearing ratio (%) $\frac{\text{Net debt}}{\text{Shareholders' funds}}$	37.34	7.50	27.92	33.65	**33.68**
Interest cover (times) $\frac{\text{Operating profit} - \text{Total interest income}}{\text{Interest expense**}}$	5	6	8	8	**7**

KEY PROFIT AND LOSS ITEMS

For the year ended 31 December	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Revenue	135,649,438	138,637,906	142,798,668	144,027,289	**163,650,953**
Operating profit	40,442,872	48,929,983	54,071,963	59,414,910	**62,344,200**
Profit attributable to equity shareholders of the Company	27,714,569	31,282,439	35,059,478	37,716,257	**41,618,313**

KEY STATEMENT OF FINANCIAL POSITION ITEMS

At 31 December	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Fixed assets#	58,042,368	63,384,862	84,058,238	100,720,347	**118,040,070**
Long-term investments	16,883,548	14,476,555	17,245,299	23,320,828	**36,306,418**
Other non-current assets	14,432,903	8,202,326	17,896,314	14,320,460	**8,917,738**
Net current assets	241,813,469	245,850,787	245,055,790	277,841,093	**302,383,346**
Non-current liabilities	(151,378,964)	(128,825,470)	(137,214,595)	(159,590,874)	**(176,502,947)**
Net assets	179,793,324	203,089,060	227,041,046	256,611,854	**289,144,625**

* *Representing the distribution in specie of China Overseas Property Holdings Limited Shares*

** *Before capitalisation and excluding interest on amounts due to non-controlling shareholders*

Representing investment properties and property, plant and equipment

2019 Business Milestones

24 January

The Group signed a HK$30 billion five-year club loan with a syndicate of 20 well-known banks. The move is the largest amount of bank financing arrangement in the Group's history in Hong Kong, also involving the most participating banks.

Five-year club loan agreement signing ceremony

19 March

The Viewpoint Index Research Institute released the "2019 Top 30 Listed Real Estate Companies in China" at the "2019 Viewpoint Annual Forum". With its outstanding financial and operational advantages, the Group came first on the list.

22 March

The Group successfully expanded into Shijiazhuang. On 12 June, it expanded into Guiyang. The Group continuously expands into key cities, creating value for them while envisioning spaces for relaxation and enjoyment.

29 March

The Group launched the "40 Years of China Overseas — Creating a Better Life" campaign to kickstart more than 100 themed activities nationwide to celebrate the milestone of the Group's 40th anniversary.

"40 Years of China Overseas – Creating a Better Life" campaign kickstart ceremony

2019 Business Milestones (continued)

1 April

China Overseas Fortune Center, Suzhou (formerly Suzhou International Fortune Plaza)

The Group successfully acquired Suzhou International Fortune Plaza. In addition, a framework agreement was signed at the end of the year to sell Block H of China Overseas International Center in Chengdu, achieving a breakthrough in the “investment, financing, management and exit” of commercial properties.

15 April

The Group’s China Overseas Jinnian Senior Apartments in Qingdao welcomed its first elderly resident, signifying that the China Overseas Jinnian senior living brand had officially entering its operational phase.

China Overseas Jinnian Senior Apartments in Qingdao

7 May

China Overseas Unilive Apartments, Xiaokunshan District, Shanghai

The Group launched two long-term leased apartment brands, China Overseas “Unilive Residence” and “Unilive Apartment”, which are respectively positioned as business serviced apartments and comfortable co-living apartments. The China Overseas Unilive Apartments in Shanghai’s Xiaokunshan District — the first long-term leased apartment project to begin operation in the city — reached 100% occupancy rate in 50 days of its official opening.

2019 Business Milestones (continued)

24 June

The Group acquired by tender a land parcel in Guangming District, Shenzhen for RMB5.41 billion.

8 July


NOTICE OF LISTING ON
THE STOCK EXCHANGE OF HONG KONG LIMITED

China Overseas Finance (Cayman) VIII Limited
(incorporated in the Cayman Islands with limited liability)
(as Issuer)

US$2,500,000,000 Medium Term Note Programme

unconditionally and irrevocably guaranteed by

中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)
(Stock Code: 688)

US$2.5 billion medium-term note (MTN) programme

The Group successfully established a US$2.5 billion medium-term note (MTN) programme for the first time in Hong Kong, helping it to flexibly seize market opportunities and improve the efficiency of its offshore financing. Under this MTN programme, the Group successfully issued dual-currency fixed interest senior notes of HK$2.0 billion (5.5 years) and US$450 million (10 years), making the Group the first Chinese property developer to have publicly issued dual-currency notes.

18 July

The Fifth China Green Smart Real Estate Forum (2019) launched the "Top 30 China Green Real Estate Index 2019" report in Beijing. The Group was proudly ranked in the "No. 3 China Green Real Estate 2019".

"No. 3 China Green Real Estate 2019"

24 July

The Group, together with K. Wah and Wheelock, successfully acquired by tender a harbour-view luxury residential land parcel in Kai Tak, Hong Kong for HK$12.69 billion. At the end of the year, the Group, together with Henderson Land, Wharf, and K. Wah, secured another quality land parcel in Kai Tak for HK$15.95 billion.

2019 Business Milestones (continued)

2 to 10 August

Smart Life 3.0 is a smart living standard that embodies smart designs and IoT systems

The Group joined hands with China Mobile and Huawei to launch the world's first 5G community, China Overseas Zhenru Mansion in Shanghai. Aiming to set smart-home standards at a national level, the Group also launched a comprehensive strategic cooperation with Huawei on the HiLink smart home platform as part of the Internet of Things (IoT). At the end of the year, the Group, together with Huawei, Microsoft and other technology giants, released Smart Life 3.0, to establish a national and industry smart living standard, setting the direction for smart living in the future.

10 September

The Group was named "China's Real Estate Industry Leading Company Brand" for the 16th time by virtue of its outstanding value creativity and brand strength. The brand value reached RMB91.0 billion, ranking first in the industry.

21 September

The Group signed a targeted poverty alleviation agreement with Kang County in Gansu province, which helped the county to create the characteristic agricultural product brand "Long Kang Old Tree Walnut". The Group also launched more than 380 product promotion activities during the year. At the same time, a number of targeted poverty alleviation actions were conducted in Gansu's Kang, Zhuoni and Kangle Counties. During the year, the Group was bestowed the "2019 Pioneer Award for Targeted Poverty Alleviation" and the "2019 China Proactive Poverty Alleviation Innovation Award".

Signing a targeted poverty alleviation agreement with Kang County in Gansu province

2019 Business Milestones (continued)

8 October

恒生可持續發展企業
指數系列 2019 - 2020成份股

COLI earned AA-rating during the year

The Company was recognised as a constituent stock of both the "Hang Seng Corporate Sustainability Index" and the "Hang Seng Corporate Sustainability Benchmark Index" for 2019–2020. Based on the Company's outstanding performance in environmental protection, social responsibility and corporate governance, the Company was listed on the "Hang Seng Corporate Sustainability Index" for the tenth consecutive year since its launch in 2010.

28 November

Beixinan Project, Beijing

The first batch of 2,041 relocation houses for the Beixinan Project in Beijing was delivered. The original residents bade farewell to their dingy shanty homes and moved into neat and bright new homes. It was the largest shantytown renovation project in Beijing to date.

In 2019

The Group's contracted property sales exceeded HK$10 billion in each of 11 major cities, with Beijing exceeding HK$40 billion, and Nanjing and Guangzhou exceeding HK$20 billion. Paramount Jade in Jinan achieved contracted property sales of HK$13.1 billion, with single-project sales exceeding HK$10 billion for three consecutive years.

China Overseas Zhenru Mansion, Shanghai

Chairman's Statement

Chairman's Statement

I have pleasure to report to the shareholders the audited profit attributable to equity shareholders of the Company increased by 10.3% to RMB41.62 billion; the core net profit, after deducting RMB7.32 billion in net gains after tax arising from changes in fair value of investment properties, amounted to RMB34.30 billion, representing an increase of 10.1% compared to last year; basic earnings per share was RMB3.80; shareholders' funds increased to RMB280.60 billion; net assets per share was RMB25.61; and return on shareholders' funds was 15.8%. The Board proposed a final dividend of HK57 cents per share.

Yan Jianguo
Chairman and Executive Director

Chairman's Statement (continued)

IN 2019, THE GROUP SERIES OF COMPANIES ACHIEVED CONTRACTED PROPERTY SALES OF HK$377.17 BILLION, A YEAR-ON-YEAR INCREASE OF 25.2%, AND A SALES GROWTH RATE THAT GREATLY EXCEEDS THE AVERAGE OF 7% ACHIEVED BY THE TOP 100 REAL ESTATE COMPANIES IN THE SAME PERIOD. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY INCREASED TO RMB41.62 BILLION OVER THE PREVIOUS YEAR, AND CORE NET PROFIT INCREASED TO RMB34.30 BILLION, WITH A NET PROFIT MARGIN OF 25.4%. THE GROUP CONTINUED TO MAINTAIN INDUSTRY-LEADING PROFITABILITY.

Built on 40 years of development and having braved the challenges of numerous economic and real estate cycles, the Group cleaves to a long-term market perspective in planning the development of the enterprise. Steady and sustained long-term growth has been the Group's strategy and action guide for the past 40 years and will remain so for the 40 years ahead. The world is presently going through a period of the greatest change in a century, with much uncertainty in the external environment and frequent "black swan" and "grey rhino" events. Regardless of the times, the Group is committed to achieving long-term stable and sustainable growth for our shareholders.

In the first quarter of 2020, the Group was united in its targeted efforts against the coronavirus disease (COVID-19) outbreak while ensured the safety and protection of all employees, actively and efficiently implemented epidemic prevention and control in its properties and communities, speeded up the resume of work and production orderly, and donated anti-epidemic materials to hospitals and other institutions in cities such as Wuhan and Shenzhen. As of the end of February 2020, the Group has offered rent reduction of over RMB20 million in our shopping malls to relieve pressure on our partners. At present, the epidemic is easing in mainland China, but it is spreading in other countries around the world. The epidemic has dragged down China's economic growth, and the possibility of dragging down global economic growth and triggering a greater crisis is increasing. The Group maintains the prudent financial strategy it has always pursued, with abundant funds, financial stability and significant counter-cyclical. At the end of 2019, the Group has cash amounted to RMB95.45 billion, with liability to asset ratio of 60.06%, net gearing of 33.68% and weighted average borrowing costs of 4.21%. Both the gearing and borrowing costs were among the lowest level in the industry.

To ensure long-term steady and sustained growth, we have implemented business planning that matches long-term development trends in the real estate industry. In 2019, across the country, the area of commercial housing that was sold decreased by 0.1% year-on-year, while sales value increased by 6.5% year-on-year, indicating that higher-value first- and second-tier cities and core urban agglomerations were returning as the main drivers of market growth. The vigorous roll-out of highspeed rail and urban rail is accelerating population transfer to high-energy cities. We insist on cultivating first- and second-tier cities with higher safety margins and stronger ability to resist risk. Some 68% of the Group's new land reserves in 2019 were located in the Guangdong–Hong Kong–Macau Greater Bay Area, the Beijing–Tianjin–Hebei urban agglomeration and the Yangtze River Delta metropolitan area. At the end of 2019, the land reserves of the Group Series of Companies totalled 89.23 million sq m, of which more than 80% was located in first- and second-tier cities. The Group holds a top-three local market share in property sales in 23 cities and achieved sales in excess of HK$10 billion in 11 major cities. Sales in Beijing exceeded HK$40 billion, while sales in Nanjing and Guangzhou exceeded HK$20 billion.

Chairman's Statement (continued)

The large extent of China's real estate market and the Group's appropriate strategic business structure underpin the confident expectation of achieving long-term steady and sustained growth. Despite the growth slowdown in the real estate industry, sales of commercial housing nationwide in 2019 were still close to RMB16 trillion. We are confident that the property market in China will continue to exceed RMB10 trillion per annum and the Group is steadfast in its determination to pursue its core strategy and maintain the strategic structural balance of "today, tomorrow, and the day after tomorrow", and to allocate resources appropriately. Residential development, commercial assets management, together with new businesses including senior living, education and logistics, are the Group's main businesses of today, the growth drivers of tomorrow, and will spur growth the day after tomorrow. These three horizons are allocated 90%, 8% and 2% of resources respectively – proportions that will be maintained in the years going forward. Currently, the Group Series of Companies holds 45 Grade A office buildings, 13 shopping malls, 12 premium hotels, 2 long-term leased apartments, and 12 flexible working office projects. The Group is the largest single-ownership office development operator in China. In 2019, the Group acquired Suzhou International Fortune Plaza, and sold Block H of China Overseas International Center in Chengdu, advancing the full-cycle management of "investment, financing, management and exit" in commercial assets, and continuing to explore the transition from commercial real estate development and operation to assets management.

China Overseas Fortune Center, Suzhou (formerly Suzhou International Fortune Plaza)

We believe that long-term steady and sustained growth derives from quality management. In response to the trend of informatisation in this era of cloud-driven enterprise management, the Group has built an industry-leading digital management and control platform that covers the entire real estate life cycle. The Group has completed and applied 65 information management systems including city maps, panoramic project management planning, three-tier customer inventory, supply-sales-inventory systems, flexible cost management, a system to illustrate design standards, smart construction sites, and a material acquisition system. Supported by the powerful digital management and control platform at the Group's headquarters, subordinated city companies and project development teams are empowered. By integrating big data within and beyond the enterprise to provide accurate policy support, the Group is realising a full-cycle business management system that is quantifiable, assessable, enabling appropriate reward and corrective action. By continuously refining management structures to improve management and control efficiency, the Group steadily strengthens the advantage of its high-quality implementation.

Proprietary industry-leading real estate life cycle digital management and control platform

Chairman's Statement (continued)

Customers' recognition of product and service quality is the foundation of the Group's long-term sustainable growth. The COVID-19 outbreak has heightened customer demand for healthy homes, which is in line with the Group's product philosophy of "enjoyable space, smart IoT, green technology and healthy living". To meet the needs of customers in the coming era, we have adopted "going smart" and industrialisation as the two major directions for a quality upgrade. In 2019, the Group joined hands with technology companies including Huawei to lead the research and development and application of smart communities and smart homes for the world's first 5G community, China Overseas Zhenru Mansion in Shanghai. The Group also stood out among more than 40 of its peers by participating in the preparation of two national standards: "Smart Community Construction Code" and "Smart Building Design Standard". By combining the Group's extensive industrial housing development and construction experience in Hong Kong and mainland China, we are accelerating the overall research and development of kitchen and bathroom industrial manufacturing and transforming it into the Group's product advantages. We continue to conduct customer satisfaction surveys and "mystery guest" surveys through independent third parties to check and supervise the improvement of product and service quality in all sales and in our residential communities. Over the past three years, customer satisfaction levels for the Group have increased significantly to become industry benchmarks.

The integration of personal growth into long-term corporate development is the most recognisable talent culture of the Group. Through human resources management arms such as "Sons of the Sea", "Sea's Recruits" and "Stars of the Sea", we continue to bring together outstanding talents from all corners of the world to build a first-class team that continues to learn, is willing to shoulder responsibility and perseveres through hard times, thereby continuing to fuel the sustainable growth of the Group.

As an enterprise founded in Hong Kong with deep roots in the city, the Group is optimistic about Hong Kong long-term development and continued to increase investment in it. The Group's land reserve in Hong Kong reached a record high with a total saleable value of more than HK$130 billion.

COLI's "Sons of the Sea" recruitment poster


Standardised designs to ensure quality

In 2020, the Central Government continues to increase counter-cyclical adjustments to ensure stable progress of the economy. Aiming to stabilise land prices, housing prices and market expectations, government policies will continue to guide the steady growth of the real estate industry. Though the release of home purchase demand has been delayed by the COVID-19 outbreak, such demand will not disappear. City-specific policies have become more targeted and flexible, which will bring more differentiated market opportunities. The Group is confident of achieving steady and sustained growth in 2020.

Last but not least, I would like to take this opportunity to express my heartfelt appreciation to my fellow directors and the entire staff for their dedication, professionalism and determination to succeed and would like to express my gratitude to the shareholders and business associates for their support and trust.

China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Executive Director

26 March 2020

China Overseas
Fortune Center,
Suzhou

Management Discussion and Analysis

Management Discussion and Analysis (continued)

LAND RESERVE

La Cite, Beijing

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

Annual Summary

- The Group acquired 53 land parcels in 25 cities in mainland China and in Hong Kong, adding a total gross floor area ("GFA") of 11.46 million sq m to the land reserve (attributable interest of 10.97 million sq m). The total land premium was RMB148.52 billion (attributable interest of RMB113.36 billion)

- COGO, an associate of the Group, acquired 31 land parcels in 18 cities in mainland China, adding a total GFA of 6.19 million sq m to its land reserve

- At the end of 2019, the total land reserve of the Group Series of Companies reached 89.23 million sq m. Among which, the Group Series of Companies (excluding COGO) had a total land reserve of 65.22 million sq m (attributable interest of 53.17 million sq m); COGO had a total land reserve of 24.01 million sq m (attributable interest of 21.94 million sq m)

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

In 2019, facing a complex economic situation and market environment, the Group closely monitored real estate market trends, evaluated in-depth emerging characteristics of domestic and international economic environments, and carefully analysed the changing landscape of real estate market regulation. During the year, the Group established the "Investment Development & Cooperation Department", tasked to expand precision investment.

The Group has always adhered to its strategy to invest in "major cities, mainstream areas and mainstream products". In terms of investment areas, the Group assiduously cultivates its presence in existing cities, closely focusing on development in regions such as the Jingjinji Metropolitan Region, Guangdong–Hong Kong–Macau Greater Bay Area, and the Yangtze River Delta Integration. The strategy is to focus on core high-quality sites in first- and second-tier cities. The Group carefully selects the best projects to strengthen project return on investment and risk resilience. In terms of investment timing, the Group closely follows the market and investment rhythms in order to make steady progress. The Group pursues segmented and differentiated investment strategies; it has moderately increased investment for regions and cities with large economic and population growth potential and stable market development. In terms of the application of the investment tools, the Group strengthens the promotion of application of city-map assisted decision-making systems and investment information systems. The Group applies advanced information technology to further improve the accuracy of investment decisions.

During the year, the Group acquired 53 land parcels in 25 cities in mainland China and in Hong Kong, adding a total GFA of 11.46 million sq m to the land reserve (attributable interest of 10.97 million sq m). The total land premium was RMB148.52 billion (attributable interest of RMB113.36 billion). It is the first time for the Group to expand its presence in Shijiazhuang and Guiyang.


Paramount Jade, Jinan

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

The table below shows the details of land parcels added in 2019:

City	Name of Development Project	Attributable Interest	Land Area *('000 sq m)*	Total GFA *('000 sq m)*
Shanghai	Putuo District Project	100%	31	121
Taiyuan	Wanbailin District Project #1	100%	45	220
Beijing	Daxing District Project #1	100%	79	273
Shenyang	Shenbei New District Project	100%	125	418
Shijiazhuang	Zhengding New District Project	100%	50	137
Foshan	Shunde District Project	100%	76	231
Dalian	Ganjingzi District Project #1	100%	82	201
Hong Kong	Kai Tak Project #1	30%	10	67
Guangzhou	Liwan District Project	100%	12	79
Guangzhou	Panyu District Project	100%	29	123
Dongguan	Wanjiang District Project	100%	26	123
Xiamen	Jimei District Project	100%	45	184
Shenyang	Heping District Project	100%	3	7
Hangzhou	Xiacheng District Project	100%	25	97
Suzhou	Industrial Park District Project	100%	78	185
Ningbo	Haishu District Project	100%	71	234
Hong Kong	Kai Tak Project #2	18%	10	108
Shenyang	Hunnan District Project	100%	72	203
Dalian	Ganjingzi District Project #2	100%	48	84
Guiyang	Guanshanhu District Project	100%	185	618
Harbin	Daoli District Project #1	100%	42	167
Shenzhen	Guangming District Project	100%	46	238
Yantai	Fushan District Project	100%	90	293
Zhengzhou	Gaoxin District Project	65%	76	230
Yantai	Laishan District Project	100%	100	289
Taiyuan	Wanbailin District Project #2	100%	80	352
Taiyuan	Wanbailin District Project #3	100%	70	377
Beijing	Fengtai District Project	100%	59	308
Hong Kong	Kai Tak Project #3	20%	16	142
Chengdu	Tianfu New District Project	100%	67	188

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

The table below shows the details of land parcels added in 2019: (continued)

City	Name of Development Project	Attributable Interest	Land Area *('000 sq m)*	Total GFA *('000 sq m)*
Tianjin	Haihe Education Park Project	100%	116	221
Dalian	Ganjingzi District Project #3	100%	172	479
Changsha	Yuelu District Project #1	100%	77	239
Changsha	Yuelu District Project #2	100%	115	356
Xi'an	Bahe New District Project	100%	54	181
Tianjin	Hexi District Project	100%	40	145
Xi'an	Gaoxin District Project #1	100%	47	175
Changchun	Economic Development Zone Project	100%	105	275
Beijing	Daxing District Project #2	100%	46	175
Shanghai	Changning District Project	100%	17	57
Zhuhai	Jinwan District Project	100%	57	129
Guangzhou	Haizhu District Project	100%	44	203
Beijing	Shijingshan District Project	80%	61	241
Shenzhen	Longhua District Project	100%	27	195
Changchun	Gaoxin District Project	100%	146	267
Ningbo	Jiangbei District Project	100%	51	163
Harbin	Daowai District Project	100%	26	114
Hong Kong	Kai Tak Project #4	30%	18	158
Xi'an	Gaoxin District Project #2	100%	62	249
Harbin	Daoli District Project #2	100%	32	103
Zhengzhou	Zhengdong New District Project	100%	72	252
Wuhan	East Lake Gaoxin District Project	100%	132	530
Shijiazhuang	Chang'an District Project	100%	76	252
Total			**3,341**	**11,456**

During the year, the Group's associate COGO acquired 31 land parcels in 18 cities in mainland China, adding a total GFA of 6.19 million sq m to its land reserve, and it is the first time for COGO to expand its presence in Qingyuan, Quanzhou and Weinan. So far, the Group Series of Companies have penetrated into the real estate market in a total of 74 domestic and overseas cities and formed an improved network across cities.

In 2019, the Group adhered to the strategy of developing major cities and focused on land parcels of high-quality areas in major cities. The Group's investment in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen amounted to RMB44.85 billion, accounting for 30.2% of the total. In February, the Group acquired Jinsha Project in Putuo District, Shanghai at the reserve price of RMB3.98 billion, with a total GFA of approximately 121,000 sq m. In October, the Group acquired Daganwei Land Parcel in Haizhu District, Guangzhou at the reserve price of RMB5.10 billion, with a total GFA of approximately 203,000 sq m. In November, the Group and Beijing Shougang Real Estate Development Co., Ltd. (a real estate development platform of Shougang Group Co., Ltd.) jointly acquired the land parcel on the east side of Gucheng South Street, Shijingshan District, Beijing at the reserve price of RMB5.10 billion (of which 80% is attributable to the Group), with a total GFA of approximately 241,000 sq m.

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

Hong Kong's residential market witnessed active trading in the first half of 2019, however, the sales volume of the property market in the second half of the year was subject to short-term influence because of Sino-US trade negotiations and social events. In the long term, the Group is still confident about Hong Kong's property market. The Group continuously takes part in land bidding. In 2019, the Group's sales in Hong Kong reached over HK$10 billion, and it further invested in Hong Kong with prudence. The Group, together with peers including Wheelock, Henderson Land and New World, acquired four land parcels in Kai Tak, Hong Kong, adding a total attributable GFA of approximately 115,000 sq m at the total attributable land premium of HK$12.57 billion, which strengthened the Group's advantageous position in Kai Tak private residential supply. Currently, the Group has a total high-quality land reserve of approximately 750,000 sq m in Hong Kong, which is expected to generate ideal returns for the Group in next few years.

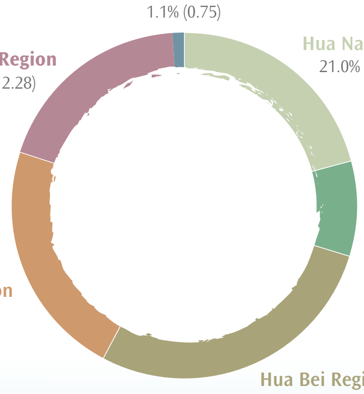
At the end of 2019, the Group Series of Companies (excluding COGO) had a total land reserve of 65.22 million sq m (attributable interest of 53.17 million sq m) in 43 mainland China cities, Hong Kong and Macau. The land reserves in mainland China are relatively balanced between Hua Bei region, Northern region, Hua Nan region, Western region and Hua Dong region, with the proportion of 28.0%, 22.2%, 21.0%, 18.8% and 8.9% respectively. The total land reserve of COGO was 24.01 million sq m (attributable interest of 21.94 million sq m). At the end of 2019, the total land reserve of the Group Series of Companies reached 89.23 million sq m.

Amid of the uncertainty in the external environment and the continuing impact of the COVID-19 pandemic, the Group will maintain its strategic determination, actively responding to uncertainties in the external environment with efficient execution and steady investment to ensure quality growth. Looking ahead, in terms of land investment, the Group will continue to strengthen internal and external synergy and cooperation, seeking mutually complementary advantage, and will actively expand investment channels. At the same time, the Group will reinforce the construction and management of digital information platforms such as city maps and investment information systems. Through the standardisation of operating procedures, the Group will continue to improve the professionalism and precision to guarantee the effective execution of investment strategies.

In the first two months of 2020, the Group acquired four land parcels in Beijing and Shanghai, adding a total GFA of approximately 647,000 sq m.

BREAKDOWN OF LAND RESERVE BY REGION*

million sq m



Hua Nan Region:	Shenzhen, Haikou, Wanning, Sanya, Foshan, Guangzhou, Changsha, Xiamen, Fuzhou, Zhuhai, Dongguan, Zhongshan, Zhaoqing, Zhangzhou, Jiangmen
Hua Dong Region:	Suzhou, Nanjing, Ningbo, Hangzhou, Nanchang, Shanghai, Wuxi, Zhenjiang
Hua Bei Region:	Beijing, Tianjin, Jinan, Taiyuan, Wuhan, Zhengzhou, Ezhou, Shijiazhuang
Northern Region:	Changchun, Qingdao, Dalian, Shenyang, Yantai, Harbin
Western Region:	Chengdu, Xi'an, Chongqing, Kunming, Urumqi, Guiyang

* *Representing the Group Series of Companies (excluding COGO)*

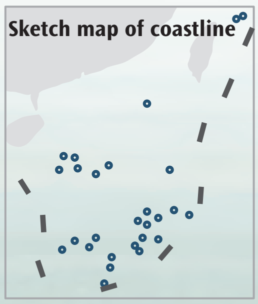
Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

LAND RESERVE DISTRIBUTION*

Total Land Reserve

	City	GFA ('000 sq m)
Hua Nan Region	Shenzhen (including Dongguan)	1,059
	Hainan (including Haikou, Wanning and Sanya)	1,233
	Guangzhou	5,466
	Foshan (including Zhaoqing)	1,895
	Changsha	1,588
	Xiamen (including Zhangzhou)	616
	Fuzhou	684
	Zhuhai (including Jiangmen, Zhongshan)	1,157
	Sub-total	13,698
Hua Dong Region	Suzhou (including Wuxi)	1,537
	Nanjing (including Zhenjiang)	1,738
	Ningbo	665
	Hangzhou	475
	Nanchang	231
	Shanghai	1,145
	Sub-total	5,791
Hua Bei Region	Beijing	4,985
	Tianjin	3,911
	Jinan	5,158
	Wuhan (including Ezhou)	1,706
	Zhengzhou	1,158
	Taiyuan	940
	Shijiazhuang	389
	Sub-total	18,247
Northern Region	Changchun	2,869
	Qingdao	4,563
	Dalian	2,465
	Shenyang	2,658
	Yantai	1,063
	Harbin	831
	Sub-total	14,449
Western Region	Chengdu	3,072
	Xi'an	2,612
	Chongqing	3,411
	Kunming	1,103
	Urumqi	1,464
	Guiyang	618
	Sub-total	12,280
Hong Kong & Macau	Hong Kong	752
	Sub-total	752
	Total	65,217



* *Representing the Group Series of Companies (excluding COGO)*

Management Discussion and Analysis (continued)

LAND RESERVE *(continued)*

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT

One Blossom Cove, Guangzhou

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Annual Summary

- Contracted property sales of the Group Series of Companies for the year amounted to HK$377.17 billion, and the corresponding sales area was 17.94 million sq m
- Sales proceeds collections of the Group Series of Companies for the year reached RMB299.09 billion, and its pre-sales proceeds were RMB211.09 billion at the end of the year
- Revenue from property development of the Group was RMB159.19 billion for the year. Segment profits amounted to RMB52.20 billion. The gross profit margin of property development projects remained at industry-leading level
- The area of newly commenced projects of the Group Series of Companies (excluding COGO) for the year was 21.57 million sq m, and the area of completed projects was 16.34 million sq m
- Joint ventures and associates contributed RMB3.37 billion to the profit of the Group

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

In 2019, the contracted property sales of the Group Series of Companies reached a new record high again, amounted to HK$377.17 billion, representing an increase of 25.2% over last year, and the corresponding sales area was 17.94 million sq m, representing a year-on-year increase of 12.6%. The sales proceeds collections for the year reached RMB299.09 billion, and the pre-sales proceeds were RMB211.09 billion at the end of the year.

During the year, revenue from property development of the Group was RMB159.19 billion, and segment profit amounted to RMB52.20 billion. The gross profit margin of property development projects remained at industry-leading level.

The area of newly commenced projects of the Group Series of Companies (excluding COGO) for the year amounted to 21.57 million sq m.

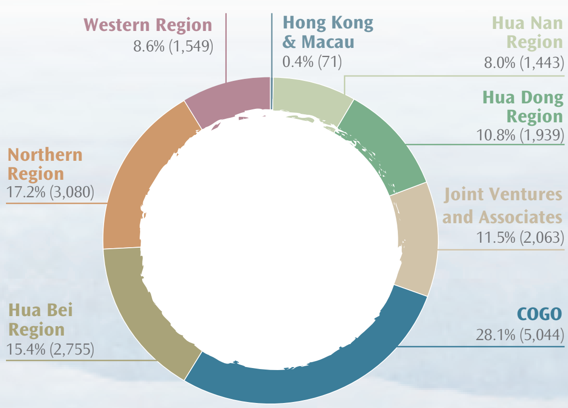
In 2019, the Group Series of Companies (excluding COGO) completed 95 projects with a total area of 16.34 million sq m in 30 cities in mainland China and in Hong Kong.

During the year, the net profit contribution from joint ventures and associates amounted to RMB3.37 billion. The major associate COGO recorded contracted property sales of HK$63.22 billion, revenue of RMB28.59 billion, and net profit of RMB3.50 billion. The Group earned a net profit of RMB1.28 billion from COGO for the year.

The Group pursues a philosophy that is customer-oriented, health-oriented and future-oriented, innovating to create new residential areas that welcome future customers with the concept of "enjoyable space, smart IoT, green technology and healthy living". Responding to the changing needs of customers in the coming era, the Group has adopted the "going smart" and industrialisation as the two major directions for a quality upgrade. The Group is accelerating the overall research and development of kitchen and bathroom industrial manufacturing and transforming it into the Group's product advantages. Throughout the year, many of the Group's projects introduced intelligent, green concepts and advanced technologies, which were widely acknowledged by customers and won a number of awards, including "2019 Zhan Tianyou Civil Engineering Award — Outstanding Residential District Gold Award" for Tianjin Lane 4 & 5, "Green Solution Award China International Finalist Award" for Shenzhen Contemporary Art Center and Urban Planning Exhibition Hall, "China Construction Engineering Luban Prize 2019" for Xiong An Citizens Service Center. During the year, the Group added 74 new projects obtaining green building certification, and the Group came first in "TOP50 China Housing Enterprise Green Credit Index", ranked among "2019 TOP10 China Green Real Estate" and "2019 TOP10 China Prefabricated Construction Enterprise".

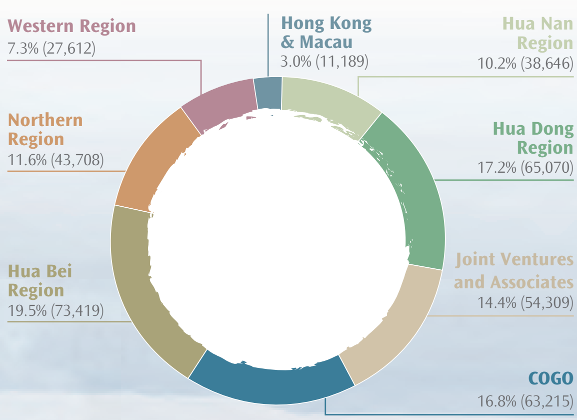
2019 CONTRACTED PROPERTY SALES AREA BY REGION*

'000 sq m



2019 CONTRACTED PROPERTY SALES AMOUNT BY REGION*

HK$ million



* *Representing the Group Series of Companies*

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

The table below shows the area of projects completed by region in 2019:

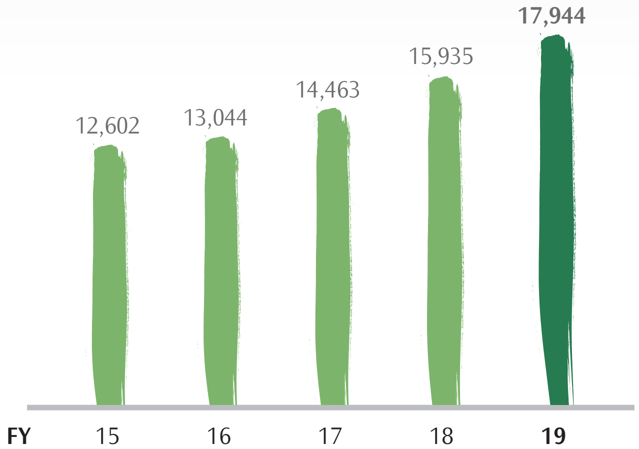
City	Total Area ('000 sq m)
Hua Nan Region	
Foshan	684
Guangzhou	656
Fuzhou	390
Xiamen	250
Changsha	210
Hainan	155
Zhuhai	137
Shenzhen	31
Sub-total	2,513
Hua Dong Region	
Suzhou	1,060
Nanchang	681
Ningbo	627
Shanghai	350
Nanjing	211
Sub-total	2,929
Hua Bei Region	
Jinan	1,957
Beijing	841
Zhengzhou	524
Taiyuan	217
Wuhan	168
Tianjin	147
Sub-total	3,854
Northern Region	
Changchun	1,101
Shenyang	990
Qingdao	656
Yantai	352
Harbin	220
Dalian	153
Sub-total	3,472
Western Region	
Chengdu	1,249
Chongqing	947
Xi'an	868
Xinjiang	259
Kunming	244
Sub-total	3,567
Hong Kong and Macau	1
Total	**16,336**

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

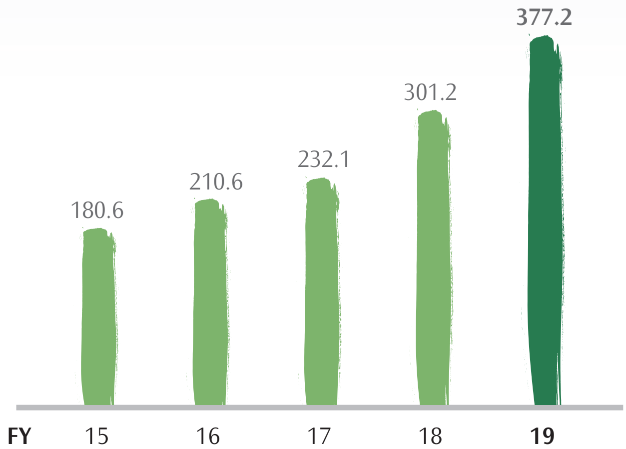
CONTRACTED PROPERTY SALES AREA*

'000 sq m



CONTRACTED PROPERTY SALES AMOUNT*

HK$ billion



2019 CONTRACTED PROPERTY SALES AMOUNT BY MONTH*

HK$ billion

* *Representing the Group Series of Companies*

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

The property development projects of the Group is primarily located in the first and second-tier cities in China. Below is the introduction of projects that are worth noticing in terms of the scale of current or future sales in their respective regions. Details of which are as follows:

Project Introduction

Hua Nan Region

Shenzhen Guangming Project (100%-owned)

Location:	Guangming District, Shenzhen
Project site area:	46,020 sq m
Project total GFA:	237,806 sq m

Shenzhen Guangming Project is located at the core of the first-tier radiation circle of Nanshan and Bao'an strong economic zones, Guangming District, Shenzhen. Guangming District, where the project is located, will seize the opportunity to build a world-class science city and the center of North Shenzhen, and the district economy will see a strong growth. Surrounding facilities mainly include residential properties, parks and municipal auxiliary facilities. Located to the north is the only top-class luxury residential community of Guangming District, Baolilai Hotel (first five-star hotel in Guangming District) and the Art and Culture Center under construction (the first large culture complex in Guangming District, to be put into operation in 2020) to the west, Bangkai High-tech City to the south, with New City Park overlooked from the north, which is the first large municipal multi-functional park constructed in Guangming District. The project is 800 away from the metro station of Metro Line 6 (to be put in service in 2020), and has complete cultural, medical and educational facilities. It is expected to be completed by December 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Nan Region *(continued)*

Guangzhou Daganwei Land Parcel (100%-owned)

Location:	Haizhu District, Guangzhou
Project site area:	43,888 sq m
Project total GFA:	216,439 sq m

Guangzhou Daganwei Land Parcel is located at the southwestern part of Haizhu District, Guangzhou. The project reaches south straightly to the Pearl River and has ample river-view resources. The two-way four-lane Island Ring Road is near the project and will be built as an iconic sightseeing road that serves both transportation and sightseeing in the future. Haizhu Innovation Bay, where the project is located, will be built as a high-end industry cluster for culture creativity, urban tourism, artificial intelligence, marine science and technology, headquarters of innovation office, which will be developed together with Pazhou Internet Cluster Area and Sun Yat-Sen University International Innovation Valley as the demonstration zone for global smart city. It is expected that the "one area, one bay, one valley" development layout will basically take share in 2020, thus facilitating the construction of Haizhou "Innovation Island". The project is expected to commence construction in 2020 and to be completed in June 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*
Project Introduction *(continued)*

Hua Nan Region *(continued)*

Shenzhen Longhua Project (100%-owned)

Location:	Longhua District, Shenzhen
Project site area:	27,391 sq m
Project total GFA:	195,106 sq m

Shenzhen Longhua Project is on the Shenzhen-Hong Kong central axis and located at Shangtang Area, Longhua District, which is near to Shenzhen North Central Business District and boasts the most mature facilities in Longhua District and the cluster of Shenzhen's new middle class. The project is close to Shangtang Station of Metro Line 4 and Shangtang North Station of Metro Line 6, and it only takes 7 minutes to reach Shenzhen North Transportation Hub and 20 minutes to Futian CBD. The project enjoys top-class facilities of surrounding areas and is in proximity to large business centres; with mature living facilities, it aims to create a lifestyle service community as supplementary to Shenzhen North Central Business District. For its neat layout and great view, the project is suitable for the development of high-end residential community of Longhua. The project is expected to be completed in June 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region

Shanghai Hongqi Village (70%-owned)

Location:	Putuo District, Shanghai
Project site area:	69,998 sq m
Project total GFA:	352,532 sq m

Shanghai Hongqi Village is located at Zhenru Area, which is the core of central Shanghai. As the integration of Yangtze River Delta is set as a national strategy, Zhenru will become the bridgehead for connecting Shanghai with Yangtze River Delta and then usher in rapid development. The project is a large "urban village" reconstruction project at the center of the city and adopts the TOD model to build houses above two metro lines. The northwestern part of the project is close to Zhenru Station of Transit Line 11, and the southeastern part is near to Zhongninglu Station of the planned Transit Line 14, which shapes the 30-minute city life circle and has convenient transportation as five transit lines intersect here. High-end facilities are available in areas surrounding the project, including UNI Shopping Mall, CK LOVE Metropolis, Greenland International Grand City and Guangming Complex, which are expected to become one of Shanghai's ten major business centers in the future. The project is developed by four phases, and Phase I has been launched in the third quarter in 2019 and realised over RMB2.8 billion of contracted property sales. It is expected that Phases I, II and III will be completed in 2020; Phase IV is currently in the construction planning stage and is expected to be completed in 2022.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

Ningbo The Peninsula (100%-owned)

Location:	Cixi City, Ningbo
Project site area:	153,362 sq m
Project total GFA:	323,862 sq m

Ningbo The Peninsula is located at the core of Cixi Culture and Business District, which is the center of CBD that Cixi Government focuses advantageous resources to build. The area boasts mature urban facilities, with easy access to nine-year schools, Yucai Middle School, Science and Technology Museum, the Museum, the Grand Theatre, the forest park and Aegean Shopping Mall. The project is built on the bank of Mingyue Lake, the extreme beauty of which is close enough to touch. It shows the perfect harmony of the nature, humanistic connotation and urban architecture and creates an art work of “tranquil lake vitalised by bright villa • graceful villa shined by shimmering lake”. The project is developed by three phases and offers 1,486 residential units, 165 shops and 1,859 parking spaces. It was completed in 2019. At end of 2019, the project achieved contracted property sales amounted to RMB3.8 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Dong Region *(continued)*

Nanjing LaRive Gauche (100%-owned)

Location:	Jiangbei New Area, Nanjing
Project site area:	149,465 sq m
Project total GFA:	456,686 sq m

Nanjing LaRive Gauche is located at the core of Jiangbei District, Nanjing, near to Youth Olympic Games Sports Park, and has great accessibility as it is close to three metro lines (Line 10, Line 11 (under construction), Line 15 (under planning)), Yangtze River Tunnel, and No. 5 Yangtze River Bridge (to be completed for service in 2020). Surrounding the project are facilities including Jiangbei Free Trade Zone, Sasseur Outlet (with proposed planning), Wanda Plaza and Wonder City (under construction). In the new era of "developing two sides of a river", the project will build a model residential community for Jiangbei New Town in the 30 planned high-rise residential properties, and create an international riverbank art city with a total GFA of approximately 500,000 sq m. The project is expected to be completed in 2020 and offers about 3,000 residential units. The first round of sales was launched in June 2019, recording sales volume and amount of 1,000 units and RMB3.2 billion respectively.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region

Beijing Lakeside Villa (100%-owned)

Location:	Changping District, Beijing
Project site area:	175,115 sq m
Project total GFA:	499,005 sq m

Beijing Lakeside Villa is 600 meters south of Shahe Metro Station, Changping District, Beijing and has great accessibility as it only takes four stations to Haidianxi Erqi and 10 minutes to Beijing-Lhasa Expressway. The project is surrounded by villa cluster; to the north is Shahe College Town, and the 3,500 mu beautiful Lichun Lake is close to the southern part. Located at the core of the western area of Beijing Future Science City, the project is an important regional supporter to Haidian's industry upgrading and development and will become a new industry park for Beijing's high-tech industry, life science industry and education industry. The residential project is developed by two phases; 766 units have been sold, and it is expected that the project will be completed in 2020.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Beijing Elite Villa (100%-owned)

Location:	Chaoyang District, Beijing
Project site area:	74,980 sq m
Project total GFA:	166,416 sq m

Beijing Elite Villa, an urban villa project rarely available in Beijing market over recent years, is located at the northeastern zone of Wangjing CBD and is a traditional and classic international villa community. The project is surrounded by various mature lifestyle facilities – 17 top-class international schools, many high-end art galleries, equestrian clubs and golf clubs. Its western zone is close to the northern zone of Zhongguancun Chaoyang Park, and this is where Alibaba Beijing Headquarters of RMB6.9 billion investment has decided to settle. The project is developed by two phases and is expected to be completed in 2020. It launched two rounds of sales respectively in June and September 2019, and both rounds witnessed all units sold out. The total contracted property sales amounted to RMB5.6 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Hua Bei Region *(continued)*

Taiyuan International Community (100%-owned)

Location:	Wanbailin District, Taiyuan
Project site area:	194,362 sq m
Project total GFA:	939,595 sq m

Taiyuan International Community is located at the west point of Yingze Avenue, Taiyuan. It is surrounded by many parks and has great accessibility as it has a three-dimension network comprising "five horizontal lines, four vertical lines and one transit line". The project has complete facilities and plans to build 2 kindergartens, approximately 50,000 sq m of commercial streets, introduces a variety of business segments including mega supermarkets, movie theaters, catering services, leisure and entertainment services and fitness facilities. The project is developed in two phases, which are expected to be completed in 2020 and December 2021 respectively. The first round with about 1,500 units available for sale was launched in May 2019, and all units were sold out immediately. Currently, sales of Phase II has started, and is promising.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*
Project Introduction *(continued)*

Northern Region

Dalian Glory Mansion (100%-owned)

Location:	Ganjingzi District, Dalian
Project site area:	153,025 sq m
Project total GFA:	532,540 sq m

Dalian Glory Mansion is 500 meters east of Sports Center, Lingxi Road, Ganjingzi District, Dalian. It has a prime location in Dalian's "exploring to the west and forging ahead to the north" strategy and grows together with Sports New Town. City-level facilities, including the sports center, the medical center, metro lines and Dalian North Station, will be constructed in accompany with the project development, which will jointly promote the prosperity of the region. The project offers 2,711 residential units, 1,634 apartments and 291 commercial units, and is expected to be completed in 2020. The contracted property sales have reached RMB4.28 billion.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*
Project Introduction *(continued)*

Northern Region *(continued)*

Shenyang Mansion Hills (100%-owned)

Location:	Hunnan New District, Shenyang City
Project site area:	179,942 sq m
Project total GFA:	463,553 sq m

Shenyang Mansion Hills is located at the core of Shenyang New Town and next to Mozishan Ecological Park of the New Town. Hunnan New District, where the project is located, is the new administration center of Shenyang. Incorporating tourism, renowned universities and schools, the free trade zone and the innovation demonstration base, Hunnan New District witnesses rapid construction and development, has high-standard infrastructure and great accessibility, with trunk roads and main streets reaching out in all directions and Metro Line 9 and Line 2 in its proximity. The project is developed by two phases. Phase I launched sales in 2018, and Phase II launched sales in 2019 and has sold 1,665 units. It is expected to be completed in 2020.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Northern Region *(continued)*

Yantai Glorious City (100%-owned)

Location:	Fushan District, Yantai
Project site area:	119,919 sq m
Project total GFA:	393,345 sq m

Yantai Glorious City is 800 meters south of Beijingnan Road and Fuxin Road intersection, Fushan District, Yantai. It has a prime location at the intersection of Development Area and Fushan District and therefore enjoys the top-class facilities and the future development benefits of both districts. The project is close to the trunk road of Beijing Road and the Shenyang-Haikou Expressway and has great accessibility. The project is expected to offer 2,720 residential units and 290 commercial units. Sales have been launched in January 2019, and 1,156 residential and commercial units have been sold at end of 2019. The project is expected to be completed in 2020.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region

Xi'an Chang'an Palace (100%-owned)

Location:	Chang'an District, Xi'an
Project site area:	131,435 sq m
Project total GFA:	534,284 sq m

Xi'an Chang'an Palace is located at the core of college town, close to Northwest University Chang'an Campus in the south, the core residential community of college town in the north and the 240,000 sq m commercial complex in the east, all bustling areas, and is adjacent to "Great Xi'an City Living Room" – Central Innovation District, which is sponsored by Gaoxin District, in the west. The overall plan of the project contains the first metropolitan-style community in the region. The project includes residential property and commercial property and is expected to offer 2,139 residential units. At end of 2019, 1,419 residential units have been sold. It is expected to be completed in November 2021.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Project Introduction *(continued)*

Western Region *(continued)*

Chongqing New Age of Yangtze River (60%-owned)

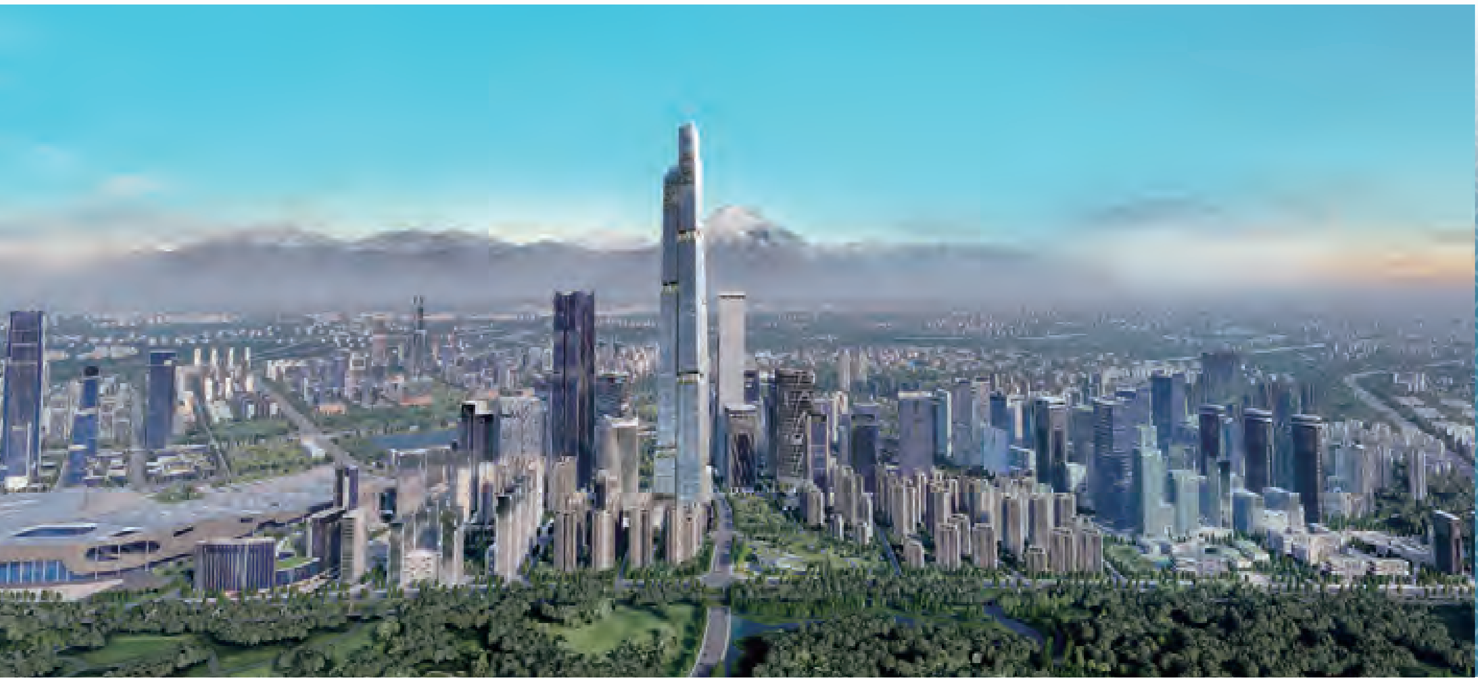
Location:	Tanzishi Nanbin Road, Nan'an District, Chongqing
Project site area:	187,992 sq m
Project total GFA:	595,328 sq m

Chongqing New Age of Yangtze River has a prime location at the core of the inner ring of Chongqing. It boasts the central location and the superior river view, overlooking People's Liberation Monument and Jiangbeizui and enjoying the premium 1.1 km golden river line at the core area. The project faces the Yangtze River directly, sits back against Nanshan Mountain, enjoys top-level resources, stays in the embrace of three parks and possesses the rare and precious beautiful scenery at core area. The project develops into two parts, Luxury Mansion and Riverbank High-rise, simultaneously, with Luxury Mansion focusing on houses and Riverbank High-rise focusing on high-rise and superior river-view penthouses. It is expected to offer 2,426 residential units and 302 commercial shops. The construction commenced in July 2019 and is expected to be completed in 2020 and September 2021 respectively. The project launched the first round of sales in November 2019, and 309 residential units have been sold at end of 2019.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*
Project Introduction *(continued)*

Western Region *(continued)*



Chengdu Tianfu One (100%-owned)

Location:	Tianfu New District, Chengdu
Project site area:	199,596 sq m
Project total GFA:	1,800,446 sq m

Chengdu Tianfu One is located at Qinhuangsi, Tianfu New District, Chengdu, which is positioned as the exhibition economy base and the headquarters economy base and serves the aim of building an international and high-end core business district with modern city functions and becoming the new center of Chengdu. The green coverage of Tianfu Central Park, where the project is located, ranking the first in Chengdu in terms of green area per capita. The project is close to COFCO Grand Joy and plans to construct a 50,000 sq m landmark touring area. The project is surrounded by the international exhibition hall, the art gallery and other characteristic businesses and is equipped with high-level primary and middle schools, and its future plans contain the first high-end private hospital of Southwest China, Wanda Tianfu International Hospital. The project is developed in five phases and consists of residential property, commercial property, hotel and apartments. Phase I of the project is now in the stage of constructing the main structure and has launched the first round of sales in December 2019, witnessing extremely large demands and recording over RMB2.2 billion of contracted property sales in the month.

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Major projects under development

Project	Group's interest %	Intended Use	City	Site Area (sq m)	GFA (sq m)	Progress
Cozy Land, Nansha District	100%	Residential/Commercial	Guangzhou	78,951	248,349	Under construction
Daganwei Land Parcel, Haizhu District	100%	Residential/Commercial	Guangzhou	43,888	216,439	Under planning
The Piedmont, Shunde District	100%	Residential/Commercial	Foshan	209,429	394,691	Under construction
Guangming Project, Guangming District	100%	Residential/Commercial	Shenzhen	46,020	237,806	Under planning
Longhua Project, Longhua District	100%	Residential/Commercial	Shenzhen	27,391	195,106	Under planning
Unipark, Xiangzhou District	100%	Residential/Commercial	Zhuhai	67,000	487,469	Under construction
Residence Nine, Tong'an District	100%	Residential/Commercial	Xiamen	52,993	173,760	Under construction
Joffre Lane, Songjiang District	100%	Residential	Shanghai	138,652	284,135	Under construction
UNIONE, Huangpu District	100%	Residential/Commercial	Shanghai	68,263	351,821	Under construction
Hongqi Village, Putuo District	70%	Residential/Commercial	Shanghai	69,998	352,532	Under construction
Loral Mansion, Suzhou New District	51%	Residential	Suzhou	54,100	163,212	Under construction
Urban Bay, Industrial Park	100%	Residential	Suzhou	105,692	186,165	Under construction
UpperEast Pro, Industrial Park	100%	Residential	Suzhou	78,441	201,675	Under construction
La Cite, Wuxi National Hi-tech District	100%	Residential/Commercial	Wuxi	245,185	870,493	Under construction
Maison De Renaissance, West Lake District	100%	Residential/Commercial	Hangzhou	39,344	140,943	Under construction
LaRive Gauche, Jiangbei New Area	100%	Residential/Commercial	Nanjing	149,465	456,686	Under construction
The Grandeur, Qixia District	65%	Residential/Commercial	Nanjing	96,410	395,422	Under construction
The Grace, Yuhua District	65%	Residential/Commercial	Nanjing	70,347	337,101	Under construction
Lakeside Villa, Changping District	100%	Residential/Commercial	Beijing	175,115	499,005	Under construction
La Cite, Shijingshan District	100%	Residential/Commercial	Beijing	289,527	1,110,270	Under construction

Management Discussion and Analysis (continued)

PROPERTY DEVELOPMENT *(continued)*

Major projects under development *(continued)*

Project	Group's interest %	Intended Use	City	Site Area (sq m)	GFA (sq m)	Progress
Elite Villa, Chaoyang District	100%	Residential	Beijing	74,980	166,416	Under construction
City in Park, Jinnan District	100%	Residential/Commercial	Tianjin	2,476,886	3,270,314	Under construction
Cop City Plaza, Hedong District	51%	Residential/Commercial	Tianjin	135,540	1,170,185	Under construction
Paramount Jade, Licheng District	100%	Residential/Commercial	Jinan	2,317,815	7,861,981	Under construction
Glorious International, Ezhou Gedian Development Zone	50%	Residential/Commercial	Wuhan	123,756	431,877	Under construction
International Community, Wanbailin District	100%	Residential/Commercial	Taiyuan	194,362	939,595	Under construction
Gate of Peace, Heping District	100%	Residential/Commercial	Shenyang	539,760	2,355,354	Under construction
Mansion Hills, Hunnan New District	100%	Residential/Commercial	Shenyang	179,942	463,553	Under construction
COLI City, Yuhong District	100%	Residential/Commercial	Shenyang	1,253,893	3,250,007	Under construction
Glorious City, Fushan District	100%	Residential/Commercial	Yantai	119,919	393,345	Under construction
Glory Mansion, Ganjingzi District	100%	Residential/Commercial	Dalian	153,025	532,540	Under construction
Habour City, Zhongshan District	80%	Commercial	Dalian	229,070	1,467,644	Under construction
Tianfu One, Tianfu New District	100%	Residential/Commercial	Chengdu	199,596	1,800,446	Under construction
Royal Mansion, Shuangliu District	100%	Residential/Commercial	Chengdu	103,857	439,499	Under construction
Chang'an Palace, Chang'an District	100%	Residential/Commercial	Xi'an	131,435	534,284	Under construction
The Great City, Qujiang New District	50%	Residential/Commercial	Xi'an	186,243	636,766	Under construction
New Age of Yangtze River, Nan'an District	60%	Residential/Commercial	Chongqing	187,992	595,328	Under construction
The U World, Guandu District	100%	Residential/Commercial	Kunming	116,804	777,588	Under construction
The Impressive Lake, Guanshanhu District	100%	Residential/Commercial	Guiyang	185,121	646,232	Under construction
The Regent, Tai Po District	80%	Residential	Hong Kong	37,696	168,434	Under construction

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES

China Overseas International Center Blocks C & D, Chengdu

COMMERCIAL PROPERTIES *(continued)*

Annual Summary

- The Group's total operating revenue from commercial properties for the year was RMB4.16 billion, a year-on-year increase of 22.0%, among which the total rental income of investment properties for the year, including Grade A office buildings, flexible working offices and shopping malls, increased by 26.3% to RMB3.75 billion, which accounted for 90.2% of the total operating revenue. Income generated from hotel and other commercial properties was RMB410 million

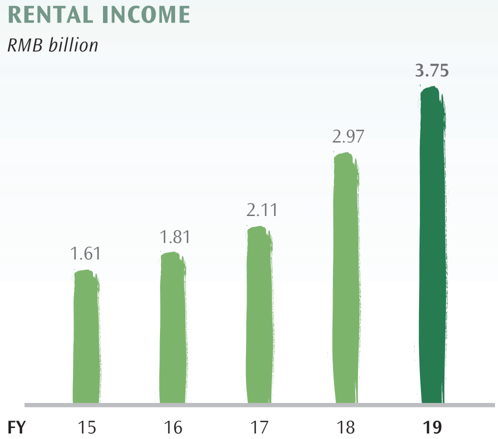
- The Group Series of Companies had commercial properties under operation of over 4.38 million sq m, and commercial properties under development and to be developed was 5.35 million sq m. The total GFA reached 9.73 million sq m

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

During the year under review, in light of the current complex and evolving economic situation, the Group firmly grasped urban development trends and closely monitored the upgrade in the industry, services and consumption, and strengthened its business development model. In 2019, the Group pursued its strategic upgrading of "urban services" to combine internal growth with business expansion, such as the acquisition of Suzhou International Fortune Plaza and using light asset management output to steadily take advantage of market opportunities as they arise. At the same time, through the transformation of OfficeZip in Beijing China Overseas Fortune Center and 61 Aldwych in London, the potential values of commercial properties have risen continuously. The Group is fulfilling its mission as an urban services operator, maintaining growth in its city operation business. It has realised a comprehensive line of products – including Grade A office buildings, flexible working offices, shopping malls, premium hotels, long-term leased apartments and public cultural facilities – to create high-quality commercial properties and develop strong operational capabilities, helping tenants grow together and creating a better urban livings hand in hand with consumers.

Leveraging on its brand influence and excellent operating service system, the Group continued to attract high-quality enterprises and merchants taking up leases on its commercial properties. These led to the realisation of stable uptrend in rents and occupancy rates. In 2019, the Group's total operating revenue from commercial properties was RMB4.16 billion, a year-on-year increase of 22.0%, among which the total rental income of investment properties for the year, including Grade A office buildings, flexible working offices and shopping malls, increased by 26.3% to RMB3.75 billion, which accounted for 90.2% of the total operating revenue; the income generated from hotel and other commercial properties was RMB410 million. At the end of 2019, the Group stalely ranked high in the industry in terms of overall operation and management scale of commercial properties. The Group Series of Companies holds 45 Grade A office buildings, making it the largest developer and operator of office buildings under single ownership in mainland China, and holds 13 shopping malls, 12 premium hotels, 2 branded long-term leased apartments and 12 flexible working office projects. The Group won the "TOP 2 China Commercial Real Estate Developers Brand Value", which was jointly awarded by China Real Estate Association and China Real Estate Appraisal.



The Group Series of Companies had commercial properties under operation of over 4.38 million sq m, and commercial properties under development and to be developed was 5.35 million sq m. The total GFA reached 9.73 million sq m.

OFFICE BUILDINGS

The Group maintained its leading position in the industry as the largest developer and operator of office buildings under single ownership in mainland China. In 2019, the rental income from office buildings of the Group amounted to RMB2.90 billion, a year-on-year increase of 19.7%, of which 59.1% was contributed by first-tier cities, and 40.9% was contributed by second-tier cities. The office building projects with more than one year of operation recorded an average occupancy rate of over 90%, with the occupancy rates of projects in Beijing, Shanghai and other first-tier cities constantly maintained above 91%. At the end of 2019, the total scale of office buildings under operation of the Group Series of Companies amounted to 2.87 million sq m.

Relying on its scale advantages and business flexibility, the Group has established a high-quality corporate community through industrial aggregation and integrated resource planning. More than 2,600 companies have chosen to house their operations in China Overseas offices, of which 141 are among the Fortune Global 500 enterprises. Through its professional operation management, the Group delivers a commercial asset management platform that supports business endeavour in high-quality assets and increases asset value.

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

OFFICE BUILDINGS *(continued)*


OfficeZip, Beijing China Overseas Fortune Center

In 2019, the brand positioning of the Group's OfficeZip was upgraded from "co-working spaces" to "flexible working offices", with a presence in 7 cities across the country. During the year, the Group began in-depth cooperation with WELL on the development of healthy buildings. The application of OfficeZip in Beijing China Overseas Fortune Center, with a mission to enhance office workers' safety, health and happiness, became the world's first non-traditional office project to receive platinum-level WELL certification. The Group's OfficeZip projects have an average occupancy rate of 91%, of which more than 50% are large enterprises, including many of the Fortune Global 500 enterprises. This overwhelming response gives the lie to the proposition that flexible working offices serve only small, medium and micro enterprises, establishing the benchmark for the high-end flexible working office sector.

SHOPPING MALLS

The Group's shopping mall business achieved annual rental income of RMB840 million, a year-on-year increase of 53.7%, ahead of the industry average growth rate. The total sales and visits to its mainland shopping malls increased by 45.6% and 32.3% year-on-year respectively. During the year, the shopping mall business launched a major branded development strategy and launched the "UNI Commerce" platform brand, positioned as an innovative leader in holistic high-quality centralised business intelligence. At the end of 2019, "UNI Commerce" had been deployed in 11 cities including Beijing, Shanghai, Chengdu and Nanjing. The Group also launched multifaceted collaborations with more than 30 IPs from a broad range of sectors including Lavector Big Data, Modern Sky, Academy of Arts & Design of Tsinghua University, Summer Palace, Walt Disney Pictures and Alibaba Pictures. 14 industry awards were bestowed on the Group during the year, including the "Golden Censer Prize – Outstanding Commercial Real Estate Enterprise of the Year".

"UNI Commerce" Crossover Event

LONG-TERM LEASED APARTMENTS

The Group has two long-term leased apartment brands: China Overseas "Unilive Residence" and "Unilive Apartment". Of which, the Group's first long-term leased apartment project in Shanghai, China Overseas Unilive Apartments in Xiaokunshan District, caters for an elite community of young city dwellers and white-collar workers. It reached 100% occupancy rate within 50 days after its official opening in August 2019. As a professional long-term leased apartment operator, the Group understands the leasing characteristics and lifestyle aspirations of the next generation of the youth. Its residential offerings go beyond a high-quality living experience and communal connections, integrating housing, retail and offices to create "boundless living" – the brand proposition. This aims to create diverse living complexes for urban youth, inspiring them to pursue their own boundless living.


China Overseas Unilive Apartments, Xiaokunshan District, Shanghai


China Overseas "Unilive Residence"

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*


China Overseas COLI Hotel, Shenzhen


China Overseas Pullman Hotel, Zhuhai

HOTELS

In 2019, under the complex and changing economic and trade situation, the Group's hotel business continued to target asset value growth, adhere to professionalism and proactive operations, and steadily boost operating efficiency. Once again, the influence of the Group's brands was recognised by the industry: China Overseas COLI Hotel in Shenzhen won the "The 6th Travel Service Industry Award – Best Employer", and China Overseas Pullman Hotel in Zhuhai took home "Best Service Hotel of the Year". At the end of 2019, the Group Series of Companies was operating 12 premium hotels, with a further 14 projects under construction and planning. The Group is strategically oriented toward developments in urban agglomerations, with a focus on the five core areas, including the Guangdong–Hong Kong–Macau Greater Bay Area, Yangtze River Delta Economic Circle, Bohai Rim Economic Circle, Chengdu-Chongqing Economic Zone and Hainan Free Trade Zone. The Group has driven up profit by tailoring strategies for different regions to maximise asset returns.

In the first quarter of 2020, domestic and foreign markets were hit by the COVID-19 pandemic. As first-class practitioners of the industry's international standards, the Group acted promptly and effectively to support our tenants and customers to weather the storm. At this exceptional time, the Group shouldered its social responsibilities and commitments, proactively launched initiatives including rent reduction to tenants of its shopping malls nationwide. Its office buildings, flexible working offices, long-term leased apartments and hotels also actively implemented containment measures, with their partners, forming a comprehensive epidemic prevention and mitigation regime to ensure the safe and stable operation of its projects and the safety of tenants and customers.

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(a)	China Overseas Plaza Jianguomenwai Avenue, Chaoyang District, Beijing	Office Building	100	Beijing	2053	145,332
(b)	China Overseas Property Plaza West Bin He Road, Yong Ding Men, Dongcheng District, Beijing	Office Building	100	Beijing	2043	87,699
(c)	China Overseas International Center of Aonan Community Uni ELITE No. 4 Parcel at Intersection of Anding Road and Beitucheng East Road, Beijing	Office Building and Shopping Mall	100	Beijing	2060 2050	127,824
(d)	China Overseas Building Lao Gu Cheng Village JB Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2053	50,162
(e)	China Overseas Property Building 96 Taipingqiao Avenue, Xicheng District, Beijing	Office Building	100	Beijing	2051	24,668
(f)	Beijing (H Parcel) Lao Gu Cheng Village H Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2054	28,946
(g)	China Overseas International Center Phase One to Three No. 199 Jincheng Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2047	387,632
(h)	China Overseas International Center Blocks F & G Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2051	143,692
(i)	Block J, West Lot of China Overseas International Center Jiaozi Road, Gaoxin District, Chengdu	Office Building	100	Chengdu	2052	88,722
(j)	China Overseas Building No. 76 Yanji Road, Shibei District, Qingdao	Office Building	100	Qingdao	2047	61,319
(k)	China Overseas Plaza Jiu Qu Zhuang Road, Shizhong District, Jinan	Office Building	100	Jinan	2049	103,588
(l)	China Overseas Building No. 3, Furong South Road, Yanta District, Xi'an	Office Building	100	Xi'an	2080	34,932

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(m)	Blocks A & B, China Overseas International Center No. 905A, Nandi West Road, Heping District, Shengyang	Office Building	100	Shengyang	2050	114,590
(n)	China Overseas Building No. 257 Zhiyin Avenue, Hanyang District, Wuhan	Office Building	100	Wuhan	2053	61,279
(o)	China Fortune Tower 1568–1588, Century Avenue, Pudong New District, Shanghai	Office Building	51	Shanghai	2054	95,622
(p)	China Overseas International Center Uni ELITE Intersection of Jianguo East Road and Huangpi South Road, Huangpu District, Shanghai	Office Building and Shopping Mall	100	Shanghai	2056 2046	158,930
(q)	China Overseas Building Intersection of Dongting Road and Heiniucheng Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	95,477
(r)	China Overseas Plaza No. 57 Wujiayao Street, Hexi District, Tianjin	Office Building	100	Tianjin	2053	95,300
(s)	China Overseas Wealth Center Dongting Road, Hexi District, Tianjin	Office Building	100	Tianjin	2055	74,608
(t)	China Overseas International Center The south junction of Yingze Bridge West and Jinci Road, Wanbailin District, Taiyuan	Office Building	100	Taiyuan	2053	269,885
(u)	China Overseas Fortune Center No. 9 Suzhou Avenue West, Suzhou Industrial Park	Office Building	100	Suzhou	2050	171,691
(v)	One Finsbury Circus One Finsbury Circus, London, U.K.	Office Building	100	London	Freehold	19,260
(w)	61 Aldwych 61 Aldwych, London, U.K.	Office Building	100	London	Freehold	16,482
(x)	Carmelite House 50 Victoria Embankment, Carmelite House, London, U.K.	Office Building	100	London	Freehold	12,447

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMPLETED COMMERCIAL PROPERTIES *(continued)*

	Name of property and location	Type	Group's interest %	City	Year of expiry of lease term	Total area sq m
(y)	One South Place (The Helicon) 1 South Place, London, U.K.	Office Building	100	London	Freehold	21,150
(z)	China Overseas Plaza Mid-Town Bai Shi Road, Xiangzhou District, Zhuhai	Office Building and Shopping Mall	100	Zhuhai	2060 2050	204,335
(aa)	Unipark Shopping Mall Jiu Qu Zhuang Road, Shizhong District, Jinan	Shopping Mall	100	Jinan	2049	76,288
(ab)	Unipark Shopping Mall No. 39 Qingliangmen Street, Gulou District, Nanjing	Shopping Mall	100	Nanjing	2048	131,875
(ac)	Unipark Shopping Mall No. 18 Guilanzhong Road, Nanhai District, Foshan	Shopping Mall	100	Foshan	2052	130,895
(ad)	Unipark Shopping Mall No. 111 Zhongyi Two Road, Tianxin District, Changsha	Shopping Mall	100	Changsha	2046	203,758
(ae)	China Overseas COLI Hotel, Shenzhen No. 168 Dayun Road, Longgang District, Shenzhen	Hotel	100	Shenzhen	2057	85,659
(af)	Sheraton Hotel, Hainan Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	56,192
(ag)	Fupeng Hotel, Hainan Shenzhou Peninsula Tourism Resort, Dongao Town, Wanning, Hainan	Hotel	80	Wanning	2057	46,345
(ah)	China Overseas Pullman Hotel, Zhuhai No. 2029 Jiuzhou Avenue West, Xiangzhou District, Zhuhai	Hotel	100	Zhuhai	2060	23,423
(ai)	Guotai Hotel, Beijing No. 12 Yonganxili, Jianguomen Outer Street, Chaoyang District, Beijing	Hotel	100	Beijing	2053	11,286
(aj)	Ascott Macau R. Cidade de Braga, Nape, Macau	Hotel	100	Macau	2049	15,886
(ak)	China Overseas Unilive Apartments, Xiakunshan, Shanghai No. 150–154, Lane 368, Wennan Road, Songjiang District, Shanghai	Long-term leased apartment	100	Shanghai	2087	9,808

Management Discussion and Analysis (continued)

COMMERCIAL PROPERTIES *(continued)*

MAJOR COMMERCIAL PROPERTIES UNDER CONSTRUCTION

	Name of property and location	Type	Group's interest %	City	Estimated year of completion	Year of expiry of lease term	Total area sq m
(a)	Project JA Lao Gu Cheng Village JA Parcel, Shijingshan District, Beijing	Office Building	100	Beijing	2020	2055	69,768
(b)	Tianfu Uni Fun Shopping Mall Xianghe Fourth Street, Tianfu New District, Chengdu	Shopping Mall	100	Chengdu	2020	2055	79,767
(c)	Beixinan Project A Transformation District, Penghu District, Beixinan, Shijingshan District, Beijing	Office Building and Shopping Mall	100	Beijing	2020	2067	230,447
(d)	China Overseas Building Qian Shan San Tai Shi Road, Xiangzhou District, Zhuhai	Office Building, Shopping Mall and Hotel	100	Zhuhai	2021	2058	335,158
(e)	Wansong Garden Project Intersection of Qingnian Road and Xuesong Road, Wuhan	Office Building and Shopping Mall	100	Wuhan	2021	2057	103,863
(f)	Meijiatang Project Meijiatang, Rehe South Road, Gulou District, Nanjing	Office Building	100	Nanjing	2021	2057	156,081
(g)	Binjiang Commercial Project Ningfeng Village, Jiangdong District, Ningbo	Shopping Mall	100	Ningbo	2021	2056	134,132
(h)	China Overseas International Center No. 2 Longkunbei Road, Haikou	Office Building	100	Haikou	2021	2058	121,111
(i)	China Overseas International Center Wujiaba Area, Guandu District, Kunming	Office Building	100	Kunming	2022	2058	112,629
(j)	Si'an Street Project Si'an Street East, Suzhou Avenue North, Suzhou Industrial Park	Office Building	100	Suzhou	2022	2059	75,309
(k)	Qinhuangsi Project Commercial District, Qinhuangsi, Tianfu New District, Chengdu	Apartment and Shopping Mall	100	Chengdu	2022	2058	103,987

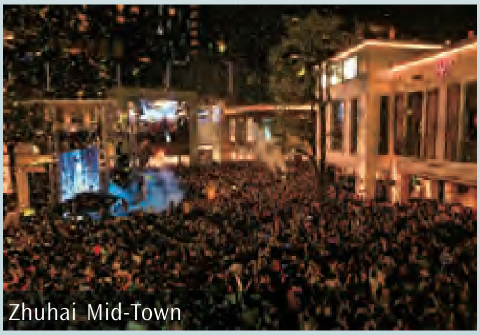
Management Discussion and Analysis (continued)


Taiyuan China Overseas International Center


Shanghai China Fortune Tower


Beijing Uni ELITE


Foshan Unipark


Zhuhai Mid-Town


Shanghai Uni ELITE

COLI's commercial properties include offices and shopping malls, providing customers with comfortable and convenient spaces for work, leisure and entertainment.

Management Discussion and Analysis (continued)

OTHER PROPERTY RELATED OPERATIONS

Shenzhen-Shantou Bay Science and Technology Park

Management Discussion and Analysis (continued)

OTHER PROPERTY RELATED OPERATIONS *(continued)*

PLANNING AND CONSTRUCTION DESIGN

Hua Yi is a company of the Group engaging in the provision of design services. It has attained Grade A Architectural Design Qualification and Grade A Urban and Rural Planning Qualification, and is one of the earliest enterprises in the industry passing the "ISO9001 Quality Control System Accreditation" and also the first batch of enterprises recognised as "National High-Tech Enterprises".

With a talent pool of around 700 professional designers and top-notch experts in the industry and capitalising on its professional and excellent design services, Hua Yi has established a good reputation in the industry and has gained continuous enhancement of its capability of business expansion. During the year, it undertook many projects of high quality and high standard in the industry, among which, Shenzhen International Convention & Exhibition Center, the largest exhibition center in the world, for which Hua Yi was appointed as the chief construction team and provided comprehensive architectural design and consultancy services, was officially completed at end of September; Shenzhen-Hong Kong International Science and Technology Park, the benchmarking science and technology park in the Guangdong-Hong Kong-Macau Greater Bay Area, was officially opened in mid-October and has attracted major scientific research projects and innovative projects from Hong Kong and other parts of the world to move-in; and the Shenzhen-Shantou Bay Science and Technology Park for which Hua Yi was in charge of the design won the first prize of the 5th "Shenzhen Architectural Design Award" in 2019.

With a number of high-quality and high-standard projects in architecture as well as planning and design, Hua Yi has been widely recognised by the industry. During the year, Hua Yi obtained a number of awards, including one American architecture award, one National Quality Project award, three Chinese Architectural Excellence Project awards, 29 provincial and ministerial design awards. Looking ahead, Hua Yi will continue to forge ahead with the vision of "establishing a top-notch designing company".

Management Discussion and Analysis (continued)

OTHER PROPERTY RELATED OPERATIONS *(continued)*

EDUCATION BUSINESS

Upholding the concept of "education could make everything possible" and guided by the model of PEPA+ (Psychology, Exploration, Physique, Art) quality & capability, the Group has established an education product system with the COLI K12 Schools + kindergartens (the COLI Kindergarten + childcare for 2–4 years old) + the COLI Academy + the COLI Outdoor Campsite as its major types, providing excellent high-quality education for more than 10,000 students.

The Group actively explored business upgrading for building a new and future-oriented educational theory system and implementing development strategies of 5G education and school. In addition, the Group took the initiatives to assume the social responsibility. In respect of targeted poverty alleviation, it undertook the "Spring Buds Action" to provide poverty alleviation and support for education to Gansu Province by offering courses of cultivating talents to three counties (Zhuoni County, Kang County, and Kangle County) of Gansu Province and sent backbone education-supporting teachers there. The Group has been widely praised for making unlimited possibilities with education in its targeted poverty alleviation efforts.

SENIOR LIVING BUSINESS

Bearing the social responsibility in mind, the Group proposed to create a 5G management model of senior living and seek to achieve the services goal of celebrating the golden years together. At the end of 2019, China Overseas Jinnian senior living had four projects under construction or in operation in Qingdao, Tianjin, Wuxi and Jinan with a total GFA of 46,000 sq m. In April, the Group's first batch of China Overseas Jinnian premium senior apartments commenced operation in Tianjin and Qingdao. In December, China Overseas Jinnian Senior Apartments in Jinan was officially put into operation.

LOGISTIC BUSINESS

The Group actively made planning for logistics real estate and industrial real estate to build the "China Overseas Logistics Real Estate" industrial brand and establish world-class logistics parks and industrial parks with the highest quality and technology, and provide high standards modern storage and logistics services. During the year, with the high standards "modern storage and logistics services" as its core concept, the Group upgraded its logistics parks and industrial parks in Tianjin and invested in the logistics park project in Hefei. The logistics real estate will diversify the Group's strategic layout and bring synergies to and improve its principal business so as to continuously enhance the brand strength of China Overseas.

COLI Kindergarten, Dongguan

China Overseas Jinnian Senior Apartments, Tianjin

Management Discussion and Analysis (continued)

Shenzhen International Convention & Exhibition Center

Management Discussion and Analysis (continued)

GROUP FINANCE

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

The Group has consistently adhered to the principle of prudent financial and treasury management. The Group implements centralised fund management for unified scheduling in order to reduce idle funds. The Group firmly believes that sales proceeds are the most solid and reliable source of working capital, and therefore puts constant efforts in expediting cash collection and enhancing its ability to protect its assets. Appropriate decisions on fund raising are pursued after taking into account of the financial positions, cash collection and business investment requirements of future operations of the Group as well as future changes in the capital market, subject to a healthy and reasonable gearing level and adequate financial resources.

While placing emphasis on the availability of adequate funds and diversified financing channels, the Group also strives to control the gearing level and borrowing costs. At 31 December 2019, the Group's net gearing ratio was 33.68%. The Group's interest expense for the year was RMB8.97 billion, and the weighted average borrowing costs were 4.21%. The gearing ratio and borrowing costs were among the best in the industry.

CREDIT RATINGS

The financial strength continued to grow with the Company's shareholders' funds increased to RMB280.60 billion at the end of the year. During the year, the Company's credit ratings from the three major international credit rating agencies were: Fitch A-/Stable; Moody's Baa1/Stable; and Standard & Poor's BBB+/Stable. In addition, China Overseas Development Group Co., Ltd. (formerly known as "China Overseas Property Group Co. Ltd."), a subsidiary of the Group, was also rated as AAA/Stable by United Credit Ratings Co., Ltd. Both domestic and international rating agencies have granting the Group the highest investment ratings in the mainland property development sector for years, reflecting the capital market's high recognition of the Group's sound financial position and solvency, as well as the confidence in the Group's continuous and high-quality development.

FINANCING AND TREASURY MANAGEMENT

The Group continues to enhance its financing management and optimise its debt structure. During the year, the Group completed a number of onshore and offshore funding activities, ensuring sufficient financial resources for itself.

The Group negotiated a HK$30 billion five-year club loan agreement with 20 well-known banks at the end of 2018, which was successfully signed in January 2019. The loan is the largest banking facility in the history of the Group with the lowest cost in the industry over the same period and with the most banks involved. It enables the Group to properly arrange the refinancing for its non-RMB denominated interest-bearing debts ahead of maturity and also indicates the high-recognition from the international bank market for the results and performance of the Group's stable operation.

During the year, the Group established a US$2.5 billion medium-term note (MTN) programme for the first time in Hong Kong under which it successfully issued a 10-year US$450 million senior note at a coupon rate of 3.45% and a 5.5-year HK$2.0 billion senior note at a coupon rate of 2.90% in July, and a 10-year US$294 million senior note at a coupon rate of 3.05% in November. In March 2020, the Group successfully issued 5-year US$300 million, 10-year US$500 million and 15-year US$200 million senior notes at coupon rates of 2.375%, 2.75% and 3.125%, respectively, which again recorded the lowest coupon rate among the notes of the Group with the same maturity.

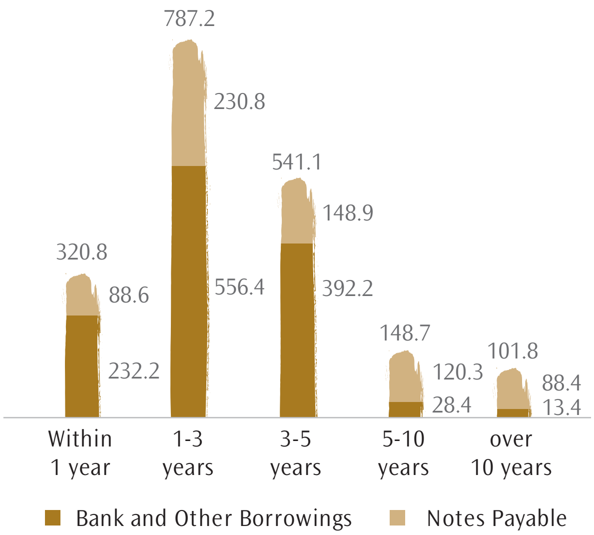
Management Discussion and Analysis (continued)

GROUP FINANCE *(continued)*

FINANCING AND TREASURY MANAGEMENT *(continued)*

During the year, the Group also flexibly captured the opportunities in the market to sign a number of onshore and offshore new bilateral loans for optimising its loan portfolio, correspondingly replacing existing debts and supplementing working capital.

INTEREST-BEARING DEBTS MATURITY PROFILE AT 31 DECEMBER 2019
RMB100 million



RISKS OF EXCHANGE RATE AND INTEREST RATE VOLATILITY

In 2019, exchange rates and interest rates were substantially affected by the Sino-US trade friction. The exchange rate of the RMB against the US dollar experienced significant bilateral fluctuations, with the RMB from appreciating to depreciating and then stabilising. Domestic market reforms were implemented through loan prime rate (LPR) mechanism. Monetary policy remained appropriate, credit stayed basically stable and liquidity reasonably adequate. The United States Federal Reserve cut interest rates three times in the second half of the year, reducing overseas financing costs.

During the year, the Group actively seized opportunities, took control of the borrowing costs, and properly planned the debt maturity. As a result, risks pertaining to interest rate are controllable. At 31 December 2019, 40.7% of the Group's borrowings were fixed-rate, and 59.3% of the Group's borrowings were floating-rate (of which 17.1% will be due within one year, 46.1% after one year but within three years, 36.8% after three years).

In the future, the Group will closely monitor the potential for interest rate movements and consider the factors that might generate large fluctuations in the exchange rates between the Hong Kong dollar, RMB and US dollar. The Group offsets the corresponding risks mainly through natural hedging and has not participated in any speculative trading of derivative financial instruments, but will carefully consider whether to conduct currency and interest rate swaps at an appropriate time to hedge against corresponding risks. The Board believes that the Group's exchange rate and interest rate risks are relatively controllable.

CONTINGENT LIABILITIES

At 31 December 2019, the Group provided, in line with usual business practice, buy-back guarantees for the repayment of bank mortgage loans amounting to RMB55.18 billion granted to certain buyers of the Group's properties. The Group had counter indemnities amounting to RMB470 million for guarantees issued in respect of certain construction contracts undertaken by the Group. The Group has never incurred any loss in the past as a result of granting such guarantees.

CHARGE OF ASSETS

At 31 December 2019, certain of the Group's assets with carrying values of RMB14.83 billion have been pledged to secure the bank borrowings granted to the Group.

Management Discussion and Analysis (continued)

OPERATIONAL AND FINANCIAL POSITION ANALYSIS

In 2019, the Group maintained its prudent investment strategy targeting the efficient replenishment of high-quality land reserves. Through strategies of "going smart" and industrialisation, the Group strengthened research and development and application of smart communities, smart homes and green technologies to rapidly transform it into product advantages for the Group and boost customer satisfaction. The Group has established an industry-leading comprehensive digital operation and management platform for the entire lifecycle of real estate development, which provides support for targeted policies, supports improved operation and management efficiency, and ultimately strengthens the Group's execution advantages. The Group achieved its strategic and business goals for the year, with stable and healthy operation and enhanced efficiency. The key performance indicators – including contracted property sales, sales proceeds collections, gross profit margin, operating profit, land reserves and return on shareholders' funds – all recorded optimal results.

OPERATING RESULTS ANALYSIS

During the year, the revenue of the Group increased to RMB163.65 billion (2018: RMB144.03 billion), representing an increase of 13.6% as compared to last year. The operating profit was RMB62.34 billion (2018: RMB59.41 billion), representing an increase of 4.9% as compared to last year. The gross profit margin was 33.7% and the net profit margin reached 25.4%, maintaining at industry-leading level. The ratio of selling, distribution and administrative expenses to revenue was 3.3%, which remained one of the lowest in the industry. Profit attributable to equity shareholders of the Company amounted to RMB41.62 billion (2018: RMB37.72 billion), representing an increase of 10.3%. The return on shareholders' funds was 15.8%. Basic earnings per share was RMB3.80 (2018: RMB3.44), an increase of 10.3%.

In 2019, with the depreciation of RMB, the Group recorded exchange losses amounting to RMB620 million (2018: RMB2.40 billion), of which exchange gains of RMB170 million (2018: exchange losses of RMB1.44 billion) were recognised in profit or loss for the year, and exchange losses of RMB790 million (2018: RMB960 million) were capitalised to properties under development.

At 31 December 2019, the equity attributable to shareholders of the Company was RMB280.60 billion (2018: RMB247.76 billion), an increase of 13.3% as compared to last year end, while the net assets per share was RMB25.61 (2018: RMB22.61). At the end of December, the Group's financial position was good with ample cash resources of RMB95.45 billion and net gearing of 33.68%.

PROPERTY DEVELOPMENT

During the year, the Group's revenue from property development was RMB159.19 billion (2018: RMB140.31 billion), mainly related to property projects including Paramount Jade in Jinan, UNIONE in Shanghai, One Blossom Cove in Guangzhou, Elite Villa in Beijing, COLI City in Shenyang, Glory City in Chengdu, UpperEast Pro and Urban Bay in Suzhou, Maple Mansion in Ningbo, La Cite in Wuxi.

Segment profit (including the Group's share of profits of associates and joint ventures) amounted to RMB52.20 billion (2018: RMB52.52 billion).

PROPERTY INVESTMENT

Rental income from the Group's investment properties for the year amounted to RMB3.75 billion (2018: RMB2.97 billion), an increase of 26.3% as compared to last year. Throughout the year, leveraging on its brand influence and excellent operating service system, the Group continued to attract high-quality enterprises and merchants taking up leases on its investment properties. These led to the realisation of stable uptrend in rents and occupancy rates.

Segment profit amounted to RMB12.49 billion (2018: RMB10.47 billion), an increase of 19.3% as compared to last year, which includes the gain arising from changes in fair value of investment properties amounting to RMB10.00 billion (net gain after deferred tax attributable to owners of the Company was RMB7.32 billion).

Management Discussion and Analysis (continued)

OPERATIONAL AND FINANCIAL POSITION ANALYSIS *(continued)*

OTHER OPERATIONS

During the year, revenue from other operations amounted to RMB720 million (2018: RMB750 million), of which income from hotels and other commercial properties was RMB410 million (2018: RMB440 million).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group continues to adhere to the principle of prudent financial management. Finance, fund utilisation and fundraising activities are subject to effective centralised management and supervision. The Group considers fully the onshore and offshore financing environment and strives to maintain reasonable gearing level and cash balances.

The overall financial position of the Group was satisfactory. At 31 December 2019, the net current assets were RMB302.38 billion, the current ratio was 2.2 times, interest cover was 7.4 times and the weighted average borrowing costs were 4.21%, which were at an outstanding level in the industry.

The Group's interest coverage ratio is calculated as follows:

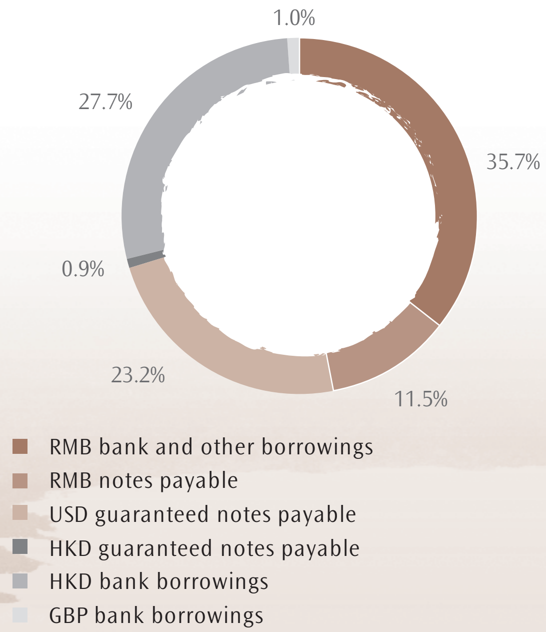
	2019 **(RMB million)**	2018 (RMB million)
Operating profit	**62,344**	59,415
Deducting : Total interest income	**1,597**	1,514
	60,747	57,901
Interest expense*	**8,160**	7,384
Interest coverage ratio (times)	**7.4**	7.8

* *Before capitalisation and excluding interest on amounts due to non-controlling shareholders.*

During the year, the Group raised fund from onshore and offshore debt financing amounted to RMB61.04 billion. Total repayment of matured debts amounted to RMB41.73 billion. Sales proceeds collection increased to RMB200.23 billion as compared to last year. Total capital expenditure payments for the Group were RMB174.12 billion (of which RMB121.71 billion was spent on land premiums and RMB50.43 billion was spent on construction-related expenditure). About RMB39.40 billion was paid for taxes, selling and distribution expenses, administrative expenses and financing expenses. At the end of December 2019, unpaid land premium of the Group was RMB9.10 billion.

At 31 December 2019, bank and other borrowings and notes payable of the Group were RMB122.26 billion and RMB67.70 billion, respectively. Total interest-bearing debts amounted to RMB189.96 billion, of which RMB32.08 billion will be matured within a year, accounting for 16.9% of total interest-bearing debts. Among the total interest-bearing debts, 28.6% was denominated in Hong Kong dollars, 23.2% was denominated in US dollars, 47.2% was denominated in Renminbi and 1.0% was denominated in Pounds Sterling. The fixed-rate debts accounted for 40.7% of overall interest-bearing debts while the remaining were floating-rate debts.

INTEREST-BEARING DEBTS BY CURRENCY AT 31 DECEMBER 2019



Management Discussion and Analysis (continued)

OPERATIONAL AND FINANCIAL POSITION ANALYSIS *(continued)*

Repayment schedule	**2019 (RMB100 million)**	2018 (RMB100 million)
Bank and other borrowings		
Within one year	**232.2**	127.8
More than one year, but not exceeding two years	**279.7**	327.6
More than two years, but not exceeding five years	**668.9**	502.8
More than five years	**41.8**	48.0
Total bank and other borrowings	**1,222.6**	1,006.2
Notes payable		
10-year (US$1.0 billion, due November 2020)	**68.5**	67.6
10-year (US$700 million, due November 2022)	**47.8**	47.2
30-year (US$300 million, due November 2042)	**20.4**	20.1
10-year (US$500 million, due October 2023)	**34.2**	33.7
30-year (US$500 million, due October 2043)	**34.0**	33.6
5-year (US$550 million, due May 2019)	—	37.2
5-year (US$250 million, due May 2019)	—	17.0
10-year (US$450 million, due May 2024)	**30.7**	30.3
10-year (US$250 million, due May 2024)	**17.4**	17.2
20-year (US$500 million, due June 2034)	**34.0**	33.6
5-year (US$750 million, due April 2023)	**51.6**	50.9
10-year (US$750 million, due April 2028)	**51.5**	50.8
4-year (EUR600 million, due July 2019)	—	46.9
4-year (EUR400 million, due November 2019)	—	31.2
10-year (US$450 million, due July 2029)	**31.0**	—
5.5-year (HK$2.0 billion, due January 2025)	**17.6**	—
10-year (US$294 million, due November 2029)	**20.2**	—
3-year (RMB3.404 billion, due November 2021)	**34.0**	34.0
7-year (RMB1.0 billion, due November 2022) (ii)	**10.0**	10.0
10-year (RMB6.0 billion, due August 2026) (ii)	**60.0**	60.0
2-year (RMB1.015 billion, due December 2020)	**10.1**	10.1
2-year (RMB400 million, due January 2021)	**4.0**	9.9
3-year (RMB3.0 billion, due February 2021)	**30.0**	30.0
6-year (RMB3.5 billion, due October 2024) (i)	**35.0**	35.0
6-year (RMB2.0 billion, due January 2025) (i)	**20.0**	—
7-year (RMB1.5 billion, due January 2026) (ii)	**15.0**	—
Total notes payable	**677.0**	706.3
Total debt	**1,899.6**	1,712.5
Deducting:		
Bank balances and cash	**954.5**	878.8
Net debt	**945.1**	833.7
Equity attributable to owners of the Company	**2,806.0**	2,477.6
Net gearing ratio (%)	**33.68%**	33.65%

(i) The notes payable with terms for interest rate adjustment and sell back option at the end of the third year from issue date

(ii) The notes payable with terms for interest rate adjustment and sell back option at the end of the fifth year from issue date

OPERATIONAL AND FINANCIAL POSITION ANALYSIS *(continued)*

At 31 December 2019, the Group's available funds amounted to RMB132.74 billion comprising bank balances and cash amounting to RMB95.45 billion (of which 6.4% was denominated in Hong Kong dollars, 2.0% was denominated in US dollars, 90.8% was denominated in Renminbi, 0.7% was denominated in Pounds Sterling and minimal amounts were denominated in other currencies) and unused banking facilities of RMB37.29 billion.

MAJOR RISKS AND UNCERTAINTIES

The business and prospects of the Group mainly depend on the performance of the property market in mainland China, Hong Kong and Macau and are therefore affected by the risks associated with the property market in mainland China, Hong Kong and Macau, such as policy changes, exchange rate fluctuations, interest rate changes, adjustments of tax rules, and imbalances in supply and demand. In addition, the operation of the Group is also unavoidably affected by various industry-specific risk factors in property development, property investment and related businesses. Also, misconducts from buyers, tenants, and strategic business partners or other related factors may have negative impact to various extents on its operation. Also, the outbreak of COVID-19 has affected the business and economic activities. The Group has formulated accident prevention systems and policies and endeavors to avoid occurrence of unexpected financial loss, litigation or reputational damage. In future, the Group will closely monitor changes in these risks and the environment. It will also pay attention to interest rate risk and foreign exchange risk and take early measures to reduce the impact on its business.

Directors and Organisation

(From left to right) **Mr. ZHANG Zhichao, Mr. YAN Jianguo, Mr. LUO Liang, Mr. GUO Guanghui**

Directors and Organisation (continued)

BOARD OF DIRECTORS

Executive Directors

Mr. YAN Jianguo
Chairman and Executive Director

Aged 53, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989, and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 and a PhD degree in Marketing from Wuhan University in 2017. Mr. Yan joined 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1989 and had been seconded to the Company twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Development Group Co., Ltd.* (the "**Property Group**", a wholly-owned subsidiary of the Company, formerly known as China Overseas Property Group Co., Ltd.*) and had held a number of positions, including site engineer and department head. He was assigned to the Company again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of the Property Group and President of Northern China Region. Mr. Yan had worked in 中國建築集團有限公司 (China State Construction Engineering Corporation) from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager.

Mr. Yan joined Longfor Properties Co. Ltd. in June 2014 (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), Stock Code: 960) and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan was appointed Executive Director and Chief Executive Officer of the Company from 1 January 2017 and has become Chairman of the Company and continues to serve as Chief Executive Officer of the Company from 13 June 2017. Mr. Yan ceased to act concurrently as Chief Executive Officer of the Company on 11 February 2020.

Besides acting as the Chairman and Executive Director of the Company, Mr. Yan is currently Chairman and President of China Overseas Holdings Limited and a director of certain of its subsidiaries, and also a director of the subsidiaries of the Company. Mr. Yan has also been appointed as Chairman and Non-Executive Director of China State Construction International Holdings Limited on 22 March 2019. Mr. Yan resigned as the Chairman and Non-Executive Director of China Overseas Property Holdings Limited and the Chairman of China Overseas Grand Oceans Group Limited ("**COGO**") on 11 February 2020, and continues to act as Non-Executive Director of COGO. China Overseas Holdings Limited is the substantial shareholder of the Company within the meaning of the SFO. He has about 30 years' experience in construction business, real estate investment and management.

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LUO Liang
Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect
Aged 55, graduated from Huazhong University of Science and Technology, holder of a master's degree, and a Professor Level Senior Architect. He joined the Group in 1999. Mr. Luo has been appointed as the Chief Architect of the Group and one of its subsidiaries from 18 October 2002 and 2 February 2018 respectively, the Executive Director of the Company from 22 March 2007, the Vice President of the Company in August 2009, the Executive Vice President and Chief Operating Officer of the Company from 26 May 2017 and the Vice Chairman of the Company from 11 February 2020. Besides acting as the Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect of the Company, Mr. Luo is currently a Director of certain subsidiaries of the Group. Mr. Luo has about 31 years' architectural experience.

Mr. ZHANG Zhichao
Executive Director and Chief Executive Officer
Aged 40, graduated from the Southeast University majoring in Construction Engineering in 2001. Upon graduation, he joined the Shanghai Branch of the Property Group, and since then, he worked in various business units within the Property Group, such as engineering department, investment planning department, and acted as Deputy General Manager of Suzhou Branch, General Manager of Hefei Branch, General Manager of Wuxi Branch, and General Manager of Suzhou Branch. Mr. Zhang has been serving as Assistant President of the Company and General Manager of Northern China regional companies since May 2017, and in January 2019, he was appointed as Vice President of the Company. With effect from 11 February 2020, Mr. Zhang has also been appointed as the Executive Director and Chief Executive Officer of the Company. Mr. Zhang has about 18 years' experience in property development and corporate management.

Mr. GUO Guanghui
Executive Director and Vice President
Aged 47, graduated from Nanjing University of Science & Technology, holder of a master's degree, and is a senior accountant and a non-practising member of The Chinese Institute of Certified Public Accountants. He joined the Company and its subsidiaries in 2006 and is currently the Vice President of the Company and a director of certain subsidiaries of the Group. Mr. Guo has about 25 years' management experience in corporate finance and accounting. He was appointed an executive Director of the Company with effect from 12 June 2018.

Directors and Organisation (continued)

Non-Executive Directors

Mr. ZHUANG Yong
Vice Chairman and Non-Executive Director

Aged 43, graduated from the Chongqing University majoring in international corporate management in 2000, and obtained a master of Architecture and Civil Engineering in 2007 from Chongqing University. Mr. Zhuang joined the Property Group in 2000 and since then, he worked in various business units within the Property Group, such as, human resources department, sales and marketing management department, and acted as the Deputy General Manager of the Shanghai Branch, General Manager of the Nanjing Branch, General Manager of the Suzhou Branch and Assistant General Manager of the Western China regional companies. From 2015 to 2017, Mr. Zhuang served as the Assistant President of the Company and General Manager of Northern China regional companies, Vice President of the Company, and since October 2018, as General Manager of the South China regional companies. With effect from 11 February 2020, Mr. Zhuang has also been appointed as the Non-Executive Director and Vice Chairman of the Board, and the chairman of the board of directors and executive director of COGO (which is an associate of the Company and listed on the Stock Exchange). Mr. Zhuang has about 19 years' experience in corporate management.

Mr. CHANG Ying
Non-Executive Director

Aged 47, holds a master's degree from the University of New South Wales in Australia and a master's degree from Southeast University in the PRC. Mr. Chang was appointed as a Non-Executive Director of the Company from 15 September 2016. He joined CITIC Real Estate Co., Ltd. in April 2006 and was Executive Vice President of CITIC Real Estate Co., Ltd. and Managing Director and Chief Executive Officer of CITIC Real Estate (Beijing) Investment Co., Ltd., the Deputy General Manager of Strategic Development Department of CITIC Limited before 31 December 2017. He is currently the vice chairman of CITIC Urban Development & Operation Co., Ltd.. Mr. Chang has about 20 years' extensive experience in real estate and investment industry.

Directors and Organisation (continued)

Independent Non-Executive Directors

Mr. LAM Kwong Siu
SBS and GBS
Independent Non-Executive Director,
Chairman of the Remuneration Committee,
Member of the Audit and Risk Management Committee,
Member of the Nomination Committee

Aged 85, joined the Board as an Independent Non-Executive Director of the Company on 30 September 2003 and has served the Company for about 16 years. Mr. Lam is also a Member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 3 August 2015. He was the Delegate of the Tenth National People's Congress. He is the Vice Chairman of BOC International Holdings Limited, the Honorary Chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Cooperation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the Honorary President of the Chinese Bankers Club of Hong Kong and the non-executive Director of Bank of China International Limited. Mr. Lam is also an Independent Non-Executive Director of Fujian Holdings Limited, Xinyi Glass Holdings Limited, Yuzhou Properties Company Limited and Far East Consortium International Limited. Mr. Lam has over 60 years' continuous banking and finance experience.

Directors and Organisation (continued)

Dr. FAN HSU Lai Tai, Rita
GBM, GBS, JP
Independent Non-Executive Director,
Chairman of the Nomination Committee,
Member of the Audit and Risk Management Committee,
Member of the Remuneration Committee

Aged 74, joined the Board as an Independent Non-Executive Director of the Company on 2 February 2009 and has served the Company for about 11 years. Dr. Fan is also a Member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Nomination Committee of the Company on 2 February 2009. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("**HKSAR**") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy for the Ninth to Twelfth sessions of the National People's Congress ("**NPC**") during 1998 to 2018, and served as a Member of the Eleventh and Twelfth sessions of the Standing Committee of the NPC from 2008 to 2018. Dr. Fan was elected the Chairman of the council of Endeavour Education Centre Limited from March 2016.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a bachelor's degree in Science, and later on, received a master's degree in Social Science. She also received the Honorary Doctorate in Social Science from the University of Hong Kong, the City University of Hong Kong, the Hong Kong Polytechnic University, and the Education University of Hong Kong respectively, and an Honorary Doctorate in Law from the China University of Political Science and Law of the People's Republic of China. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited); and an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a Member of the Nomination Committee of The Bank of East Asia, Limited.

She served as an Independent Non-Executive Director, a Member of the Nomination Committee, the Audit Committee and the Chairman of the Remuneration Committee of China Shenhua Energy Company Limited; and an Independent Non-Executive Director, a Member of the Nomination Committee and the Chairman of the Remuneration Committee of COSCO SHIPPING Holdings Co., Ltd.* (formerly known as China COSCO Holdings Company Limited).

* *English translation for identification purpose only*

Directors and Organisation (continued)

Mr. LI Man Bun, Brian David
JP, MA (Cantab), MBA, FCA
Independent Non-Executive Director,
Chairman of the Audit and Risk Management Committee,
Member of the Nomination Committee,
Member of the Remuneration Committee

Aged 45, Mr. Li joined the Board as an Independent Non-Executive Director of the Company on 19 March 2013 and was appointed Chairman and Member of the Audit and Risk Management Committee, Member of the Nomination Committee and Member of the Remuneration Committee on the same day. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited ("**BEA**"), responsible for the overall management and control of BEA with a particular focus on its China and international businesses. Mr. Li joined BEA in 2002 and served as General Manager & Head of Wealth Management Division from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009, Executive Director in August 2014, and Co-Chief Executive of BEA in July 2019.

Mr. Li is currently an Independent Non-Executive Director and Chairman of the Board Audit and Risk Committee of Towngas China Company Limited, and an Independent Non-Executive Director and Chairman of the Remuneration Committee of Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited).

Mr. Li holds a number of public and honorary positions, including being a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council, a member of the Aviation Development and Three-runway System Advisory Committee, and Vice Chairman of the Executive Committee of St. James' Settlement.

He is a member of the Hong Kong-Europe Business Council and, a member of the Hongkong-Japan Business Co-operation Committee. He is also a Vice Chairman of the Asian Financial Cooperation Association and a member of the Financial Consulting Committee for the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen.

Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Full Member of the Treasury Markets Association. Mr. Li holds an MBA degree from Stanford University and a BA degree from the University of Cambridge.

Directors and Organisation (continued)

Senior Management

Mr. ZHANG Yi
Vice President of China Overseas Land & Investment Ltd.
Aged 53, graduated from Tianjin University of Finance & Economics and Peking Economics University (now known as Capital University of Economics and Business) and Graduate Economics Training Center at Renmin University of China, holder of a master's degree, senior economist. He joined 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1994 and was seconded to the Group during the year. Mr. Zhang has about 26 years' management experience in public relation and investment strategy.

Mr. QI Dapeng
Vice President of China Overseas Land & Investment Ltd.
Aged 49, graduated from Jilin University and Harbin Institute of Technology, holder of a master's degree, senior accountant. He joined the Group in 1997, and has about 28 years' experience in finance and corporate management.

Mr. GUO Yong
Vice President of China Overseas Land & Investment Ltd.
Aged 56, graduated from Chongqing Jianzhu University (now known as Chongqing University) and holds a Master of Business Administration degree from Troy State University, Alabama, USA, senior engineer. He joined the Group in 1993, and was the Executive Director of the Company during the period from March 2013 to October 2015. He is currently the Vice President of the Company. Mr. Guo has about 36 years' management experience in engineering management and corporate management.

Mr. KAN Hongbo
Vice President of China Overseas Land & Investment Ltd.
Aged 56, graduated from Hefei University of Technology and holder of a master's degree, professorate senior engineer. He joined the Group in 1995, and was the Executive Director of the Company during the period from March 2013 to October 2015. He is currently the Vice President of the Company. Mr. Kan has about 36 years' management experience in engineering management.

Mr. OUYANG Guoxin
Vice President of China Overseas Land & Investment Ltd.
Aged 52, graduated from Chongqing Normal University, holder of an Executive Master of Business Administration from Tsinghua University and a Doctor of Economics from Peking University, senior economist. He joined the Group in 1997. Mr. Ouyang has about 29 years' experience in construction and corporate management.

Mr. CHEN Deyou
Vice President of China Overseas Land & Investment Ltd.
Aged 49, graduated from Valparaiso University, holder of a master's degree, senior accountant, senior economist. He joined 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1993, and joined the Group in 2017. Mr. Chen has about 27 years' management experience in corporate finance and law.

Directors and Organisation (continued)

Mr. LUI Sai Kit, Eddie

Chief Financial Officer of China Overseas Land & Investment Ltd.

Aged 56, has a Master Degree in Business Administration from University of Ottawa in Canada. Mr. Lui is a member of the Hong Kong Institute of Certified Public Accountants, the American Institution of Certified Public Accountants, the Chartered Institution of Management Accountants of United Kingdom and the Chartered Professional Accountants of Canada. Mr. Lui joined the Group in 2018 and has about 33 years' experience in financial management and corporate financing.

Ms. XU Xin

Assistant President of China Overseas Land & Investment Ltd.

Aged 51, graduated from Beijing Institute of Civil Engineering and Architecture (now known as Beijing University of Civil Engineering and Architecture), holder of a Master of Business Administration from Cheung Kong Graduate School of Business, senior engineer. She joined a subsidiary of 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1995, and joined the Group in 2014. Ms. Xu has about 29 years' experience in construction, engineering and corporate management.

Mr. XU Wendong

Assistant President of China Overseas Land & Investment Ltd.

Aged 53, graduated from Harbin Institute of Civil Engineering and Architecture (now known as Harbin Institute of Technology), architect. He joined the Group in 2001. Mr. Xu has about 32 years' experience in architectural design and corporate management.

Mr. LIU Xianyong

Assistant President of China Overseas Land & Investment Ltd.

Aged 48, graduated from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology), senior economist. He joined the Group in 1995. Mr. Liu has about 25 years' experience in marketing and corporate management.

Mr. XU Feng

Assistant President of China Overseas Land & Investment Ltd.

Aged 44, graduated from Zhejiang University, senior engineer. Mr. Xu joined 中國建築集團有限公司 (China State Construction Engineering Corporation) in 1999, joined the Group in 2004. Mr. Xu has about 21 years' management experience in human resources management and corporate management.

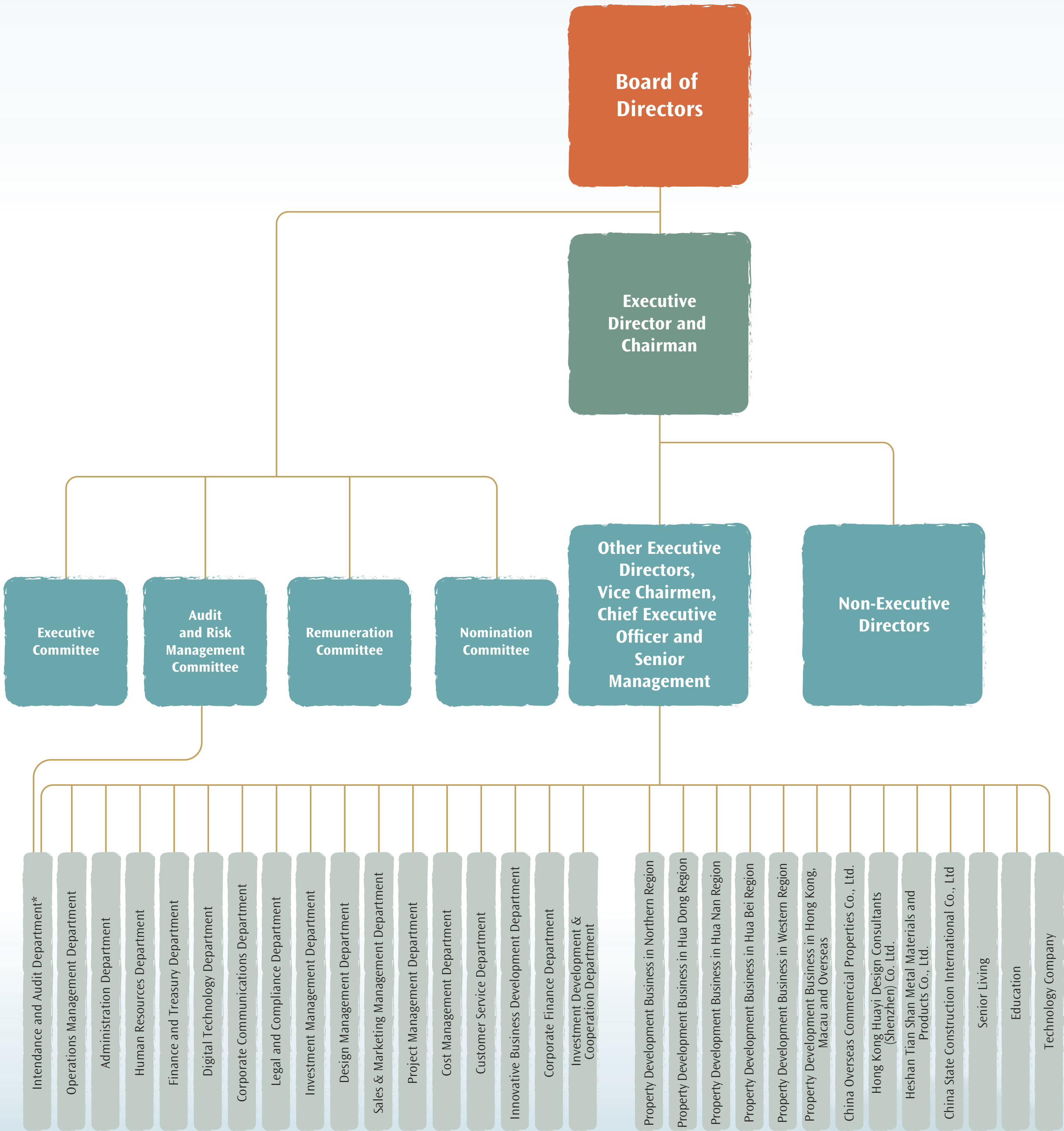
Mr. LIU Huiming

Assistant President of China Overseas Land & Investment Ltd.

Aged 42, graduated from Tsinghua University, holder of a master's degree, senior engineer. He joined the Group in 2003. Mr. Liu has about 17 years' management experience in construction and corporate management.

Directors and Organisation (continued)

ORGANISATION CHART OF CHINA OVERSEAS LAND & INVESTMENT LIMITED



* *Risk Management Team is set under Intendance and Audit Department.*

Children of home owners in Kunming at a tree planting event organised by the China Overseas Property Club

Sustainable Development

Sustainable Development

Pursuing the strategic objective of "becoming an exceptional global property development corporation", the Group has closely connected its business to issues concerning sustainable development such as regional development, people's livelihood, ecological civilisation, cultural education in an attempt to provide our customers with "quality products and services", urge our professional team to pursue efficiency, innovation and changes, fulfill its corporate social responsibility of "good citizenship" and achieve long-term "effectiveness" by firmly adhering to its sustainability strategy of "four excellences".

During the year, the Group continued to enhance the disclosure transparency of its Environmental, Social and Governance Report in accordance with the guidance as stipulated in the Appendix 27 of the Hong Kong Stock Exchange and the GRI guidance, aiming to respond to the information needs of the capital market for the items required to be disclosed, conduct internal environment analysis through an in-depth interview with 17 departments and questionnaire survey targeting stakeholders, establish database and strategic framework regarding sustainability for overseas development after identifying objectives, and formulate a sustainability working group that, as always, carries out effective work with respect to customer services, staff development, environmental protection, social welfare, etc.

Since 2012, the Group has disclosed to the public its governance philosophy, strategies and achievements in corporate social responsibility and sustainable development in the form of annual independent report. During the period, the Group published its fourth annual Environmental, Social and Governance Report, being the seventh Corporate Social Responsibility Report, detailing the efforts and results of the Group in the concerned areas. The Group's consistent inclusion as a constituent stock of the "Hang Seng Corporate Sustainability Index Series" and the "Hang Seng (Mainland and HK) Corporate Sustainability Index" since their launch in 2010, together with the AA-rating during the year and the improvement in MSCI ESG rating to BB level has underlined the Group's longstanding top-notch performance in environmental protection, sustainable development and corporate governance.

CUSTOMER SERVICE

Customers are the driving force behind the Group's efforts in sustainable development and product innovation. The Group adheres to its corporate mission "To Envision Delightful Space and Create Infinite Value" and its Core Values of "Diligent Grounded Visionary Innovation", and continues to offer Good Products, Good Services. Our customer satisfaction were among top three in the industry in 2019. Adhering to the development philosophy of "Each and Every Detail of Each and Every Project", the Group has established a comprehensive service system of "400 National Customer Service Hotlines" and "Customer Relationship Management (CRM)". In addition, the Group has established "Meticulous Maintenance Centers" in residential communities to offer a more special, convenient and efficient service experience for our customers, and carried out an "Annual Quality Upgrading Scheme" called "Hai Xin +", offering complimentary fixing and upgrading old facilities and equipment to build a better communal environment for our customers.

Sustainable Development (continued)

Community facilities renovation under the "Hai Xin +" Scheme

Based on our customer-focused philosophy, the Group continuously implemented its "Knock-Knock" home owner visit programme. Our middle to senior executives visited and listened to our customers in person, and reported issues to product design team through the mechanism of "Customer Service Leads", thereby strictly controlling the quality and ensured the highest possible standards in our products, all with the purpose of meeting customers' demand for quality living.

As the biggest developer and operators of office buildings under single ownership in China, the Group established Officare, the first building security service system in China. Officare has been applied to the office buildings invested and operated by the Group. The service includes AED devices (automated external defibrillators) to help at life-threatening emergencies, SOS of Internet of Things emergency response system and personnel trained in AED use and first aid, aiming to provide tenants with more comprehensive, supportive and humane value-added services, improve tenants self-help and mutual rescue capabilities, and offer customers all-round assurance of their personal safety.

During the year, China Overseas Property Club ("COPC") attracted approximately 119,437 new customers, for a total of more than 280,000 members in 34 clubs. COPC has organised hundreds of community activities. The traditional "China Overseas Family Reunion Banquet" community event offered an occasion to strengthen harmony in communities, attracting neighbours to come out of their homes and engage with each other. The signature community health event "China Overseas Run for Fun" provided young people with the opportunity to exercise and meet each other, the owners' participation rate of which continued to rise.


A community event "China Overseas Run for Fun" in Shenyang

Sustainable Development (continued)

STAFF DEVELOPMENT

Employees are key to the success of the Company, and the Group's human resources strategy focuses on employee "talent" and "satisfaction". Through continuously refining performance appraisal and remuneration systems, vigorously improving the working environment and continuously enriching social activities, employee job satisfaction levels and sense of belonging have greatly improved. As of December, the Group employed approximately 6,200 employees.

During the year, the training of the Group mainly centred on "reinforcing weak growth areas, empowering business development and enhancing training", focusing on testing weak growth area of talent and integrating issues occurred during business development with value creation as its driving force so as to cultivate talent to maximise value and achieve targets of the Company.

During the year, the Group focused on its key business and core groups, continued to diversify and improve its training system and facilitated the implementation of the specialised training at each level. The daily training was based on the system of "Starting, Continuing, Racing and Leading". Each business line entered in to a fragmentation stage, which enriched the respective specialised training programme. An OA intranet training platform was established in the headquarter to accomplish shared resources of external excellent lecturer and internal premium courses. A shared platform covering three new series of "Welcome the Master", "Gold Medal Lecture" and "Every Open Courses" was created, and four specialised training programmes were launched, including Sons of the Sea three-year training programme, Stars of the Sea three-year training programme, Sea's Recruits senior management leading programme and project director cultivation programme, which fostered the organisational empowerment. Through the guidance of the points-based training system, brand operation and diversified promotion channels, the Group focused on the launch of the key projects, urged the capability enhancement and changes in mindset of the key talent, improved learning atmosphere within the organisation, exerting its efforts in developing a learning China Overseas, an open China Overseas and an innovative China Overseas, thereby driving the rapid development of our business.

"Welcome the Master"

Sustainable Development (continued)

During the year, the Company conducted approximately 4,300 training sessions, which cultivated more than 130,000 staff members. Through the combination of the "bringing in" and "going out" strategy, the Group continued to broaden the horizons of its employees as well as cultivate and enhance their professional skills, providing them with rich career development resources.

First-class business requires first-class talent. The Group continued to expand its recruitment pipeline to secure elite talent for the business, promote three recruitment brands of "Sons of the Sea", Sea's Recruits" and "Stars of the Sea", increase its influence and appeal in campuses and promote school-enterprise club and talent base. It also recruited elite candidates in the industry through social recruitment. There have been a number of top sales from our Sea's Recruits, and the Group continued to enhance the appeal of Sea's Recruits brand by way of rewarding and encouraging the Stars of the Sea with excellent performance. The Group practises open selection and internal recruitment, striving to achieve equal work and promotion opportunities with healthy competition and fair development for internal talent.

A student giving a one-minute speech at the "Stars of the Sea" recruitment fair

In respect of the work-life balance of employees, the Group organises a range of employee networking activities, including fun sport events, mountaineering, long-distance running and tea parties, which enrich the cultural life of employees and enhance team cohesiveness. During the year, the Group upgraded office and canteen equipment to optimise employees' office and dining experience, enhancing comfort at work and the staff's sense of belonging.

The Group provides all employees with annual routine medical examinations and supplementary medical insurance, to enhance medical protection for staff members and promote their physical and mental health. The Group has established an employee care programme to provide support and assistance to employees who are ill or have difficulties. At end of the year, the Group also established HRSSC to create value through providing employees with large-scale, professional, standardised and effective services.

With outstanding performance in talent development and corporate governance, the Group won numerous awards during the year, including "China's Best Employer Award 2019", "China Undergraduates' Favourite Employer Award 2019", "China Best Case of Campus Recruitment Award 2019", "Preferred Real Estate Enterprise Employer by Undergraduates in China 2019", "China's Real Estate Industry Best Employer Award 2019", "China's Real Estate Industry Best Human Resources Team Award 2019", "China's Real Estate Industry Talent Cultivation Enterprise Award 2019", "Extraordinary HR Team Award 2019", etc. In addition, the case of campus recruitment of the Group was included in the first Outstanding Cases of Employer Brands for Undergraduates in China, realising a "Grand Slam" of awards in the employer brand area.

COLI won the industry's prestigious awards "China Undergraduate's Favourite Employer Award 2019" and "China's Best Employer Award 2019"

Sustainable Development (continued)

ENVIRONMENTAL PROTECTION

The Group combines smart technological development for the new era, looking to the projected green and healthy living needs of its future customers. It relentlessly innovates and practises green building technologies, exploiting its years of product innovation experience to actualise smart and healthy communities, environmentally friendly low-carbon cities, accomplishing and promoting green building construction.

The Group complies with and is committed to exceeding legislated environmental requirements, and transforms green real estate research and development results into technical standards and systems that are implemented by the Company. The Group complies with China's Evaluation Standard of Green Building and American LEED evaluation criteria, and has created the "Green Building Characteristics Investigation Report", "Green Building Implementation Method", "Technical Guidance for Green Building" and "Technical Manual for Green Building" to guide the green building design practices of the Company. The Group is committed to the environmental protection philosophy of "Smart Technology, Green and Health".

The Group actively creates new concepts of green building and practises industrialisation of buildings. Through the use of five major industrial core technologies – standardised design, industrialised production, prefabricated construction, integrated decoration and information management – the Group improved its efficiency, promoted the reuse of materials, reduced on-site wet work and limited pollution. During the year, the Group undertook a total of 106 industrialised construction projects under construction with an industrialised construction area covering 12.57 million sq m, with a year-on-year increase of 63.2%. The Group vigorously promoted environmentally friendly and energy-saving construction, reduced dust and noise on construction sites, promoted prefabricated residences, increased the delivery of designed interiors and subsequently reduced pollution from redecorations, vigorously adopted energy-saving technologies such as aluminium moulds, cast-in-situ external walls, and plaster-free processes, and gave preference to contractors and suppliers who implemented environmental management practices.

COLI actively pursues green building certifications for its projects, and the Xiong An Citizen's Service Center was awarded three-star green building certification

By the end of 2019, the Group secured green building certification for 74 new projects, with a building area of 15.82 million sq m. As of the fourth quarter of 2019, the Group obtained a total of 281 green building certifications, with a total area of 54.86 million sq m, with a year-on-year increase of 110.9%. In progress for certification and declaration were a further 128 projects, covering a construction area of 21.37 million sq m, with a year-on-year increase of 5.9%. At year end, the Group's commercial projects obtained a total of 27 green building certifications, including 17 LEED and 10 green certifications, with a total construction area of 2.95 million sq m.

The Group has extensively promoted the "energy conservation starts from me, green sharing" energy-saving initiative in the offices and sales halls of its various levels of companies and the green activities are expected to cover 16 cities throughout the year, through insisting on and fully implementing networked approval processes, paperless offices, promoted low-carbon operations in workspaces and commercial properties, and enhanced energy consumption management and waste management, separation and recycling.

Thanks to its outstanding green development practices, the Group was awarded first place in "2019 China's Real Estate Enterprise Green Credit Ranking Top 50", third place in "2019 China Green Real Estate", "2019 China Green Real Estate (Residential) Top 10", "2019 China Green Real Estate (Commercial) Top 10", "2019 China Green Real Estate Operation Model Top10"; "2019 China Prefabricated Construction Enterprise Top10", second place in "2019 China Full Renovation Enterprise".

China Overseas Center, Wuhan was awarded LEED Gold

Sustainable Development (continued)

CHARITY EVENTS

With its charity guided by the philosophy of "The Sea Has No Limit And Love Has No Boundary", the Group pursues its charitable practices in the field of education, continuously invests in Hope Schools and wherever the Group operates. As part of its wholeheartedly giving back to society, during the year, the Group donated and completed its 13th and 14th Hope School – China Overseas Holdings Meie Hope Primary School in Congjiang County, Guizhou and China Overseas Holdings Ayding Lake Hope Primary School in Turpan, Xinjiang. The Hope Schools donated by the Group are the best schools with the best hardware, the highest standards, and highest quality and high specifications. Beyond construction of the buildings, the Group continues to provide support for the future development of young people, offering teacher-student exchange activities and scholarships.

Handover ceremony of Ayding Lake Hope Primary School

The Group actively engaged its main business in the construction of affordable housing and the renovation of shantytowns. During the year, an area equivalent to 776,000 sq m of the Group's various types of affordable housing were built in eight cities, including Beijing, Shanghai, Guangzhou, Fuzhou, Jinan, Nanjing, Taiyuan and Xi'an, to address housing difficulties for low-income families. The Group is carrying out the largest shantytown renovation project in Shandong province–"Jinan Huashan Project" with a total site area of

"Paramount Jade, Jinan" is the largest shantytown renovation in Shandong province

over 10 million sq m; "Beixinan Project", on Chang'an Street in Beijing, is the largest shantytown renovation project in the capital, with a total GFA of 3.2 million sq m, which will contribute to the upgrading of housing for hundreds of thousands of people; "Hongqi Village Project", the largest urban village redevelopment project in Shanghai, with a total GFA of 354,000 sq m, is also under construction.

The Group's new "Sea of Hope" charitable initiative in Gansu's Kang county was tailored for the locality, establishing a new model for systematic poverty alleviation that makes use of walnut, the county's characteristic agricultural products. The Company purchased a large number of walnuts from poor areas in Kang county, assisting in designing packaging, registering trademarks, producing and processing, and opening online stores without charge. It promoted "Longkang Old Tree Walnut" to over 2 million customers residing in residential communities and sales projects in more than 70 cities in mainland China developed by China Overseas. During the year, more than 100 promotional activities were held, which drove up the sales of walnuts in Kang county over RMB1 million.

Promoting "Longkang Old Tree Walnut" in properties developed by COLI

In addition, the Group combined its own resources to carry out consumer e-commerce poverty alleviation, industrial poverty alleviation and education poverty alleviation in Kang county, Zhuoni county, Kangle county and other national-level poverty-stricken counties, helping the three counties in Gansu win the poverty eradication battle early.

"Beixinan Project" is the largest shantytown renovation in Beijing

Sustainable Development (continued)

JANUARY

The Group continued to participate in the "Walks for Millions" in Hong Kong. The main walking route was the "Central and Wan Chai Bypass", where China State Construction International, a company under China Overseas Holding Limited, was one of the builders.

"Walk for Millions"

MARCH

To support this year's Earth Hour event, Shanghai Uni ELITE, Jinan Unipark, Mid-Town in Zhuhai and other participating shopping malls across the country switched off the lights of building facade to support World Wildlife Fund's "Switch Off Your Lights For One Hour" environmental initiative. Meanwhile, the Group also co-sponsored a number of strategic brand merchants to jointly launch the "UNI Green Proposition," calling on consumers to care for the planet, support green consumption and create a sustainable future through a variety of educational activities.

COLI staff and tenants supported "Switch Off Your Lights For One Hour"

APRIL

The Beijing Club of the Group's China Overseas Property Club ("COPC"), organised a tree planting event "Sowing Hope, Greening Nature" in spring and invited home owners to plant little saplings for the community together, enhancing the awareness of environmental protection.

Home owners at the tree planting event

MAY

The newly established Labour Union at the Shenzhen headquarters organised a large-scale fun games event "Forge with China Overseas, Unit to Win" for staff and their families. The games not only encouraged employees to keep fit, but also embodied the spirit of teamwork among employees.

A fun games event organised by the labour union at the Shenzhen headquarters

Sustainable Development (continued)

AUGUST

The Group signed a strategic cooperation agreement with Huawei, under which the parties agreed to jointly develop overall smart home solutions, build a smart community and create industry standards for smart home, aiming to offer consumers with more complete experience and services.

The signing ceremony of strategic cooperation between COLI and Huawei

SEPTEMBER

The Group has identified Kang county in Gansu, a national-level poverty-stricken county, as a poverty alleviation target, and created the “Longkang Old Tree Walnut” brand for the local walnut. The Group designed packaging that has a strong regional cultural color in Kang county and opened online stores. It also continued to carry out promotional activities in conjunction with COLI’s sale offices, residential communities, assisting to open up market sales for the products and help local poor farmers to come out of poverty.

“Longkang Old Tree Walnut”

SEPTEMBER

The delivery ceremony of China Overseas Holdings Ayding Lake Hope Primary School in Turpan, Xinjiang was organised successfully.

At the handover ceremony of Ayding Lake Hope Primary School

NOVEMBER

China Overseas Plaza in Jinan joined hands with high-quality tenants to set up a China Overseas Plaza Charitable Teaching Team under the theme “Thankful, Warm and Charitable” to offer volunteer teaching in Xiushan Primary School in Jinan, bringing basketball, football, badminton and other sporting goods to the school, visiting families in poverty and delivering rice, noodle, oil and school supplies to them, so that children could feel the care and warmth from various sectors of the community.

DECEMBER

The Group announced that its flexible working office brand “OfficeZip” at China Overseas Fortune Centre, Beijing became the first Non-traditional office project in the world awarded WELL Standard Certification Platinum Level.

The WELL Certification Ceremony

Accolades & Awards 2019

Award	Organiser
9th Asian Excellence Award 2019 — Best Investor Relations Company — China — Asia's Best CEO — Investor Relations	Corporate Governance Asia
Directors of The Year Award 2019 — Listed Companies Executive Directors Category	Hong Kong Institute of Directors
The Asset ESG Corporate Awards 2019 — Excellence in Environmental, Social and Governance (Platinum Award)	The Asset
Hong Kong Outstanding Enterprises 2019 — Blue Chip category	Economic Digest
IR Magazine Awards Greater China 2019 — Certificate for excellence in investor relations	IR Magazine
Most Competitive Green Developer Top 10 2018	China Real Estate Business, Zhong Fang Think Tank, China International Real Estate & Architectural Technology Fair (CIHAF)
Most Competitive Green Commercial Real Estate Developer Top 10 2018	China Real Estate Business, Zhong Fang Think Tank, China International Real Estate & Architectural Technology Fair (CIHAF)

Accolades & Awards 2019 (continued)

Award	Organiser
No.1 in China Real Estate Industry 2019 — Leading Company Brand & Brand Value (RMB91 billion)	Enterprise Research Institute of Development Research Centre of State Council of PRC, Institute of Real Estate Studies of Tsinghua University, China Index Academy
Best 10 of China Real Estate Developers Brand Value 2019	China Real Estate Association, Shanghai E-House Real Estate Research and Training Institute, China Real Estate Appraisal
No.1 in the Blue Chip Real Estate Developer 2019 (16 years consecutively)	The Economic Observer
No.1 in Top 50 Board of the Listed Mainland Real Estate Companies 2018–2019	China Real Estate Business
No.1 in Top 30 Listed Mainland Real Estate Companies of the Year 2019	Guandian New Media
No.1 in China Sizable Listed Companies Credit TOP 80 2018	Standard Real Estate Research
No.1 in Real Estate Enterprise Green Credit Rankings Top 50 2019	China Investment Association, Investment Consultation Commission
Annual Exemplary Philanthropic Enterprise Top 10 2018	Leju Caijing
China's Valuable Real Estate Awards 2019 — Corporate Citizen of the Year	National Business Daily

Investor Relations

The management and Corporate Communications Department of the Group update investors (including shareholders, bond investors and analysts) on the Group's performance and business operations through various channels. Following the release of interim and annual results, press conferences, analyst meetings and post results road shows are held to meet with investors, collect opinions and answer queries directly. The Group voluntarily discloses certain unaudited operating and financial data on a quarterly basis, and announces property sales results and new land acquisitions on a monthly basis to improve the transparency of information disclosure.

The Group communicates and connects closely with investors and interacts with them through conferences arranged by investment banks, company visits and site visits to property projects. During the year, the Group participated more than 170 investor meetings, 20 investment conferences, organised 10 deal/non-deal roadshows and 2 reverse roadshows.

With a gradual interconnection between the Hong Kong and mainland China stock market and bond market, the Group maintains regular communications with mainland investors, and further expands into mainland capital market.

Investors from all sectors can obtain more information about the Group by clicking on the page "Investor Relations" at the Group's website.

Investor Relations (continued)

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2019

During the year, the Group participated more than 200 investor meetings, 25 investment conferences, organised 10 deal/non-deal roadshows and 3 reverse roadshows.

Months	Activities
January	Morgan Stanley Conference UBS Greater China Conference db Access China Conference 2019 BNP Paribas Conference
March-May	Announcement of 2018 annual results • Press conference • Analyst briefing • Post results road shows Credit Suisse 22nd Asian Investment Conference Huatai HK Equity Property Corporate Day 2019 BOCI 15th Investors Conference CLSA China Investors' Forum Macquarie Greater China Conference 2019 HSBC 6th Annual China Conference UBS Property Conference
June	Haitong Property Corporate Day HSBC GEMs Investor Forum Credit Suisse Property Corporate Day CICC 2019 2H Investment Strategy Conference CGS-CIMB Securities Property Corporate Day 2019 Citi Asia Pacific Property Conference 2019
August	Announcement of 2019 interim results • Analyst briefing • Post results road shows
September-December	CLSA 26th Investors' Forum Nomura Property Corporate Day Goldman Sachs China Conference 2019 Credit Suisse 10th China Investment Conference CICC Investment Forum 2019 BAML China Conference 2019 14th Citi China Investor Conference Industrial Securities 2019 China Investment Strategy Conference

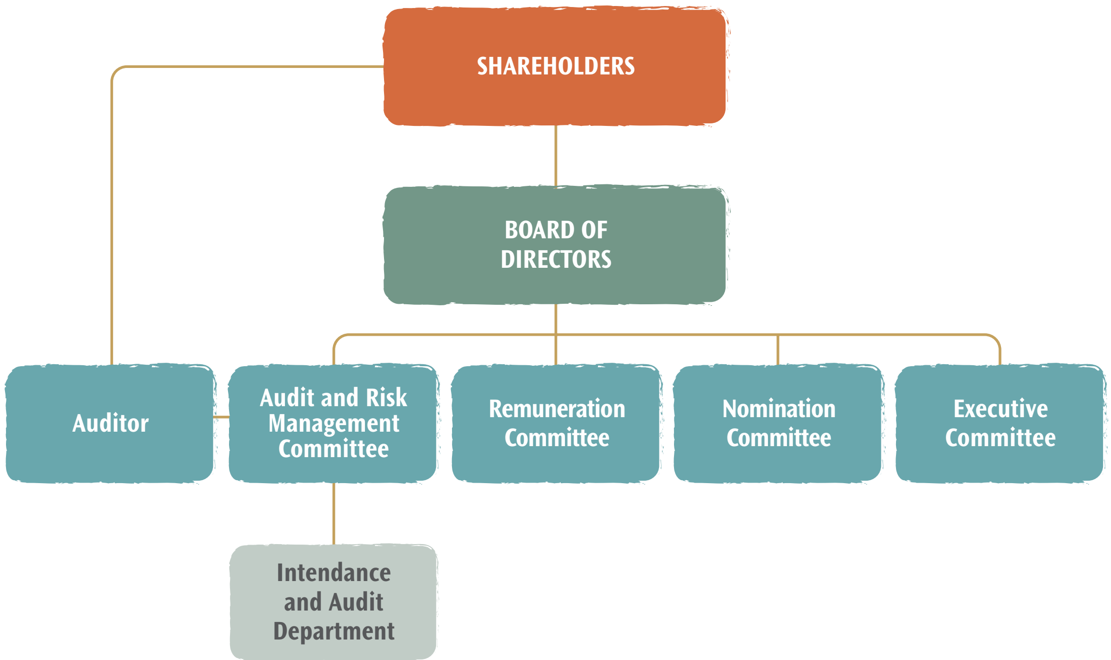
Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Good corporate governance is the key to attain long-term and sustainable growth of the business and safeguard the interests of its shareholders. The board of directors of the Company (the "**Board**") is fully aware of this principle and sees corporate governance as one of the essential parts of the business strategy of the Company. It is the belief of the Board that accountability and transparency are the cornerstone of the Company's corporate governance framework and the Board is keen to commit to this principle.

CORPORATE GOVERNANCE STRUCTURE

The following persons are contributing to the Company's corporate governance:



BOARD OF DIRECTORS

Management Functions

The Board is responsible for managing the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as the Company's business strategies, budgets, major investments as well as mergers and acquisitions. Also, the Board supervises and administers the operation and financial position of the Company, enhances corporate governance practices and promotes the communication with its shareholders.

On 23 August 2018, the Board established the Executive Committee and delegated its responsibilities of day-to-day operations of the business to the Executive Committee. Responsibilities and functions of the Executive Committee are set out in the section headed "Delegation by the Board" on pages 102 to 106 of this annual report.

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Board Composition

The Board currently consists of nine directors of the Company (the "**Directors**") drawn from diverse and complementary backgrounds and experience:

Name of Directors	Background
Mr. Yan Jianguo *(Chairman and Executive Director)*	Construction business, real estate investment and management
Mr. Luo Liang *(Vice Chairman, Executive Director, Executive Vice President, Chief Operating Officer and Chief Architect)*	Architecture
Mr. Zhang Zhichao *(Executive Director and Chief Executive Officer)*	Property development and corporate management
Mr. Guo Guanghui *(Executive Director and Vice President)*	Corporate finance and accounting
Mr. Zhuang Yong *(Vice Chairman and Non-executive Director)*	Corporate management
Mr. Chang Ying *(Non-executive Director)*	Real estate and investment
Mr. Lam Kwong Siu *(Independent Non-executive Director)*	Banking and finance
Dr. Fan Hsu Lai Tai, Rita *(Independent Non-executive Director)*	Government and public administration
Mr. Li Man Bun, Brian David *(Independent Non-executive Director)*	Banking and finance

On 7 February 2020, Mr. Yan Jianguo decided that he would cease to act concurrently as Chief Executive Officer of the Company with effect from 11 February 2020. At the recommendation of the Nomination Committee, the Board appointed Mr. Luo Liang as the Vice Chairman of the Board, Mr. Zhuang Yong as the Vice Chairman of the Board and Non-executive Director and Mr. Zhang Zhichao as the Executive Director and Chief Executive Officer of the Company.

The biographical details of the Directors and the relationships among the Directors, if any, are set out in the section headed "Directors and Organisation" on pages 72 to 81 of this annual report.

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") regarding the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the Code A.4.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "**CG Code**"), serving more than nine years could be relevant to the determination of a non-executive director's independence. Although Dr. Fan Tsu Lai Tai, Rita has been serving as Independent Non-executive Director for more than nine years, the Directors opine that she still has the required character, integrity, independence and experience to fulfil the role of an Independent Non-executive Director. The Directors consider that there is no evidence that length of tenure has an adverse impact on independence of the Independent Non-executive Director and the Directors are not aware of any circumstances that might influence Dr. Fan in exercising her independent judgement. Based on the aforesaid, the Directors conclude that despite her length of service, she will continue to maintain an independent view of the Company's affairs and bring her relevant experience and knowledge to the Board.

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Directors' Independence

The Board has received annual written confirmation of independence from each of the Independent Non-executive Directors. The Board believes that, as at the date of this annual report, all Independent Non-executive Directors are independent of the Company in accordance with the relevant requirements.

Chairman and Chief Executive Officer

CG Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yan Jianguo ("**Mr. Yan**") has become the chairman (the "**Chairman**") and the chief executive officer (the "**CEO**") of the Company since 13 June 2017. The Board considers that vesting both roles in one individual could result in more consistent leadership of the Group. Also, taking into account Mr. Yan's experience and knowledge in property development and commercial property management, the Board is confident that Mr. Yan will assist the Group to formulate comprehensive, competitive, long-term and sustainable business strategies and plans and implement them accordingly.

In respect of the checks and balances on Mr. Yan's power and authority, the Board considers that the different duties and roles of the Chairman and the CEO have been clearly defined since June 2007. Also, the Board, which comprises experienced and high calibre individuals, together with the check-and-balance mechanism of the Company can monitor the exercising of power and authority by Mr. Yan.

Appointments, Re-Election and Removal

In accordance with the articles of association of the Company, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the next following annual general meeting.

CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term. The non-executive Directors of the Company (as well as all other Directors) are not appointed for a specific term, however, they are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Directors' Securities Transactions

The Company has adopted a set of code of conduct for securities transactions by Directors ("**Code of Conduct**") on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the year of 2019.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover in respect of legal action against Directors and officers of the Company.

Corporate Governance Report (continued)

BOARD OF DIRECTORS *(continued)*

Supply of and Access to Information

Full Board or committee papers will be sent to all Directors or members of the committees of the Board at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Group's businesses and have separate and independent access to senior management of the Company.

Directors' Training

According to the records of directors' training maintained by the Company, during the financial year under review, all Directors participated continuous professional developments to refresh their knowledge and skills. Details of the type of training they received are set out as follows:

	Type of Training (see remarks)
Directors	
Mr. Yan Jianguo	A, B, C
Mr. Luo Liang	A, B, C
Mr. Guo Guanghui	C
Mr. Chang Ying	A, C
Mr. Lam Kwong Siu	A, B, C
Dr. Fan Hsu Lai Tai, Rita	A, C
Mr. Li Man Bun, Brian David	A, C

Remarks:

A: attending seminars or trainings
B: giving talks at seminars
C: reading materials relevant to the director's duties and responsibilities

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and his/her responsibilities under laws, regulations and especially the governance policies of the Company.

Corporate Governance Report (continued)

CORPORATE STRATEGY AND BUSINESS MODEL

The Group is striving to achieve its strategic goal of "to be an exceptional global property development corporation", expanding and creating better livings around its principle business of property development and operation, continually strengthening its three major businesses — "Residential Development", "Urban Services" and "Design Services". Built on 40 years of development and having braved the challenges of numerous economic and real estate cycles, the Group cleaves to a long-term market perspective in planning the development of the enterprise. Steady and sustained long-term growth has been the Group's strategy and action guide for the past 40 years and will remain so for the 40 years ahead. The Group firmly believes the measure of a good business is whether it qualifies as "a Company of Four Excellences", offering "good products and good services", and demonstrating "good effectiveness and good citizenship". The Group will maintain its strategies and stay committed to its vision "to be an exceptional global property development corporation", firmly adhering to its operating philosophy of "good products, good services, good effectiveness and good citizenship", maintaining its positioning in major cities, mainstream areas and mainstream products, maintain the strategic structural balance of "today, tomorrow, and the day after tomorrow", where residential development, commercial assets management, together with new businesses including senior living, education and logistics, are the Group's main businesses of today, the growth drivers of tomorrow, and will spur growth the day after tomorrow.

Details of the Group's business and financial review in the year 2019 are set out in the section headed "Chairman's Statement" of this annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

Risk Management and Internal Controls

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take when achieving the Company's business objectives, and supervising the management to establish and maintain appropriate and effective risk management and internal control systems. The management is responsible for establishing and maintaining appropriate and effective risk management and internal control systems, and providing the Board with confirmation of the effectiveness of these systems.

The Board has implemented effective risk management and internal control systems to safeguard the Company's assets and the interests of shareholders, to ensure that reliable financial information will be provided to management and to ensure that risks affecting significant investments and business of the Company can be identified and properly managed. However, risk management and internal control systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and it can only provide reasonable, but not absolute, assurance against significant misrepresentation or loss.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Risk Management

The Company has established a sound risk management framework. Business lines, the Management Level Risk Management Committee and the Risk Management Taskforce together with the Intendance and Audit Department, form three defense lines which aims at carrying out risk assessment and risk monitoring for various sectors, urges that risk management is embedded in business processes and monitors and makes timely adjustment to risk management procedures.

The Company established a coordination mechanism with functional departments, regional subsidiaries and professional subsidiaries of the Company based on risk assessment standards and risk management protocols of the year, and derived the Company's annual risk events through multiple-channel collection and continuously followed up the changes in material risks. At the meetings of the Management Level Risk Management Committee, the team determined the Company's annual risk management issues and their priorities, established risk management procedures and designated departments in charge, which shall be implemented throughout the year upon the review and approval of the Audit and Risk Management Committee and the Board.

Internal Controls

In order to improve the efficiency and result of the business operation, and to achieve the development strategy, the Company has established an internal monitoring system to ensure the compliance with the laws and regulations in operation and management, the safety of the assets, and the accuracy and completeness of financial report and related information of the Company. Key control measures are set out below.

The Company has established standard corporate governance structure and rules of procedures, defined responsibilities and authorities of decision making, executing, and supervising, and therefore, to form scientific division of duties and check-and-balance mechanism. Each of shareholders meeting, Board, Committees and management is in charge of deciding on certain scope of matters, and such mechanism will be strictly followed.

The functional departments of the Company make all business management code, operation guidelines and post manual based on business needs. They also use necessary control mechanisms, to ensure that employees are clear about and exercise authority properly.

The Company enhanced its internal monitoring level by applying information technology, and established compatible information system on operation and management, thus, leveraged on effective combination with internal monitoring process, to achieve the purpose of reducing or eliminating the artificial control factors.

In addition, the Company has established an independent Intendance and Audit Department (the "**Department**"), which has adequate staff and experience to cover comprehensive business of the Company. It monitors the effectiveness of internal control, makes remediation suggestions on identified deficiencies in the design and implementation, and supervise the management to make and implement remediation plans.

Corporate Governance Report (continued)

ACCOUNTABILITY AND AUDIT *(continued)*

Risk Management and Internal Controls *(continued)*

Review of Risk Management and Internal Control Systems

The Department regularly reviews the operation of the risk management and internal control systems of the Company and submits review report to the Audit and Risk Management Committee and the Board. In the 2019's report, the Department discussed the major risks of the business of the Company and confirmed the effectiveness of risk management and internal control systems. The Audit and Risk Management Committee is responsible for considering and assessing the risks of the Company and the control measures to be taken and reviewing the effectiveness of the internal control systems. It will also carry out research on important findings regarding risk management and internal control matters and the response from management to the findings, and report any deficiency of the control systems to the Board. In addition, the external auditors host regular discussion with the Audit and Risk Management Committee on any internal control problem identified in the course of the audit.

In 2019, the Board has assumed the responsibility and reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, including financial report, operation and regulation compliance. Upon reviewing the Department's report of the year, the Board considered that the systems are effective and efficient. During the year, no material deficiency of the systems was found, and the Company has rectified any deficiency in its control (if any) which might exist. The Board believes that the systems are operated effectively and various risks that may affect the Company's achievement of goals are under control.

The Board had also reviewed and found that the headcount, professional qualification and experience of the staff of the accounting, internal audit and financial reporting functions of the Company as well as training programs and budget in 2019 were sufficient.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company regularly reminds the Directors, senior management and employees about due compliance with all policies regarding the inside information and keeps them apprised of the regulatory updates. Employees who may have access to inside information have also been notified from time to time on observing the relevant requirements.

DELEGATION BY THE BOARD

Board Proceedings

The Board held five meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions, disposals and connected transactions, if any. Also, the Board discussed the corporate governance duties performed by it including, without limitation, to review the Company's policies and practices on corporate governance, and compliance with legal and regulatory requirements.

All Directors can give notice to the Chairman or the Company Secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, notice of at least fourteen days or sufficient notice of meeting was sent to each Director to promote better attendance.

After meetings, draft and final versions of all minutes for Board meetings and committee meetings will be sent to all Directors and committee members for review. The approved minutes are kept by the Company Secretary, and the Board and committee members may inspect the documents at anytime.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Board Proceedings *(continued)*

The proceedings of the Board meetings apply to the Board committee meetings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the Company has followed procedures and complied with all applicable laws and regulations. Where necessary, Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company.

To safeguard their independence, Directors are required to declare their interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting. In 2019, Mr. Yan Jianguo abstained from voting in three Board meetings due to a potential conflict of interest. In addition, physical broad meetings will be held to consider all material connected transactions or any transactions involving substantial shareholder's or Director's material interest.

Currently, the Board has set up four committees, namely Executive Committee, Audit and Risk Management Committee, Remuneration Committee and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company.

Executive Committee

Major responsibilities and functions of the Executive Committee are as follows:

- To review and approve loans or banking facilities to be granted to the Company, its subsidiaries, jointly controlled entities and associated companies and the opening of bank or securities related accounts matters;

- To review and approve financial instruments to be issued by the Company, its subsidiaries, jointly controlled entities and associated companies;

- To review and approve grant of loan or other financial assistance to the Company's jointly controlled entities and/or associates;

- To review and approve provision of corporate guarantees, indemnity and/or letter of comfort by the Company for its subsidiaries, jointly controlled entities and/or associates;

- To review and approve land auctions or tenders, and contracts in the ordinary and usual course of business of the Company; and

- To deal with any other specific business delegated by the Board.

The Executive Committee, which comprises all executive Directors, shall report to the Board on a regular basis and the resolutions passed by the Executive Committee from time to time shall be tabled for the information of all Directors at the Board meetings.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Executive Committee *(continued)*

During the year, the Executive Committee held thirty-five meetings to (amongst other matters) review and approve:

- various bank loans and facilities;
- provision of corporate guarantee for the subsidiaries, jointly controlled entities and/or associates of the Company; and
- land auctions and contracts in the ordinary and usual course of business of the Company.

Audit and Risk Management Committee

The principal duties of the Audit and Risk Management Committee are as follows:

- To review and monitor the integrity of the financial information of the Group;
- To review the financial control, internal control and risk management systems of the Company; and
- To oversee the matters relating to the external auditor.

The Audit and Risk Management Committee comprises three members, namely Mr. Li Man Bun, Brian David, Mr. Lam Kwong Siu and Dr. Fan Hsu Lai Tai, Rita, all of whom are independent non-executive Directors. The Audit and Risk Management Committee is chaired by Mr. Li Man Bun, Brian David. For the purpose of reinforcing their independence, at least one of the members of the Audit and Risk Management Committee has appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit and Risk Management Committee held four meetings during 2019 and reviewed:

- the Group's financial reports for the year ended 31 December 2018, interim and quarterly results;
- the audit plans from the external auditor;
- the internal and independent audit results;
- the connected transactions entered into by the Group;
- change of presentation currency of the Group;
- risk management, internal control and financial reporting systems; and
- the re-appointment of the external auditor and their remuneration.

The Audit and Risk Management Committee also met with the auditor twice a year in the absence of management to discuss matters relating to any issue arising from audit and any other matters the auditor may wish to raise.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Remuneration Committee

The principal duties of the Remuneration Committee are as follows:

- To make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management;
- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration of Directors approved by the shareholders of the Company is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors and employment conditions.

During the year, the Remuneration Committee has the following members and all of them are independent non-executive Directors:

- Mr. Lam Kwong Siu *(Chairman)*
- Dr. Fan Hsu Lai Tai, Rita
- Mr. Li Man Bun, Brian David

The Remuneration Committee held one meeting during 2019 and reviewed:

- the remuneration policy of the Group and Directors' remunerations;
- the remuneration package of individual executive Directors and non-executive Directors; and
- the lapse of Share Options under the Share Option Scheme (as defined in section headed "Share Option Scheme" in this annual report with details set out thereto).

Nomination Committee

The following are major responsibilities and duties of the Nomination Committee:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board;
- To identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive Directors; and
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Corporate Governance Report (continued)

DELEGATION BY THE BOARD *(continued)*

Nomination Committee *(continued)*

Since 6 August 2013, the Board has adopted a board diversity policy ("**Board Diversity Policy**") in order to achieve a sustainable and balanced development of the Company. In designing the Board's composition, Board diversity takes into account number of aspects, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. All Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors. The Nomination Committee is responsible for reviewing the Board Diversity Policy (if necessary), making recommendation to the Board of the amendment of this policy and developing measurable objectives for implementing this policy and monitoring progress towards the achievement of these objectives.

In respect of selecting individual to be nominated for directorship, the Nomination Committee will have regard to the Procedure Regarding Appointment, Election and Removal of Directors of the Company (equivalent to the nomination policy of the Company and hereafter referred to as "**Nomination Policy**") which has come in force since 27 May 2014. Individual to be nominated shall satisfy the requirements as set out in the Listing Rules including that the nominee should have the character, experience and integrity and be able to demonstrate a standard of competence commensurate with his or her position as a Director.

In addition, the process and procedure of nominating a director is regulated under the Nomination Policy of the Company. A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are experienced and high calibre individuals. All candidates must be able to meet the standards set out in the Listing Rules.

As at the date of this annual report, the Board comprises nine Directors and three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process.

On 7 February 2020, the Nomination Committee reviewed the qualifications, experience, background and the core competencies in the field of relevant industry knowledge of each of the candidates for Vice Chairmen and Directors and discussed their suitability of nominations in accordance with the Nomination Policy and the Board Diversity Policy. At the recommendation of the Nomination Committee, the Board appointed Mr. Luo Liang as Vice Chairman, Mr. Zhang Zhichao as Executive Director and Chief Executive Officer and Mr. Zhuang Yong as Vice Chairman and Non-executive Director respectively with effect from 11 February 2020.

During the year, the Nomination Committee has the following members and all of them are independent non-executive Directors:

- Dr. Fan Hsu Lai Tai, Rita *(Chairperson)*
- Mr. Lam Kwong Siu
- Mr. Li Man Bun, Brian David

The Nomination Committee held one meeting during the year and reviewed the rotation of Directors.

Corporate Governance Report (continued)

DIVIDEND POLICY

The Company aims at providing a stable and sustainable return to the shareholders and a dividend policy was adopted by the Company in 2019. Under the dividend policy, the Board shall take into account future operating and profit, cash flows, capital and other reserve requirements of the Group, overall financial position, contractual restrictions, articles of association of the Company, all applicable laws (including the Inland Revenue Ordinance) and other factors when the Board recommends the declaration of dividends and determines the dividend amounts.

The Company will continue to review the dividend policy and retain its sole and absolute discretion to update, revise and/or modify the dividend policy at any time.

COMPANY SECRETARY

Mr. Edmond Chong has been appointed as the Company Secretary of the Company since October 2018. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information monthly and quarterly so that the investors can have a better understanding about the Company's operations.

A shareholders' communication policy was adopted throughout the year pursuant to the CG Code which aims at establishing a two-way relationship and communication between the Company and its shareholders.

The Company also holds regular meetings with financial analysts and investors, during which the Company's management will provide relevant information and data to the analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company.

Save as disclosed above, the Company has strictly complied with all code provisions set out in CG Code in 2019.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a General Meeting

Shareholder(s) of the Company can request the Directors to convene a general meeting pursuant to section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") by fulfilling the conditions below:

(i) One or more shareholder(s) in aggregate holding not less than 5% of the total voting rights of the Company carrying the right to vote at general meetings may send request(s) to the Company in hard copy form or in electronic form.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for Shareholders to Convene a General Meeting *(continued)*

(ii) Such request(s):

(1) Must state the general nature of the business to be dealt with at the meeting;

(2) May include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(3) May consist of several documents in like form; and

(4) Must be authenticated by the person or persons making it.

Procedures for Shareholders to Put Forward Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a shareholders' meeting are set out in the Corporate Governance section of the Company's website.

(ii) Shareholder(s) can request the Company to circulate a statement (or notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting) to members of the Company entitled to receive notice of a general meeting (or annual general meeting, where applicable), in pursuance of section 580 (or section 615, in the case of annual general meeting) of the Companies Ordinance subject to the following:

(1) The statement should be of not more than 1000 words and with respect to:

(a) A matter mentioned in a proposed resolution to be dealt with at that meeting; or

(b) Other business to be dealt with at that meeting.

(2) Each shareholder may only request the Company to circulate:

(a) One such statement with respect to the resolution mentioned in (1)(a) above; and

(b) One such statement with respect to the other business mentioned in (1)(b) above.

(3) Such request(s) has to be sent by the shareholders who have a relevant right to vote and fulfill the conditions below:

(a) Shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

(b) At least 50 shareholders.

Corporate Governance Report (continued)

SHAREHOLDERS' RIGHTS *(continued)*

Procedures for Shareholders to Put Forward Proposals at General Meetings *(continued)*

(ii) *(continued)*

(3) *(continued)*

Relevant right to vote means:

(a) In relation to a statement with respect to a matter mentioned in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate;

(b) In relation to any other statement, a right to vote at the meeting to which the requests relate; and

(c) In relation to notice of a resolution, a right to vote on the resolution at the annual general meeting to which the requests relate.

(4) Such request(s):

(a) May be sent to the Company in hard copy form or in electronic form;

(b) Must identify the statement (or notice, in the case of annual general meeting) to be circulated;

(c) Must be authenticated by the person or persons making it; and

(d) Must be received by the Company:

(aa) at least 7 days before the general meeting to which it relates;

(bb) not later than 6 weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice of that meeting is given.

Enquiries to the Board

The "Corporate Information" of this annual report provides the registered address of the Company and the email address, fax number and telephone number of the Investor Relations team to facilitate the shareholders of the Company to address their concerns or enquiries to the Board at any time. Please mark for the attention of the Company Secretary in the incoming letters or e-mails.

Corporate Governance Report (continued)

ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and annual general meeting held in 2019 are set out in the following table:

Name of Directors	Board Meetings	Audit and Risk Management Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Executive Committee Meetings	Annual General Meeting
Mr. Yan Jianguo	5/5	N/A	N/A	N/A	35/35	1/1
Mr. Luo Liang	5/5	N/A	N/A	N/A	35/35	1/1
Mr. Guo Guanghui	5/5	N/A	N/A	N/A	35/35	1/1
Mr. Chang Ying	5/5	N/A	N/A	N/A	N/A	1/1
Mr. Lam Kwong Siu	5/5	4/4	1/1	1/1	N/A	1/1
Dr. Fan Hsu Lai Tai, Rita	5/5	4/4	1/1	1/1	N/A	1/1
Mr. Li Man Bun, Brian David	5/5	3/4	1/1	1/1	N/A	0/1

Note: The attendance figure represents actual attendance/the number of meetings a Director was entitled to attend.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately RMB10,400,000 and RMB1,928,000 respectively. Fee payable for the non-audit services included that for professional services rendered in connection with the Group's tax advisory and reports relating to the issuance of notes payable which amounted to RMB1,875,000.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2019.

Report of Directors

The directors of the Company (the "**Directors**") present the annual report and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Group is principally engaged in property development and investment, and other operations. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 44, 19 and 20 respectively to the financial statements.

An analysis of the Group's performance by segment is set out in note 8 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" as set out on pages 14 to 71 of this annual report. These sections form part of this Report of Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 147 and 148 of this annual report respectively.

An interim dividend of HK45 cents per share was paid on 4 October 2019. The board of Directors (the "**Board**") recommends the payment of a final dividend of HK57 cents per share (2018: HK50 cents per share) to shareholders whose names appear on the Register of Members of the Company on 3 July 2020. Together with the interim dividend of HK45 cents per share (2018: HK40 cents per share), dividends for the year will amount to a total of HK102 cents per share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on 15 July 2020.

RESERVES

Movements during the year in the reserves of the Group and of the Company (including but not limited to distributable reserves) are set out in the consolidated statement of changes in equity on pages 151 and 152 of this annual report and note 43(a) to the financial statements respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 239 and 240 of this annual report.

MAJOR PROPERTIES

Details of the major property development and commercial properties of the Group at 31 December 2019 are set out on pages 50, 51, 57 to 60 of this annual report.

Report of Directors (continued)

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the reporting date. The revaluation resulted in a net increase in fair value of RMB10,002,062,000 which has been credited directly to the consolidated income statement.

Details of the movement in investment properties and movements in property, plant and equipment of the Group during the year are set out in notes 16 and 17 respectively to the financial statements.

EQUITY-LINKED AGREEMENTS

For the year under review, save for the Share Option Scheme (as defined in the section headed "Share Option Scheme" in this report with details set out thereto) adopted by the Company on 11 June 2018, the Company did not enter into any equity-linked agreement.

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2019 and up to the date of this report.

Issue of debentures

On 24 January 2019, China Overseas Development Group Co., Ltd.* (formerly known as China Overseas Property Group Co., Ltd.*), a wholly-owned subsidiary of the Company, issued corporate bonds with a total principal amount of RMB3,500,000,000, of which bonds of RMB2,000,000,000 bear an interest rate of 3.47 per cent. and the remaining bonds of RMB1,500,000,000 bear an interest rate of 3.75 per cent. due January 2025 and January 2026 respectively. The net proceeds, after deducting the expenses in connection with the issue of the corporate bonds, amounted to RMB3,495,415,000 and are used to repay existing indebtedness and outstanding liabilities of the Group. The corporate bonds are listed on the Shenzhen Stock Exchange.

China Overseas Finance (Cayman) VIII Limited, a wholly-owned subsidiary of the Company, issued the following guaranteed notes under its US$2,500,000,000 medium term note programme established on 8 July 2019 (collectively, the "**Guaranteed Notes**"). The Guaranteed Notes are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and guaranteed by the Company irrevocably and unconditionally:

(i) On 15 July 2019, HK$2,000,000,000 2.90 per cent. guaranteed notes due January 2025 and US$450,000,000 3.45 per cent. guaranteed notes due July 2029 (collectively, the "**Guaranteed Notes I**") were issued. The net proceeds, after deducting the underwriting commission in connection with the issue of the Guaranteed Notes I, amounted to HK$1,997,000,000 and US$448,645,500 respectively and are used to repay and/or refinance the existing indebtedness of the Group.

(ii) On 27 November 2019, US$294,000,000 3.05 per cent. guaranteed notes due November 2029 (the "**Guaranteed Notes II**") were issued. The net proceed, after deducting the underwriting commission in connection with the issue of the Guaranteed Notes II, amounted to US$291,127,620 and is used to repay and/or refinance the existing indebtedness of the Group.

(iii) On 3 March 2020, US$300,000,000 2.375 per cent. guaranteed notes due March 2025, US$500,000,000 2.750 per cent. guaranteed notes due March 2030 and US$200,000,000 3.125 per cent. guaranteed notes due March 2035 (collectively, the "**Guaranteed Notes III**") were issued. The net proceeds, after deducting the underwriting commission in connection with the issue of the Guaranteed Notes III, amounted to US$298,260,000, US$495,485,000 and US$199,414,000 respectively and are used to repay and/or refinance the existing indebtedness of the Group.

* *English translation for identification purpose only*

Report of Directors (continued)

PURCHASE, SALE OR REDEMPTION OF THE GROUP'S LISTED SECURITIES *(continued)*

Redemption of listed securities

On 15 January 2019, CITIC Real Estate Group Company Limited*, a wholly-owned subsidiary of the Company, partially redeemed its RMB1,000,000,000 4.40 per cent. private corporate bonds due January 2021 with sell-back option at par. The redeemed private corporate bonds were listed on the Shanghai Stock Exchange. 600,000 lots of valid sell-back declarations were received with a total sell-back amount of RMB600,000,000.

On 8 May 2019 (i.e. maturity date of the guaranteed notes), China Overseas Finance (Cayman) VI Limited, a wholly-owned subsidiary of the Company, redeemed US$800,000,000 4.25 per cent. guaranteed notes due 2019 in whole at par. The guaranteed notes were listed on the Stock Exchange prior to redemption.

On 15 July 2019 (i.e. maturity date of the guaranteed notes), China Overseas Land International (Cayman) Limited, a wholly-owned subsidiary of the Company, redeemed EUR600,000,000 1.75 per cent. guaranteed notes due 2019 in whole at par. The guaranteed notes were listed on the Irish Stock Exchange plc and the Stock Exchange prior to redemption.

Details of the above securities (including the carrying amount) are set out in relevant announcements of the Company and note 33 to the financial statements.

* *English translation for identification purpose only*

BORROWINGS AND INTEREST CAPITALISED

Analysis of bank and other borrowings, notes payable and interest capitalised (including capitalisation of exchange losses) are set out in notes 32, 33 and 10 respectively to the financial statements.

DIRECTORS

(a) Directors of the Company

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

Executive Directors

Mr. Yan Jianguo
Mr. Luo Liang
Mr. Zhang Zhichao (appointed w.e.f. 11 February 2020)
Mr. Guo Guanghui

Non-Executive Directors

Mr. Zhuang Yong (appointed w.e.f. 11 February 2020)
Mr. Chang Ying

Independent Non-Executive Directors

Mr. Lam Kwong Siu
Dr. Fan Hsu Lai Tai, Rita
Mr. Li Man Bun, Brian David

Report of Directors (continued)

DIRECTORS *(continued)*

(a) Directors of the Company *(continued)*

In accordance with articles 96 and 105(1) of the Company's articles of association, Mr. Zhang Zhichao, Mr. Zhuang Yong, Mr. Guo Guanghui, Dr. Fan Tsu Lai Tai, Rita and Mr. Li Man Bun, Brian David shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Zhuang Yong and Mr. Zhang Zhichao were appointed as non-executive Director and executive Director respectively effective from 11 February 2020.

The term of office for each independent non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's articles of association.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Company still considers the independent non-executive Directors to be independent.

No Director proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

(b) Directors of the subsidiaries of the Company

The list of directors of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.coli.com.hk under the "Corporate Governance" section.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding Directors' emoluments and senior management's emoluments are set out in notes 13 and 41(b) to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Directors and Organisation" on pages 72 to 81 of this annual report.

Report of Directors (continued)

SHARE OPTION SCHEME

The share option scheme was approved and adopted by the shareholders of the Company on 11 June 2018 (the "**Share Option Scheme**") to enable the qualifying grantees to acquire ordinary shares of the Company and unless otherwise cancelled or amended, it will remain in force for 10 years from 11 June 2018. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses, to provide additional incentives to the qualifying grantees (being, among others, any employee of the Group or such other persons that have contributed to the Group as specified in the Share Option Scheme) that have contributed to the Group; and to promote the long term financial success of the Group by aligning the interests of share option holders with shareholders of the Company.

The limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue of the Company from time to time. No share options may be granted under any scheme of the Company if this will result in the limit being exceeded.

The number of shares in respect of the share options that may be granted according to the Share Option Scheme (the "**Share Options**") shall not exceed 10% of the shares in issue of the Company as at the date of adoption of the Share Option Scheme (i.e. 11 June 2018). On the basis of 10,956,201,535 shares in issue as at 11 June 2018, this would be 1,095,620,153 shares.

Total number of ordinary shares in the capital of the Company available for issue under the Share Option Scheme as at the date of this annual report is 993,310,153 shares which represented 9.07% of the total issued share capital at that date.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of shares that may be granted to each of the eligible persons under the Share Options shall not exceed 1% within any 12-month period.

Unless otherwise approved by the shareholders of the Company in a general meeting, no Share Option may be granted to any substantial shareholder of the Company, independent non-executive Directors or their respective associates, that would result in the shares issued or to be issued to such person in the 12-month period up to and including the date of Board meeting proposing for the grant (i) exceeding 0.1% of the shares in issue from time to time; and (ii) in aggregate exceeding HK$5 million based on the closing price of the shares at the date of the Board meeting proposing for such grant.

The subscription price in respect of any particular Share Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Share Option, but shall not be less than whichever is the higher of (i) the closing price of the shares as stated in the Stock Exchange daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The period within which the shares must be taken up under a Share Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 6 years from the date of grant of the relevant Share Option.

The minimum period, if any, for which a Share Option must be held before it can be exercised shall be determined by the Board as its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

HK$1.00 is payable by each of the Share Option holders to the Company on the acceptance of the offer of the Share Option and HK$404.00 has been paid in 2018. The period within which payments or calls must or may be made should be 28 days after the offer date of a Share Option or such period as the Directors may determine.

Report of Directors (continued)

SHARE OPTION SCHEME *(continued)*

The life of the Share Option Scheme is 10 years commencing on 11 June 2018 and expiring on 10 June 2028.

Other details of the Share Option Scheme are set out in Appendix III to the circular published by the Company on 16 April 2018.

On 29 June 2018, a total of 107,320,000 Share Options had been granted to, and subsequently accepted in whole by 3 Directors and 401 other eligible persons (including the two new Directors appointed on 11 February 2020) under the Share Option Scheme, of which 2,280,000 Share Options had been lapsed during the year of 2018 with the subscription price of HK$25.85 per share.

During the year 2019, 2,730,000 Share Options were lapsed with the subscription price of HK$25.85 per share. Save as disclosed above, no Share Option has been vested and no share is issuable for the outstanding Share Option granted during the year 2019 and no Share Option was granted, lapsed, exercised and cancelled during the year ended 31 December 2019.

As at 31 December 2019, there are 102,310,000 outstanding Share Options with a fair value on the date of grant of approximately HK$6.36 per share granted under the Share Option Scheme. Details of the fair value are set out in note 31 to the financial statements.

During the year, save as disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" of this annual report, details of the movements of the Share Options under the Share Option Scheme are as follows:

Participants	Date of grant of Share Options *(DD.MM.YYYY)*	Number of Share Options: Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Balance as at 31 December 2019	Exercise period of Share Options (both days inclusive)* *(DD.MM.YYYY)*	Subscription price of Share Options *HK$ (per share)*	Price of ordinary shares at date immediately before date of grant** *HK$ (per share)*	Price of ordinary shares at date immediately before the exercise date*** *HK$ (per share)*
Other eligible persons	29.06.2018	103,040,000	–	–	2,730,000	100,310,000	29.06.2020 to 28.06.2024	25.85	24.65	–

Notes to the above Share Options granted pursuant to the Share Option Scheme:

(a) One-third of the Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

(c) Mr. Zhuang Yong and Mr. Zhang Zhichao have been appointed as Directors on 11 February 2020. Each of Mr. Zhuang Yong and Mr. Zhang Zhichao has personal interests in 550,000 Share Options as at 11 February 2020.

* If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.

** The price of the Company's ordinary shares disclosed as "immediately before date of grant" is the closing price of the shares on the Stock Exchange on the business day prior to which the Share Options were granted.

*** The price of the Company's ordinary shares disclosed as "immediately before the exercise date" is the weighted average closing price of the shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.

Report of Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2019, the Directors, the chief executive officer of the Company and their respective associates had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

(a) Long Positions in Shares and Underlying Shares of the Company

(i) Long Positions in Ordinary Shares (all being personal interest and being held in the capacity of beneficial owner)

Name of Director	Number of shares held	% of shares in issue *(Note)*
Dr. Fan Hsu Lai Tai, Rita	30,000	0.0003%
Mr. Li Man Bun, Brian David	5,460,000	0.0498%

Note: The percentage was based on the total number of shares of the Company in issue as at 31 December 2019 (i.e. 10,956,201,535 shares).

(ii) Long Positions in Share Options relating to Ordinary Shares (all being personal interest and being held in the capacity of beneficial owner)

		Number of Share Options								
Name of Director	Date of grant of Share Options *(DD.MM.YYYY)*	Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2019	Exercise period of Share Options (both days inclusive)* *(DD.MM.YYYY)*	Subscription price of share options *HK$ (per share)*	Price of ordinary shares at date immediately before date of grant** *HK$ (per share)*	Price of ordinary shares at date immediately before the exercise date*** *HK$ (per share)*
Mr. Yan Jianguo	29.06.2018	700,000	–	–	–	700,000	29.06.2020 to 28.06.2024	25.85	24.65	–
Mr. Luo Liang	29.06.2018	700,000	–	–	–	700,000	29.06.2020 to 28.06.2024	25.85	24.65	–
Mr. Guo Guanghui	29.06.2018	600,000	–	–	–	600,000	29.06.2020 to 28.06.2024	25.85	24.65	–

Notes to the above Share Options granted pursuant to the Share Option Scheme adopted by the Company on 11 June 2018:

(a) One-third of the Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022.

(b) Exercise of the Share Options is conditional upon the achievement of certain individual performance targets of each eligible person and certain financial performance targets of the Company as determined by the Board.

* If the last day of an exercise period is not a business day in Hong Kong, such exercise period shall end at the close of business on the business day immediately preceding that day.

** The price of the Company's ordinary shares disclosed as "immediately before date of grant" is the closing price of the shares on the Stock Exchange on the business day prior to which the Share Options were granted.

*** The price of the Company's ordinary shares disclosed as "immediately before the exercise date" is the weighted average closing price of the shares on the Stock Exchange immediately before the dates on which the Share Options were exercised by each of the Directors or all other eligible persons as an aggregate whole.

Report of Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(continued)*

(b) Long Positions in Shares and Underlying Shares of the Associated Corporations

(all being personal interest and being held in the capacity of beneficial owner)

Name of associated corporation	Name of Director	Number of shares held *(Note 5)*	% of shares in issue *(Notes 1, 2, 3 and 4)*
China State Construction Engineering Corporation Limited ("**CSCECL**")	Mr. Luo Liang	294,000	0.001%
	Mr. Guo Guanghui	210,000	0.001%
China State Construction International Holdings Limited ("**CSC**")	Mr. Luo Liang	3,531,469	0.070%
China Overseas Property Holdings Limited ("**COPL**")	Mr. Li Man Bun, Brian David	1,820,000	0.055%
China Overseas Grand Oceans Group Limited ("**COGO**")	Mr. Luo Liang	105,000	0.003%

Notes:

1. The percentage was based on the total number of shares of CSCECL in issue as at 31 December 2019 (i.e. 41,975,629,711 shares).
2. The percentage was based on the total number of shares of CSC in issue as at 31 December 2019 (i.e. 5,049,156,668 shares).
3. The percentage was based on the total number of shares of COPL in issue as at 31 December 2019 (i.e. 3,286,860,460 shares).
4. The percentage was based on the total number of shares of COGO in issue as at 31 December 2019 (i.e. 3,423,359,841 shares).
5. Mr. Luo Liang and Mr. Guo Guanghui acquired 210,000 "A" shares and 150,000 "A" shares in CSCECL respectively at RMB4.866 per share on 29 December 2016 in accordance with the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL as set out in note 31 to the financial statements. CSCECL issued the bonus shares on the basis of four bonus "A" shares for every ten existing "A" shares on 29 June 2018, Mr. Luo Liang and Mr. Guo Guanghui were awarded 84,000 "A" shares and 60,000 "A" shares in CSCECL respectively.
6. Mr. Zhuang Yong and Mr. Zhang Zhichao have been appointed as Directors on 11 February 2020. As at 11 February 2020, Mr. Zhuang Yong has personal interests in 10,000 shares of COPL and Mr. Zhang Zhichao has personal interests in 2,984,000 shares of China State Construction Development Holdings Limited. Each of Mr. Zhuang Yong and Mr. Zhang Zhichao holds 140,000 "A" shares in CSCECL under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL together with bonus shares on the basis of four bonus "A" shares for every ten existing "A" shares.

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive officer of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein. None of the Directors and chief executive officer of the Company (including their spouses and children under the age of 18) had, as at 31 December 2019, any interest in, or had been granted any right to subscribe for the shares, options and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Report of Directors (continued)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in note 31 to the financial statements, at no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following Directors declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Yan Jianguo, the Chairman and Executive Director of the Company, is also the chairman and president of China Overseas Holdings Limited ("**COHL**"), and the non-executive director of COGO, the chairman and non-executive director of CSC. Mr. Zhuang Yong, the Vice Chairman and Non-Executive Director of the Company, is also the chairman and executive director of COGO. COHL, COGO and CSC are engaged in construction, property development and related businesses.

The entities in which the above Directors had declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three independent non-executive Directors and one non-executive Director (other than Mr. Zhuang Yong) whose views carry significant weight in the Board's decisions. The Audit and Risk Management Committee of the Company, which consists of three independent non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control, risk management and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which the Directors had declared interests.

Report of Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2019, the following parties (other than Directors or the chief executive officer of the Company) were the substantial shareholders (as defined in the Listing Rules) of the Company and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of shares and underlying shares held			% of shares in issue *(Note 1)*			Capacity
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
Silver Lot Development Limited ("**Silver Lot**")	521,264,928	–	–	4.76%	–	–	Beneficial owner
COHL *(Note 2)*	5,613,080,255	280,124,096 *(Note 4)*	–	51.23%	2.56%	–	Beneficial owner
	521,264,928	–	–	4.76%	–	–	Interest of controlled corporation
CSCECL *(Note 3)*	6,134,345,183	280,124,096 *(Note 4)*	–	55.99%	2.56%	–	Interest of controlled corporation
China State Construction Engineering Corporation ("**CSCEC**") *(Note 3)*	6,134,345,183	280,124,096 *(Note 4)*	–	55.99%	2.56%	–	Interest of controlled corporation
Complete Noble Investments Limited ("**Complete Noble**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Beneficial owner
Affluent East Investments Limited ("**Affluent East**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Limited ("**CITIC**") *(Notes 5 and 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Glory Limited ("**CITIC Glory**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Polaris Limited ("**CITIC Polaris**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation
CITIC Group Corporation ("**CITIC Group**") *(Note 6)*	1,095,620,154	–	–	10.00%	–	–	Interest of controlled corporation

Report of Directors (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

1. The percentage was based on the total number of shares of the Company in issue as at 31 December 2019 (i.e. 10,956,201,535 shares).

2. Silver Lot is a direct wholly-owned subsidiary of COHL, thus COHL is deemed by the SFO to be interested in shares of the Company (including long position, short position and lending pool (if any)) in which Silver Lot is or is taken to be interested.

3. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non wholly-owned subsidiary of CSCEC, thus CSCECL and CSCEC are deemed by the SFO to be interested in shares of the Company (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.

4. On 5 January 2016, a subsidiary of COHL (the "**Issuer**") issued exchangeable bonds (the "**Bonds**") with the aggregate principal amount of US$1,500,000,000 which are exchangeable into 280,124,096 shares of the Company. On 5 January 2020, the Issuer redeemed US$902,600,000 in aggregate principal amount of the Bonds at an aggregate redemption price of US$1,006,760,040. The redeemed Bonds have been cancelled pursuant to the terms and conditions of the Bonds. After that the remaining Bonds can be exchangeable into 111,564,090 shares of the Company.

5. Complete Noble is a direct wholly-owned subsidiary of Affluent East, which in turn is a direct wholly-owned subsidiary of CITIC.

6. More than 50% of CITIC is held by CITIC Glory and CITIC Polaris, both of which are direct wholly-owned subsidiaries of CITIC Group, in aggregate. Accordingly, CITIC is an indirect non wholly-owned subsidiary of CITIC Group and Affluent East, CITIC, CITIC Glory, CITIC Polaris and CITIC Group are all deemed by the SFO to be interested in shares of the Company (including long position, short position and lending pool (if any)) in which Complete Noble is or is taken to be interested.

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the chief executive officer of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2019, the five largest customers of the Group accounted for less than 30% of the Group's revenue. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

Definitions

In this section, the following expressions have the following meanings unless the context requires otherwise:

"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, over 50% of the issued share capital of the Company
"Company"	China Overseas Land & Investment Limited
"COPL"	China Overseas Property Holdings Limited (中海物業集團有公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
"COPL Group"	COPL and its subsidiaries from time to time
"CSC"	China State Construction International Holdings Limited (中國建築國際集團有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSC Group"	CSC and its subsidiaries (excluding listed subsidiary on any stock exchange) from time to time
"CSCEC"	中國建築集團有限公司 (formerly known as 中國建築工程總公司) (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company
"CSCECL"	China State Construction Engineering Corporation Limited (中國建築股份有限公司), a joint stock company incorporated in PRC, whose shares are listed on the Shanghai Stock Exchange. CSCECL is a subsidiary of CSCEC and holds 100% interest in COHL
"CSCECL Group"	CSCECL and its subsidiaries (excluding COHL, the Company, CSC, COPL and their respective subsidiaries) from time to time
"Group"	the Company and its subsidiaries from time to time
"CSCD"	China State Construction Development Holdings Limited (中國建築興業集團有限公司) (formerly known as Far East Global Group Limited (遠東環球集團有限公司)), whose shares are listed on the Main Board of the Stock Exchange (stock code: 830)
"CSCD Group"	CSCD and its subsidiaries from time to time

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

During the year under review, the Group entered into the following connected transactions or continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules or which have been approved by independent shareholders in pursuance of Rule 14A.36 of the Listing Rules:

A. Connected Transaction

Formation of Joint Venture in relation to Land in Kai Tak

On 20 March 2019, the Company, CSC and Macfull Limited ("**Macfull**") entered into an agreement (the "**Joint Venture Agreement**") in respect of forming a joint venture for the property development and ownership of a parcel of land situated at New Kowloon Inland Lot No. 6575. Kai Tak Area 4B, Site 2, Kai Tak, Kowloon (the "**Land**"). The Land is planned for private residential purposes and is owned by Macfull which, before the formation of the joint venture, was wholly owned by China Overseas Property Limited ("**CO Property**", a wholly-owned subsidiary of the Company).

Pursuant to the Joint Venture Agreement, Perfect Castle Limited ("**PCL**", a wholly-owned subsidiary of CSC) acquired 20% equity interest in Macfull. Since then, Macfull is owned as to 80% and 20% by CO Property and PCL respectively. Macfull is accounted for as a subsidiary of the Company.

The estimated total investment amount (excluding the registered capital) to be provided to Macfull will not exceed HK$10 billion which shall be contributed by CO Property and PCL in proportion to their respective effective interests in Macfull.

Under the Joint Venture Agreement, the Group will be responsible for conducting the development plus sales and marketing of the Land.

COHL is the controlling shareholder of both the Company and CSC. Accordingly, each of the Company and CSC is connected person of each other and the entering into the Joint Venture Agreement and the transactions contemplated thereunder constitute connected transactions for the Company and CSC under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions

(1) ***Master CSCD Engagement Agreement***

CSCD acquired the entire equity interests in 中海監理有限公司 (China Overseas Supervision Limited*) ("**COSL**") from a wholly-owned subsidiary of CSC, the completion of which took place on 26 June 2018 (the "**Completion Date**"). As mentioned in the announcement of CSCD dated 14 March 2018, prior to the Completion Date, COSL entered into certain transactions with the Group to provide the construction supervision services in respect of the prevailing projects which would subsist after the Completion Date. After the Completion Date, COSL has become a subsidiary of CSCD and these subsisting transactions have become connected transactions for both the Company and CSCD. On 26 June 2018, there are 14 subsisting contracts in respect of the prevailing projects with the outstanding aggregate amount of not more than HK$65 million and payable by the Group to COSL. The principal terms of the subsisting contracts in respect of the prevailing projects are set out as follows:

Parties:	COSL (as service provider); and Members of the Group (as owner of the relevant property development).
Scope of Services:	Provision of construction supervision services by COSL to members of the Group for the property development projects of the Group in PRC, which include supervision of quality, progress and measurements, contracts management, safety, information management and relationship coordination work.
Payment term:	All outstanding amount is expected to be settled upon completion of final accounts of the prevailing projects by the Company.

In addition, it is expected that the Group may continue to engage COSL for the provision of construction supervision services for its property development projects in PRC and the directors of the Company expected that the Group would invite the CSCD Group to participate in competitive tenders for the provision of contracting and engineering works, project management, supervision and consultancy services as a contractor, subcontractor or service provider from time to time.

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(1) ***Master CSCD Engagement Agreement*** *(continued)*

On 26 June 2018, the Company and CSCD entered into a framework agreement (the "**Master CSCD Engagement Agreement**"), under which, the Group may invite the CSCD Group to participate in competitive tender for provision of contracting and engineering works, project management, supervision and consultancy services for the property development projects of the Group in the PRC from time to time for a period commencing from 20 August 2018 and ending on 30 June 2021. If tenders submitted by members of the CSCD Group are accepted and the total contract sum awarded to the CSCD Group does not exceed the corresponding cap as set out below, the Group may engage members of the CSCD Group as its contractor. The principal terms of the Master CSCD Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Master CSCD Engagement Agreement	The Company and CSCD	26 June 2018	20 August 2018 to 31 December 2018	HK$1,200 million
			1 January 2019 to 31 December 2019	HK$1,200 million
			1 January 2020 to 31 December 2020	HK$1,200 million
			1 January 2021 to 30 June 2021	HK$800 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the Company's announcement of 26 June 2018. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the CSCD Group are no more favourable than those awarded to independent third parties.

COHL is the controlling shareholder of the Company, CSC and CSCD. CSC is the indirect holding company of CSCD. Thus, members of the CSCD Group are connected persons of the Company and the transactions contemplated under the Master CSCD Engagement Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(2) *Master CSC Group Engagement Agreement*

The Company and CSC entered into an engagement agreement on 31 October 2014, pursuant to which members of CSC Group may tender for the Group's construction works in PRC, Hong Kong and Macau for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

As the Company expected that the Group would continue to invite CSC Group to participate in tenders for the construction works of the Group in PRC, Hong Kong and Macau after the expiration of the said engagement agreement, the Company and CSC entered into a new engagement agreement (the "**Master CSC Group Engagement Agreement**") on 6 October 2017, under which, CSC Group may tender for the construction works of the Group in PRC, Hong Kong and Macau. If tenders submitted by members of CSC Group are accepted and the total contract sum awarded to CSC Group under those tenders during the relevant period does not exceed the corresponding annual cap as set out below, the Company may engage members of CSC Group as its contractor. The principal terms of the Master CSC Group Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Annual Cap
Master CSC Group Engagement Agreement	The Company and CSC	6 October 2017	1 January 2018 to 31 December 2018	HK$7,000 million
			1 January 2019 to 31 December 2019	HK$7,000 million
			1 January 2020 to 31 December 2020	HK$7,000 million

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedures maintained by the Group, details of which are set out in the Company's announcement of 6 October 2017. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSC Group are no more favourable than those awarded to independent third parties.

As COHL is the controlling shareholder of both the Company and CSC, members of CSC Group are connected persons of the Group. The transactions contemplated under the Master CSC Group Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(3) ***Master CSCECL Group Engagement Agreement, Supplemental Agreement and CSCECL 2019 Master Engagement Agreement***

On 16 May 2016, the Company and CSCECL entered into an engagement agreement (the "**Master CSCECL Group Engagement Agreement**"), pursuant to which the Group may engage the CSCECL Group as its construction contractor for construction related services such as building design, construction piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators (the "**Construction Related Services**") in PRC for a term of three years commencing from 1 July 2016 and ending on 30 June 2019.

Commencing from the year of 2018, there was a significant increase in the total contract sum of the contracts for provision of the Construction Related Services awarded to the CSCECL Group. The Company anticipated that the caps for the year ending on 31 December 2018 and the period between 1 January 2019 and 30 June 2019 (collectively the "**Relevant Periods**") under the Master CSCECL Group Engagement Agreement may not be sufficient to meet the demand of the Group for the Construction Related Services in the periods of 2018 and 2019. Hence, on 17 December 2018, the Company and CSCECL entered into a supplemental agreement (the "**Supplemental Agreement**") to revise the caps for the Relevant Periods under the Master CSCECL Group Engagement Agreement. The principal terms of the Master CSCECL Group Engagement Agreement and Supplemental Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Master CSCECL Group Engagement Agreement	The Company and CSCECL	16 May 2016	1 July 2016 to 31 December 2016	RMB3,000 million
			1 January 2017 to 31 December 2017	RMB6,000 million
			1 January 2018 to 31 December 2018	RMB6,000 million
			1 January 2019 to 30 June 2019	RMB3,000 million

Name of Agreement	Parties	Date of Agreement	Relevant Periods	Revised Cap
Supplemental Agreement	The Company and CSCECL	17 December 2018	1 January 2018 to 31 December 2018	RMB7,200 million
			1 January 2019 to 30 June 2019	RMB3,600 million

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(3) ***Master CSCECL Group Engagement Agreement, Supplemental Agreement and CSCECL 2019 Master Engagement Agreement*** *(continued)*

As the Master CSCECL Group Engagement Agreement and the Supplemental Agreement were about to expire on 30 June 2019 and the Company expected that the Group will continue to invite the CSCECL Group to participate in competitive tender for the Group's Construction Related Services in PRC from time to time, on 1 April 2019, the Company and CSCECL entered into a new engagement agreement (the "**CSCECL 2019 Master Engagement Agreement**") for a term of three years commencing from 1 July 2019 and ending on 30 June 2022 (both dates inclusive). The principal terms of the CSCECL 2019 Master Engagement Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
CSCECL 2019 Master Engagement Agreement	The Company and CSCECL	1 April 2019	1 July 2019 to 31 December 2019	RMB6,206 million
			1 January 2020 to 31 December 2020	RMB19,768 million
			1 January 2021 to 31 December 2021	RMB16,121 million
			1 January 2022 to 30 June 2022	RMB8,473 million

Pursuant to the Master CSCECL Group Engagement Agreement, Supplement Agreement and CSCECL 2019 Master Engagement Agreement, the CSCECL Group may tender for the Group's Construction Related Services in PRC. If tenders submitted by members of the CSCECL Group are accepted and the total contract sum awarded to the CSCECL Group under those tenders during the relevant period does not exceed the corresponding cap as set out above, the Group may engage members of the CSCECL Group as its construction contractor.

The prices and terms of the tenders awarded by the Group are subject to the standard and systematic tender procedure maintained by the Group, details of which are set out in the announcements of the Company dated 16 May 2016, 17 December 2018 and 1 April 2019. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to CSCECL Group are no more favourable than those awarded to independent third parties.

CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. The transactions contemplated under the Master CSCECL Group Engagement Agreement, the Supplemental Agreement and CSCECL 2019 Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(4) ***Target Services Agreement***

Before the acquisition of the entire equity interests of 中信物業服務有限公司 (the "**Service Company**") by 中海物業管理有限公司 (a wholly-owned subsidiary of COPL) (the "**Management Company**") on 20 October 2017, the Company had been engaging the Service Company and its subsidiaries (the "**Service Company Group**") to provide property management services and engineering services including automation projects, specialised engineering, and repair and maintenance and upgrade projects of equipment and machinery to residential communities, commercial properties and other properties (the "**Services**") to the Group. While the Service Company Group would continue to provide the Services to the Group in PRC after the acquisition, the Company and COPL entered into a framework agreement on 20 October 2017 (the "**Target Services Agreement**") in this respect.

Under the Target Services Agreement, the Service Company Group may tender for the Group's Services and if tenders submitted by the members of the Service Company Group are accepted, provided that the total contract sum awarded to the Service Company Group under those tenders during the relevant period does not exceed the corresponding cap as set out below, the Group may engage the Service Company Group as service provider. The principal terms of the Target Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Target Services Agreement	The Company and COPL	20 October 2017	1 January 2018 to 31 December 2018	HK$48 million
			1 January 2019 to 31 December 2019	HK$51.1 million
			1 January 2020 to 30 June 2020	HK$19.8 million

The prices and terms of the tenders awarded by the Group are subject to the tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 20 October 2017. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

COHL is the controlling shareholder of each of COPL and the Company. Therefore, members of the COPL Group are connected persons of the Company and the transactions contemplated under the Target Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(5) ***Prevailing Services Agreement***

The Company and COPL entered into (i) a framework agreement on 9 October 2015 in respect of the provision of property management services to the Group by COPL Group and a supplemental agreement in relation thereto on 30 June 2016, and (ii) a framework agreement on 9 October 2015 in respect of the provision of engineering services to the Group by COPL Group (collectively the "**Previous Services Agreements**").

As the Company anticipated that COPL Group would continue to participate in tenders for the Group's Services and there would be an increase on demand on the Services from COPL Group under the Previous Services Agreements, the Company and COPL entered into a new framework agreement (the "**Prevailing Services Agreement**") on 20 October 2017 to raise the caps and renew the transactions under the Previous Services Agreement. The principal terms of the Prevailing Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Prevailing Services Agreement	The Company and COPL	20 October 2017	1 January 2018 to 31 December 2018	HK$634.3 million
			1 January 2019 to 31 December 2019	HK$725.2 million
			1 January 2020 to 30 June 2020	HK$420.7 million

The prices and terms of the tenders awarded by the Group are subject to the tender procedures maintained by the Group, details of which are set out in the announcement of the Company dated 20 October 2017. Those procedures apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the COPL Group are no more favourable than those awarded to independent third parties.

COHL is the controlling shareholder of each of COPL and the Company. Therefore, members of the COPL Group are connected persons of the Company and the transactions under the Prevailing Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(6) ***Framework Agreement for Car Parking Spaces***

On 23 October 2019, COPL and the Company entered into a framework agreement (the "**Framework Agreement**") whereby the parties agreed that the COPL Group may from time to time enter into transactions with the Group for the acquisition of rights-of-use of car parking spaces (the "**Transactions**"), situated in the developments or properties built, developed or owned by the Group and managed by the COPL Group as property manager.

The Framework Agreement has a term of three years commencing from 1 December 2019 and ending on 30 November 2022 (both dates inclusive). The principal terms of the Framework Agreement together with respective maximum total agreement sums payable by the COPL Group to the Group for each of the period/year for the Transactions (i.e. the "**Cap**") are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Framework Agreement for Car Parking Spaces	The Company and COPL	23 October 2019	1 December 2019 to 31 December 2019	HK$300 million
			1 January 2020 to 31 December 2020	HK$500 million
			1 January 2021 to 31 December 2021	HK$600 million
			1 January 2022 to 30 November 2022	HK$600 million

To determine the sale price for each Transaction, the Group will verify the valuation obtained from an independent third party property appraiser and will take into account the factors such as development cost, historical maintenance cost, ongoing management cost savings, terms of the Transactions and the qualifications of the purchaser. In any event, the sale price shall be no less favourable to the Group than that available to independent third party purchaser.

COHL is the controlling shareholder of each of COPL and the Company. Therefore, members of the COPL Group are connected persons of the Company and the transactions contemplated under the Framework Agreement for Car Parking Spaces constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(7) ***Financial Services Agreement***

On 1 November 2019, the Company and 中建財務有限公司 (China State Construction Finance Limited*, "**CSCF**") (a subsidiary of CSCECL) entered into the financial services framework agreement (the "**Financial Services Agreement**") for a term of three years, commencing from 1 November 2019 and ending on 31 October 2022 (both days inclusive), pursuant to which CSCF agreed to provide the Group with deposit services, loan services, bill acceptance and discount services, and other financial services (the "**Financial Services**") on a non-exclusive basis.

The principal terms of the Financial Services Agreement are as follows:

Name of Agreement	Parties	Date of Agreement	Period	Cap
Financial Services Agreement	The Company and CSCF	1 November 2019		
(i) deposit placed by the Group with CSCF				Maximum daily deposit balance (including interests accrued thereon):
			1 November 2019 to 31 October 2020	RMB7,000 million
			1 November 2020 to 31 October 2021	RMB7,000 million
			1 November 2021 to 31 October 2022	RMB7,000 million
(ii) bill acceptance and discount services handled by CSCF for the Group				Maximum aggregate transaction amount:
			1 November 2019 to 31 October 2020	RMB5,000 million
			1 November 2020 to 31 October 2021	RMB5,000 million
			1 November 2021 to 31 October 2022	RMB5,000 million

The interest rate applicable to the Group for its deposits with CSCF should be the higher of: (i) the highest interest rate for the same type of deposits quoted by other major commercial banks in PRC (reference shall be made to rates from at least three such banks); and (ii) the interest rate provided by CSCF.

* *English translation for identification purpose only*

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

B. Continuing Connected Transactions *(continued)*

(7) ***Financial Services Agreement*** *(continued)*

The terms of loans provided to the Group by CSCF shall be no less favourable than the terms of the same type of loans provided by independent third party commercial banks which have existing cooperative relationships with the Group. The interest rate applicable to the Group for its loans to be granted by CSCF shall be the lower of: (i) the lowest interest rate among the interest rates of the same type of loans quoted by other major commercial banks in the PRC (reference shall be made to rates from at least three such banks are referred to); and (ii) the interest rate provided by CSCF.

The discount amount for bill acceptance and discount services shall be calculated by reference to the same rate as the interest rate applicable to the Group for its loans granted by CSCF.

In addition, as no security over the assets of the Group is granted to CSCF in respect of the loan services, and other financial services are for free, these services to be provided by CSCF to the Group under the Financial Services Agreement will be exempted from all reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, details of which are set out in the announcement dated 1 November 2019 (the "**Announcement**").

The Group has adopted a number of capital risk control measures and internal control policies and procedures as set out in the Announcement to ensure that adequate measures are taken to manage the risks involved in depositing funds with CSCF, and the terms of the relevant transactions are fair comparing to financial services provided by independent parties other than CSCF.

CSCECL is the intermediate holding company of the Company. Accordingly, CSCF is a connected person of the Company and the transactions in relation to the deposit services, bill acceptance and discount services contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of Directors (continued)

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP *(continued)*

Annual review and confirmation regarding continuing connected transaction in accordance with Rule 14A.55 and 14A.56 of the Listing Rules

The independent non-executive Directors conducted annual review on the continuing connected transactions mentioned in this section and confirmed that those transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company also engaged auditor to report on the Group's continuing connected transactions mentioned in this section in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter and confirmed that nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions mentioned in this section:

a. have not been approved by the Board;

b. were not, in all material respects, in accordance with the relevant agreements governing such transactions;

c. were not, in all material aspects, in accordance with the pricing policies of the Group in respect of the transactions set out in paragraph B(6) above; and

d. nothing has come to the attention of the auditor of the Company that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange 10 business days before bulk print of the report in pursuance of Rule 14A.57 of the Listing Rules.

The continuing connected transactions mentioned in this section also constitute related party transaction under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year were disclosed in note 41 to the financial statements. Transactions under "Fellow subsidiaries" section of item (a) therein also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

Report of Directors (continued)

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year 2019 in which the Directors or an entity connected with him/her is or was materially interested, either directly or indirectly.

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transactions set out in paragraphs A, B(2), B(3) and B(7) of the section headed "Connected Transactions Entered Into By The Group" above are considered contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

EMOLUMENT POLICY, BASIS OF DETERMINING EMOLUMENT TO DIRECTORS AND RETIREMENT BENEFIT SCHEME

Subject to the compliance with relevant rules and regulations, the Company implements an emolument and benefit system comprised of basic salary, incentive bonus and employee benefits. The emolument and employee benefits are reviewed at appropriate time, with reference to both the annual survey on the industry's remuneration level and the Company's operating performance. The emoluments of the Directors are determined by reference to the industry's remuneration level, the Company's operating performance and the respective responsibilities and performances of the Directors. Under the arrangement of the Company's ultimate controlling shareholder, certain Directors and core employees are holding A-shares Restricted Stock Incentive Plan (Phase II) of China State Construction Engineering Corporation Limited ("**CSCECL**"); to further incent the core talents, to actualize sound and fast development of the Company, the Company set up a "688 share option incentive scheme" in 2018. The information of the scheme is set out separately in note 31 to the financial statement of the Company and the Report of Directors.

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. With effect from 1 January 2018, Employer Voluntary Contributions are made, under specific criteria set in the company policy, as a part of the employee benefits program. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately RMB155,948,000. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Report of Directors (continued)

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's long-term strategy includes a sustainable approach to the environment. The Group will establish in April 2020 an overarching Group environmental policy. The Group actively integrates environmental considerations throughout the life-cycle of property development and investment by implementing various management systems and initiatives. These include, but are not limited to, technical manual on green building design, guidelines on construction process evaluation and energy management system for commercial properties.

To better understand the Group's carbon footprint, the Group has commissioned an external consultancy to quantify the greenhouse gases emissions from its operations through carbon assessment. To further mitigate our carbon emission, this year the Group launched an energy information platform in seven commercial projects. It monitors and analyses real-time energy consumption of facilities and equipments, which facilitates precise evaluation of our energy-saving performance and the development of further reduction initiatives.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's major business is property investment and development in PRC, which is heavily regulated. The laws and regulations relating to the Group's operations cover these aspects:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilizing property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

During 2019, there was no reported incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

Report of Directors (continued)

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS *(continued)*

To ensure compliance with relevant environmental laws and regulations that have a significant impact on the Group, the Group does not only review and monitor its own operations that mainly consist of office work, but also emphasizes on managing its contractors' compliance. Highlights of the Group's compliance measures during the reporting period are outlined in the following table.

Primary laws/regulations	Concerning issues	Compliance measures
• Environmental Impact Assessment Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects	Construction work commencement permit	Environmental impact assessment was undertaken to ensure that all new projects of the Group undergo a comprehensive review before they are constructed.
• Environmental Protection Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Construction Projects • Administrative Regulations on Environmental Protection for Acceptance Examination upon Completion of Buildings • Technical Guidelines of Environmental Protection Inspections for Completed Construction Projects – Pollution Impacts Category • Prevention and Control of Noise Pollution Law of the People's Republic of China • Water Pollution Prevention and Control Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Protection of the environment and preservation of antiquities and monuments	The Group has established a quality assessment system to regulate the construction work process. The Group has appointed a third-party supervision unit to provide construction supervision services for its property development projects in mainland China. The Group obtained environmental protection acceptance and inspection approvals for all projects.

There is a growing global awareness of sustainability issues and an increased focus on the supervision and regulation of the property investment and development industry. In addition, the Group is expected to meet public expectations in relation to environmental and social matters, which are sometimes more stringent than the requirements of the prevailing laws and regulations. The Group will take a more proactive response approach to ensure that the entire organisation acts in a consistent and strong manner when it comes to compliance and social licence to operate.

Report of Directors (continued)

RELATIONSHIPS WITH THE KEY STAKEHOLDERS

Employees

The Group's employees are located across a number of cities and office locations in PRC. The Group's human resources management strategy focuses on two areas:

- Personal development
- Equal opportunity

The Group maintains and strengthens its core competencies through continuous investment in training and development and maintaining workforce diversity. The number of training hours in 2019 is 452,038 hours.

The property development sector is one of the most male dominated sectors. In terms of gender distribution, the ratio of male to female staff was approximately 2.55:1 (2018: 2.4:1). The Group will continue to monitor diversity indicators and work on encouraging female participation in the industry.

Customers

The Group builds its brand by offering customer-oriented products and services to customers. With a business focus on the 43 cities in mainland China, the Group develops various types of properties tailored for different customers targeting at the middle to high-end product ranges in different regions.

To better understand the customers, the Group has been conducting customer satisfaction surveys on a regular basis. An exclusive home owners club has been established, serving as a critical communication channel between the Group and its customers and a driving force of the Company's community volunteering work.

The Group will continue to broaden the range of property products, optimize the project development cycle, enhance the quality of the properties and perfect the customer services, in response to and even exceed the increasing expectations of the customers.

Suppliers

The Group's suppliers spread across mainland China. Most of them are engineering suppliers, offering key materials, equipments and services for the Group's property development projects. As a quality driven national brand, the Group works closely with its suppliers.

Through supplier screening, assessment, annual evaluation and other management systems and regular communication, the Group strives to ensure that suppliers share its belief in high quality and a corporate culture of integrity.

Contractors

The Group outsources the construction work of its property development projects to contractors. The Group maintains long-term cooperative relationships with contractors to ensure strong execution capabilities with standardized and scalable property development procedures.

The Group has placed and will continue to place significant emphasis on quality control, environmental protection, health and safety over its project development. Through implementing an integrated assessment, the Group works collectively with contractors on ensuring quality control, environmental protection as well as health and safety in property development projects.

Details of the above will be disclosed in the Group's Environmental, Social and Governance Report to be published by July 2020.

Report of Directors (continued)

PUBLIC FLOAT

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

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately RMB494,000.

AUDIT AND RISK MANAGEMENT COMMITTEE

One of the principal duties of the Audit and Risk Management Committee is to review the Group's financial reporting requirements and system, and risk management and internal control systems. The members of the Audit and Risk Management Committee have been satisfied with the Company's financial reporting disclosures and system, and risk management and internal control procedures.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 96 to 110 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, every Director, former Director, other officer or other former officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto provided that such articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

Report of Directors (continued)

CHANGES IN DIRECTORS' INFORMATION

Subsequent to publication of the interim report of the Company for the six months ended 30 June 2019, the changes in Directors' information are set out below:

(i) Mr. Li Man Bun, Brian David has been appointed as vice chairman of the executive committee of St. James' Settlement in November 2019.

(ii) The annual remuneration of Mr. Yan Jianguo, but excluding discretionary bonus, was adjusted to approximately HK$5,500,000 per annum, with effect from 1 February 2020. He was appointed as chairman of COHL with effect from November 2019 and ceased as the Chief Executive Officer of the Company with effect from 11 February 2020.

(iii) Mr. Luo Liang has been appointed as Vice Chairman of the Company with effect from 11 February 2020. Details of the appointment please refer to the announcement of the Company dated 7 February 2020.

(iv) Mr. Zhuang Yong has been appointed as Vice Chairman and Non-Executive Director of the Company with effect from 11 February 2020. Details of the appointment please refer to the announcement of the Company dated 7 February 2020. In addition, he ceased to receive any director's emolument with effect from 1 March 2020.

(v) Mr. Zhang Zhichao has been appointed as Executive Director and Chief Executive Officer of the Company with effect from 11 February 2020. Details of the appointment please refer to the announcement of the Company dated 7 February 2020.

(vi) In March 2020, Mr. Chang Ying decided to waive his director's emoluments during his term of office as Non-Executive Director of the Company (i.e. from 15 September 2016 up to 31 December 2019), with a total amount of HK$988,524. He ceased to receive any director's emolument with effect from 1 January 2020.

Save for the above changes in Directors' information, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The updated biographical details of Directors and senior management are set out in the section headed "Directors and Organisation" in this annual report.

AUDITOR

PricewaterhouseCoopers ("**PwC**") has acted as auditor of the Company since year 2012.

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PwC who will retire as auditor of the Company upon expiration of its term of office at the forthcoming annual general meeting of the Company.

On behalf of the Board

Yan Jianguo
Chairman and Executive Director

Hong Kong, 26 March 2020

Independent Auditor's Report

pwc 羅兵咸永道

TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 147 to 238, which comprise:

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

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

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Independent Auditor's Report (continued)

KEY AUDIT MATTERS

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

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

- Valuation of investment properties; and
- Recoverability of property portfolio held by the Group and its unlisted associates and joint ventures.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 16 to the consolidated financial statements*	
The Group's investment properties amounted to RMB114,021 million as at 31 December 2019 and a fair value gain of RMB10,002 million was accounted for under "gain arising from changes in fair value of investment properties" in the consolidated income statement. Management engaged independent valuers to determine the valuation of the Group's investment properties. There are significant judgments and estimates involved in the valuation which mainly include: • Completed investment properties: The valuation was arrived at using investment approach by considering the capitalised income derived from the existing tenancies and the reversionary potential, including reversionary yields and prevailing market rents, of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. • Investment properties under construction: The valuation was arrived at using residual method by making reference to estimated selling prices as available in the relevant market. The estimated cost to complete the development and estimated developer's profit as at the date of valuation were also taken into account. The existence of significant judgments and estimates of the assumptions involved in the property valuations warrants specific audit focus and attention on this area.	Our procedures in relation to the valuation of investment properties included: • Assessing the competence, capability and objectivity of the valuers and discussing the scope of their work; • Assessing the methodologies used by the valuers and, on a sample basis, the appropriateness of the key assumptions, based on our knowledge of the property industry, research evidence of reversionary yields, prevailing market rents and estimated selling prices with reference to comparable market transactions for similar properties, and comparing the estimated developer's profit to historical records, focusing in particular on material properties where the growth in capital values was significantly higher or lower than our expectations based on available market information; and • Testing, on a sample basis, the data used in the valuation of properties, including rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and contractors respectively. Based on the audit procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available and comparable evidence.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of property portfolio held by the Group and its unlisted associates and joint ventures *Refer to notes 4(b) and 4(c) to the consolidated financial statements*	
As at 31 December 2019, the total carrying values of the Group's stock of properties and net investments in unlisted associates and joint ventures undertaking property development projects (representing interests in and amounts due from these companies) were RMB428,056 million. Management assesses the recoverability of property portfolio held by the Group's subsidiaries, unlisted associates and joint ventures, based on estimates of the net realisable values of the stock of properties held by the Group's subsidiaries, unlisted associates and joint ventures. This involves estimation of, inter-alia, construction costs to be incurred to complete the properties under development based on existing plans, and a forecast of future sales based on current market price of properties of comparable locations and conditions. Management concluded that no significant provision for impairment is necessary for the stock of properties held by the Group's subsidiaries, unlisted associates and joint ventures. If the estimated net realisable values of the stock of properties are significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material provision for impairment losses may result. Accordingly, the existence of significant estimation uncertainty warrants specific audit focus and attention on this area.	Our procedures in relation to management's recoverability assessment included: **For the stock of properties held by the Group** • Obtaining an understanding, evaluating and testing, on a sample basis, the key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions; • Understanding management's assessment, with reference to the appropriate supporting evidence, on the impairment of stock of properties which had relatively lower gross profit margins, within the general property development and sales cycle; and • For significant stock of properties which had relatively lower gross profit margins, assessing the reasonableness of key assumptions adopted by management. For the forecast of future sales, we checked, on a sample basis, contracted sales price of the underlying properties and recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to supporting documentations, e.g. construction contracts and other documentations.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of property portfolio held by the Group and its unlisted associates and joint ventures *Refer to notes 4(b) and 4(c) to the consolidated financial statements*	
	For the stock of properties held by the Group's significant unlisted associates and joint ventures • With reference to the appropriate supporting evidence, understanding the impairment assessment of stock of properties held by the Group's unlisted associates and joint ventures performed by the Group's management, with their principal focus on stock of properties which had relatively lower gross profit margins; and • For stock of properties held by the Group's significant unlisted associates and joint ventures which had relatively lower gross profit margins, assessing the reasonableness of key assumptions adopted by the Group's assessment on the impairment of the stock of properties. For the forecast of future sales, we checked, on a sample basis, recent market transaction prices of properties with comparable locations and conditions, where applicable. For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs to supporting documentations, or when necessary, based on our knowledge of the property industry and research evidence. We found the key assumptions in the recoverability assessment were supportable in light of available and comparable internal and other market evidence.

OTHER INFORMATION

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

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

Independent Auditor's Report (continued)

OTHER INFORMATION *(continued)*

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit and Risk Management Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 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 judgment 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.

Independent Auditor's Report (continued)

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

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

From the matters communicated with the Audit and Risk Management 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 Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	7	**163,650,953**	144,027,289
Direct operating costs		**(108,570,841)**	(89,592,363)
		55,080,112	54,434,926
Other income and gains, net	9	**2,637,890**	927,630
Gain arising from changes in fair value of investment properties	16	**10,002,062**	8,746,558
Selling and distribution expenses		**(2,646,272)**	(2,202,270)
Administrative expenses		**(2,729,592)**	(2,491,934)
Operating profit		**62,344,200**	59,414,910
Share of profits of			
Associates		**2,254,638**	1,854,405
Joint ventures		**1,112,179**	1,020,061
Finance costs	10	**(759,297)**	(1,331,912)
Profit before tax		**64,951,720**	60,957,464
Income tax expenses	11	**(22,204,315)**	(21,727,807)
Profit for the year	12	**42,747,405**	39,229,657
Attributable to:			
Owners of the Company		**41,618,313**	37,716,257
Non-controlling interests		**1,129,092**	1,513,400
		42,747,405	39,229,657
		RMB	*RMB* (Restated)
EARNINGS PER SHARE			
Basic and diluted	14	**3.80**	3.44

The notes on pages 156 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (Restated)
Profit for the year	**42,747,405**	39,229,657
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Changes in fair value of investments in syndicated property project companies	–	(14,473)
	–	(14,473)
Items that may be reclassified to profit or loss		
Exchange differences on translation of subsidiaries of the Company	**167,004**	1,396,033
Exchange differences on translation of associates	**(124,338)**	(140,480)
	42,666	1,255,553
Other comprehensive income for the year	**42,666**	1,241,080
Total comprehensive income for the year	**42,790,071**	40,470,737
Total comprehensive income attributable to:		
Owners of the Company	**41,659,941**	38,956,692
Non-controlling interests	**1,130,130**	1,514,045
	42,790,071	40,470,737

The notes on pages 156 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current Assets				
Investment properties	16	**114,020,656**	97,516,027	80,823,233
Property, plant and equipment	2,17	**4,019,414**	3,204,320	3,235,005
Prepaid lease payments for land	2,18	**–**	464,632	477,922
Interests in associates	19	**12,430,239**	11,404,846	7,000,331
Interests in joint ventures	20	**23,876,179**	11,915,982	10,296,208
Amounts due from associates	21	**1,103,456**	4,309,058	7,444,927
Amounts due from joint ventures	21	**–**	4,004,362	5,471,919
Other receivables		**433,142**	339,170	492,334
Goodwill	35	**56,395**	56,395	56,395
Deferred tax assets	34	**7,324,745**	5,146,843	3,798,188
		163,264,226	138,361,635	119,096,462
Current Assets				
Stock of properties and other inventories	22	**390,982,478**	334,665,221	292,288,896
Land development expenditure	23	**18,046,053**	25,097,556	20,173,929
Prepaid lease payments for land	2,18	**–**	13,450	13,609
Trade and other receivables	24	**10,931,518**	9,723,082	8,282,173
Contract assets	28	**1,753,993**	1,303,204	525,944
Deposits and prepayments		**9,215,418**	8,301,458	6,033,395
Deposits for land use rights for property development		**14,026,891**	9,057,116	1,980,500
Amounts due from fellow subsidiaries	25	**49,680**	328,225	295,663
Amounts due from associates	25	**4,334,368**	6,770,454	4,572,218
Amounts due from joint ventures	25	**7,068,451**	6,479,936	2,477,984
Amounts due from non-controlling shareholders	25	**1,059,962**	1,209,715	605,015
Amounts due from CITIC Group		**–**	–	164,298
Tax prepaid		**7,715,181**	4,751,303	3,599,016
Bank balances and cash	26	**95,447,568**	87,885,381	86,362,010
		560,631,561	495,586,101	427,374,650

Consolidated Statement of Financial Position (continued)

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Current Liabilities				
Trade and other payables	27	**65,812,031**	55,446,788	44,279,588
Pre-sales proceeds	28	**97,939,167**	81,268,058	84,358,462
Amounts due to fellow subsidiaries and a related company	29	**2,556,926**	854,770	628,305
Amounts due to associates	29	**727,421**	1,632,186	1,683,950
Amounts due to joint ventures	29	**6,980,871**	7,830,812	4,503,274
Amounts due to non-controlling shareholders	30	**13,409,714**	13,216,209	4,194,134
Lease liabilities – due within one year	2,36	**72,040**	–	–
Tax liabilities		**38,671,775**	30,485,758	20,885,105
Bank and other borrowings – due within one year	32	**23,217,153**	12,784,000	11,059,397
Notes payable – due within one year	33	**8,861,117**	14,226,427	14,192,354
		258,248,215	217,745,008	185,784,569
Net Current Assets		**302,383,346**	277,841,093	241,590,081
Total Assets Less Current Liabilities		**465,647,572**	416,202,728	360,686,543
Capital and Reserves				
Share capital	31	**74,033,624**	74,033,624	74,033,624
Reserves		**206,570,068**	173,728,830	142,483,734
Equity attributable to owners of the Company		**280,603,692**	247,762,454	216,517,358
Non-controlling interests		**8,540,933**	8,849,400	6,387,953
Total Equity		**289,144,625**	256,611,854	222,905,311
Non-current Liabilities				
Bank and other borrowings – due after one year	32	**99,050,354**	87,840,629	74,912,576
Notes payable – due after one year	33	**58,835,801**	56,408,350	47,773,575
Amounts due to non-controlling shareholders	30	**2,293,675**	1,759,365	3,153,835
Lease liabilities – due after one year	2,36	**136,267**	–	–
Deferred tax liabilities	34	**16,186,850**	13,582,530	11,941,246
		176,502,947	159,590,874	137,781,232
		465,647,572	416,202,728	360,686,543

The financial statements on pages 147 to 238 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf by:

Yan Jianguo
DIRECTOR

Luo Liang
DIRECTOR

The notes on pages 156 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital *RMB'000* (Restated)	Other property revaluation reserve *RMB'000* (Restated)	Investment revaluation reserve *RMB'000* (Restated)	Translation reserve *RMB'000* (Restated)	Merger and other reserves *RMB'000* (Restated)	PRC statutory reserve *RMB'000* (Restated) *(Note)*	Retained profits *RMB'000* (Restated)	Total *RMB'000* (Restated)	Non-controlling interests *RMB'000* (Restated)	Total *RMB'000* (Restated)
At 1 January 2018	74,033,624	285,446	21,413	(535,870)	(12,261,185)	8,230,774	146,743,156	216,517,358	6,387,953	222,905,311
Profit for the year	–	–	–	–	–	–	37,716,257	37,716,257	1,513,400	39,229,657
Exchange differences on translation of subsidiaries of the Company	–	–	–	1,395,388	–	–	–	1,395,388	645	1,396,033
Exchange differences on translation of associates	–	–	–	(140,480)	–	–	–	(140,480)	–	(140,480)
Changes in fair value of investments in syndicated property project companies	–	–	(14,473)	–	–	–	–	(14,473)	–	(14,473)
Total comprehensive income for the year	–	–	(14,473)	1,254,908	–	–	37,716,257	38,956,692	1,514,045	40,470,737
2017 final dividend paid	–	–	–	–	–	–	(4,141,444)	(4,141,444)	–	(4,141,444)
2018 interim dividend paid	–	–	–	–	–	–	(3,681,284)	(3,681,284)	–	(3,681,284)
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	–	(113,199)	(113,199)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	1,976,630	1,976,630
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(916,029)	(916,029)
Equity settled share-based transactions *(Note 31)*	–	–	–	–	105,258	–	–	105,258	–	105,258
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 31)*	–	–	–	–	5,874	–	–	5,874	–	5,874
Disposal of investments in syndicated property project companies	–	–	(6,940)	–	–	–	6,940	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	1,136,552	(1,136,552)	–	–	–
At 31 December 2018	74,033,624	285,446	–	719,038	(12,150,053)	9,367,326	175,507,073	247,762,454	8,849,400	256,611,854

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital *RMB'000*	Other property revaluation reserve *RMB'000*	Translation reserve *RMB'000*	Merger and other reserves *RMB'000*	PRC statutory reserve *RMB'000* *(Note)*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2019	74,033,624	285,446	719,038	(12,150,053)	9,367,326	175,507,073	247,762,454	8,849,400	256,611,854
Profit for the year	–	–	–	–	–	41,618,313	41,618,313	1,129,092	42,747,405
Exchange differences on translation of subsidiaries of the Company	–	–	165,966	–	–	–	165,966	1,038	167,004
Exchange differences on translation of associates	–	–	(124,338)	–	–	–	(124,338)	–	(124,338)
Total comprehensive income for the year	–	–	41,628	–	–	41,618,313	41,659,941	1,130,130	42,790,071
2018 final dividend paid	–	–	–	–	–	(4,771,426)	(4,771,426)	–	(4,771,426)
2019 interim dividend paid	–	–	–	–	–	(4,294,283)	(4,294,283)	–	(4,294,283)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	347,421	347,421
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(509,436)	(509,436)
Equity settled share-based transactions *(Note 31)*	–	–	–	214,177	–	–	214,177	–	214,177
Capital contribution relating to share-based payments borne by an intermediate holding company *(Note 31)*	–	–	–	5,870	–	–	5,870	–	5,870
Acquisition of additional interest in a subsidiary	–	–	–	–	–	26,959	26,959	(222,472)	(195,513)
Return of capital to non-controlling shareholders	–	–	–	–	–	–	–	(1,054,110)	(1,054,110)
Transfer to PRC statutory reserve	–	–	–	–	902,196	(902,196)	–	–	–
At 31 December 2019	74,033,624	285,446	760,666	(11,930,006)	10,269,522	207,184,440	280,603,692	8,540,933	289,144,625

Note: *PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant People's Republic of China ("PRC") regulations.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**64,951,720**	60,957,464
Adjustments for:		
Share of profits of associates	**(2,254,638)**	(1,854,405)
Share of profits of joint ventures	**(1,112,179)**	(1,020,061)
Finance costs	**759,297**	1,331,912
Depreciation and amortisation	**236,255**	182,934
Interest income	**(1,597,029)**	(1,514,008)
Gain arising from changes in fair value of investment properties	**(10,002,062)**	(8,746,558)
Gain on disposal of investment properties	**(234,587)**	(19,543)
Gain on disposal of property, plant and equipment	**(6,502)**	(18,165)
Equity settled share-based payment expenses	**220,047**	111,132
Gain on disposal of associates and joint ventures	**(59,569)**	(1,745)
Effect of foreign exchange rate changes	**(173,329)**	1,443,236
Operating cash flows before movements in working capital	**50,727,424**	50,852,193
Increase in stock of properties and other inventories	**(51,638,084)**	(35,402,691)
Decrease/(increase) in land development expenditure	**7,051,503**	(4,923,627)
Increase in trade and other receivables, deposits and prepayments	**(2,492,313)**	(3,311,556)
Increase in contract assets	**(449,149)**	(1,044,021)
Increase in deposits for land use rights for property development	**(4,969,775)**	(7,076,616)
Decrease/(increase) in restricted bank deposits	**1,336,300**	(79,149)
Increase in trade and other payables and pre-sales proceeds	**26,822,455**	7,353,504
Cash generated from operations	**26,388,361**	6,368,037
Income taxes paid	**(16,478,824)**	(13,164,943)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**9,909,537**	(6,796,906)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000* (Restated)
INVESTING ACTIVITIES		
Interest received	**1,730,016**	1,355,633
Dividends received from associates	**1,160,259**	609,766
Dividends received from joint ventures	**849,345**	69,841
Purchase of property, plant and equipment	**(124,691)**	(114,617)
Additions of investment properties	**(6,014,032)**	(4,104,190)
Decrease/(increase) in amounts due from fellow subsidiaries	**278,545**	(32,559)
Repayment from CITIC Group	**–**	164,298
Advances to associates	**(15,242)**	(4,501,383)
Repayment from associates	**5,730,633**	5,821,510
Advances to joint ventures	**(58,102)**	(3,579,214)
Repayment from joint ventures	**2,171,190**	1,617,489
Advances to non-controlling shareholders	**(215,800)**	(604,699)
Repayment from non-controlling shareholders	**268,702**	–
Capital contributions to associates	**(86,866)**	(3,287,604)
Capital distributions from an associate	**–**	133,866
Capital contributions to joint ventures	**(9,895,155)**	(810,470)
Net proceeds on disposal of property, plant and equipment	**40,314**	47,575
Net proceeds on disposal of investment properties	**1,355,783**	137,983
Net proceeds on disposal of associates and joint ventures	**226,106**	97,214
NET CASH USED IN INVESTING ACTIVITIES	**(2,598,995)**	(6,979,561)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000 (Restated)
FINANCING ACTIVITIES			
Interest paid		**(7,823,429)**	(7,309,924)
Other finance costs paid		**(352,015)**	(188,117)
Dividends paid to owners of the Company		**(9,065,709)**	(7,822,728)
Dividends paid to non-controlling shareholders		**(654,170)**	(861,011)
New bank and other borrowings raised		**50,334,281**	23,148,099
Repayment of bank and other borrowings		**(27,987,850)**	(10,232,484)
Issue of notes		**10,708,172**	16,328,000
Redemption of notes		**(13,745,829)**	(9,837,670)
Advances from fellow subsidiaries and a related company		**2,138,309**	185,643
Repayment to a fellow subsidiary		**(533,780)**	–
Contributions from non-controlling shareholders		**347,421**	1,976,630
Return of capital to non-controlling shareholders		**–**	(113,199)
Advances from associates		**27,234**	561,619
Repayment to associates		**(931,999)**	(947,121)
Advances from joint ventures		**1,345,858**	3,596,645
Repayment to joint ventures		**(2,215,087)**	(398,553)
Advances from non-controlling shareholders		**1,961,408**	6,977,582
Repayment to non-controlling shareholders		**(2,002,206)**	(634,468)
Principal element of lease payments		**(69,904)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**1,480,705**	14,428,943
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,791,247**	652,476
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**83,996,069**	82,551,847
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**107,240**	791,746
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**92,894,556**	83,996,069
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**95,447,568**	87,885,381
Less: restricted bank deposits	26	**(2,553,012)**	(3,889,312)
		92,894,556	83,996,069

The notes on pages 156 to 238 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's immediate parent company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC and the PRC government is a substantial shareholder of CSCEC. The registered office and principal place of business of the Company are situated at 10/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shenzhen, Shanghai, Beijing, Tianjin, Jinan, Nanjing, Suzhou, Chengdu, Shenyang and other regions in the PRC.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, and other operations.

The Company's functional currency is Renminbi ("RMB"). The presentation currency of the Group's consolidated financial statements in the prior financial year was Hong Kong dollars ("HK$").

The Group has changed its presentation currency from HK$ to RMB for the preparation of the Group's consolidated financial statements since 2019. Having considered the principal activities of the Group such as property development and property investment are mainly conducted in the PRC and the functional currency of subsidiaries with operation in the PRC are denominated in RMB, the directors of the Company consider that the change would result in a more appropriate presentation of the Group's transactions in the financial statements. The Group has applied the change in presentation currency retrospectively and comparative figures have been translated from HK$ to RMB. As the functional currencies of the Company and its subsidiaries remain unchanged, the change of presentation currency and restatement of the comparative figures from HK$ to RMB have had no material impact on the Group's consolidated financial statements.

For the purpose of presenting the Group's consolidated financial statements in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the consolidated income statement and consolidated statement of comprehensive income are translated at the average exchange rates for the financial period. The share capital and reserves are translated at the exchange rate at the date of transaction.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards or amendments to HKFRSs issued by the HKICPA which are relevant to the Group:

HKFRS 16	*Leases*
Annual Improvements Project	*Annual Improvements 2015–2017 Cycle (amendments)*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to Hong Kong Accounting Standard ("HKAS") 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*

Except for the adoption of HKFRS 16, the application of the above new and revised standards or amendments has had no material impact on the Group's results and financial position.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16, *Leases*

The Group has adopted HKFRS 16, *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 3(b).

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. Right-of-use assets for leases were measured at the amount equal to the lease liabilities, and were included in "Property, Plant and Equipment" in the consolidated statement of financial position. Prepaid lease payments for land of the Group were reclassified to right-of-use assets as included in "Property, Plant and Equipment" in the consolidated statement of financial position. After the initial recognition of right-of-use assets and lease liabilities at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

(a) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts at 1 January 2019

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Measurement of lease liabilities

	RMB'000 (Restated)
Operating lease commitments disclosed at 31 December 2018	69,662
Discounted using the lessee's incremental borrowing rate of 4.30% at the date of initial application	(3,737)
Lease liabilities recognised at 1 January 2019	65,925
Of which are:	
Current lease liabilities	43,900
Non-current lease liabilities	22,025
	65,925

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

(d) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The effects of the adoption of HKFRS 16 on the consolidated statement of financial position are extracted as follows:

	31 December 2018 *RMB'000* (Restated)	HKFRS 16 *RMB'000*	1 January 2019 *RMB'000*
Consolidated statement of financial position (extract)			
Non-current assets			
Property, plant and equipment	3,204,320	544,007	3,748,327
Prepaid lease payments for land	464,632	(464,632)	–
Current assets			
Prepaid lease payments for land	13,450	(13,450)	–
Non-current liabilities			
Lease liabilities – due after one year	–	(22,025)	(22,025)
Current liabilities			
Lease liabilities – due within one year	–	(43,900)	(43,900)

There was no impact on retained profits and total equity.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The following new standards, amendments, interpretation and improvements to existing standards, that are relevant to the Group's operation, have been issued but not yet effective for the financial year beginning on 1 January 2019 and have not been early adopted:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Conceptual Framework for Financial Reporting 2018[1]	
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *Effective date to be determined*

The Group has already commenced an assessment of the impact of the new and revised standards or amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure, recognition and remeasurement of certain items in the consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance (Cap. 622).

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

Certain comparative information has been reclassified to conform with current year's presentation.

(b) Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Except for business combination under common control, subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*
Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests
Total comprehensive income of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations – common control combinations
The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations – common control combinations (continued)

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

Business combinations – acquisition method

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

1. deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, *Income Taxes* and HKAS 19, *Employee Benefits respectively*;

2. liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2, *Share-based Payment at the acquisition date* (see the accounting policy below); and

3. assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, *Non-current Assets Held for Sale* and *Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

Business combinations – acquisition method (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9, *Financial Instruments*, or HKAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Separate Financial Statements
Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Cost includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

Interests in Associates and Joint Ventures
An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36, *Impairment of Assets as a single asset by comparing its recoverable amount* (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Interests in Associates and Joint Ventures *(continued)*
Upon disposal of an associate or a joint venture that results in the Group losing significant influence or joint control over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture.

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

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. When the Group disposes a business to its associate or joint venture, the entire gain or loss on disposal is recognised in profit or loss as a loss of control of a business.

Accounting policies of associates and joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management, who is responsible for resource allocation and assessment of performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Investment Properties
Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land use right held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from stock of properties to investment properties (which is evidenced by commencement of operating leases) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Accounting policies applied since 1 January 2019

As explained in Note 2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Notes 2, 17 and 36.

From 1 January 2019, leases are recognised as right-of-use assets initially measured on a present value basis at the date at which the leased asset is available for use by the Group. These are presented within "Property, plant and equipment" in the consolidated statement of financial position.

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Assets in the course of construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Accounting policies applied until 31 December 2018

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Property, Plant and Equipment *(continued)*

Accounting policies applied until 31 December 2018 (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

In relation to leasehold land & building, when a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "Prepaid lease payments for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Impairment Losses on Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets

Classification

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

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

- those to be measured at amortised cost.

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

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

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Measurement

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, which include trade and other receivables, amounts due from subsidiaries, fellow subsidiaries, associates, joint ventures and non-controlling shareholders and bank balances. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

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

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

Equity instruments

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

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

Impairment

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Assets *(continued)*

Impairment (continued)

Impairment on financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the proceeds receivables are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

Financial Liabilities and Equity Instruments

Financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to associates, joint ventures, non-controlling shareholders, subsidiaries and fellow subsidiaries, bank and other borrowings and notes payable) are measured at amortised cost, using the effective interest method.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Financial Liabilities and Equity Instruments *(continued)*

Derecognition

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group or the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group or the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with the expected credit loss model under HKFRS 9, Financial Instruments; and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the revenue recognition policy in profit or loss.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the Group's subsidiaries had borrowed funds in their functional currencies, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing

Accounting policies applied since 1 January 2019

As explained in Note 2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Notes 2 and 36.

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*
Accounting policies applied since 1 January 2019 (continued)
To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

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

Lease income from operating leases (presented as rental income within “Revenue” in the consolidated income statement) where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Leasing *(continued)*
Accounting policies applied until 31 December 2018
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The Group as Lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as Lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Employee Benefits

(i) *Retirement Benefits*

The Group participates in mandatory provident fund schemes in Hong Kong which are defined contribution plan generally funded through payments to trustee-administered funds. The assets of the scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in mainland China, the subsidiaries in mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of mainland China is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

(ii) *Employee Leave Entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Employee Benefits *(continued)*

(iii) Share-based Payments

Incentive Shares Granted by Group's Holding Entities

Incentive shares granted by an intermediate holding company to the employees of the Group are treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

Share Options Granted by the Company

The Company operates a share option scheme, under which the Group receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

At the end of each reporting period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share Capital

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Property Development

The Group determines whether the properties have alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date.

- For properties which have no alternative use to the Group and the Group has no enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied at a point in time when the customer obtains control of the property and the Group satisfies the performance obligations.

- For properties which have no alternative use to the Group and the Group has enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Proceeds received from purchasers prior to meeting the revenue recognition criteria are included in pre-sales proceeds in the consolidated statement of financial position under current liabilities.

<u>Accounting for costs incurred for obtaining a contract</u>

Costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised and recorded in contract assets.

<u>Accounting for significant financing component</u>

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Construction Service

When the outcome of a construction service contract can be estimated reliably, revenue and costs are recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

Hotel Operation and Building Design Consultancy Services

Revenue from hotel operation and building design consultancy services is recognised when services are provided.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

Property Rentals

Rental income from operating leases where the Group is a lessor is recognised as revenue on a straight-line basis over the lease term.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

For distribution of non-cash assets as a dividend to the Company's shareholders, the Group measures the dividend payable at the fair value of the assets being distributed. When the Group settles the dividend payable, the difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

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

(a) Fair Value of Investment Properties

Investment properties at 31 December 2019 are carried at their fair values of RMB114,020,656,000 (2018 restated: RMB97,516,027,000). The fair values were based on a valuation on these properties conducted by independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(b) Impairment of Property Portfolio Held by the Group's Associates and Joint Ventures

The carrying amounts of the Group's net investments in a listed associate, unlisted associates and joint ventures (representing interests in and amounts due from these companies) undertaking property development projects in the PRC and Hong Kong included in the consolidated statement of financial position at 31 December 2019 were RMB7,997,375,000 (2018 restated: RMB7,015,321,000), RMB9,408,989,000 (2018 restated: RMB14,926,988,000) and RMB27,815,104,000 (2018 restated: RMB20,370,029,000) respectively.

Management assessed the recoverability of property portfolio held by the Group's unlisted associates and joint ventures based on the judgement and estimation of the net realisable value of the stock of properties of the associates and joint ventures which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

The recoverable amount of the investment in the listed associate is evaluated based on the performance and financial position of the associate, and return on investments including the listed associate's share price performance and dividend yield.

Judgement is required in assessing the ultimate recoverability of the property portfolio held by the Group's associates and joint ventures.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

4. KEY SOURCES OF JUDGEMENT AND ESTIMATION UNCERTAINTY *(continued)*

(c) Impairment of Stock of Properties

Included in the consolidated statement of financial position at 31 December 2019 is stock of properties with an aggregate carrying amount of RMB390,832,352,000 (2018 restated: RMB334,574,849,000). Management assessed the recoverability of the amount based on the judgement and estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying stock of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

(d) Land Appreciation Tax ("LAT")

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, judgement 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 tax 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 on the tax expense and provisions for LAT in the period in which such determination is made.

(e) Revenue Recognition

Revenue from property development activities is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time depends on the terms of each contract and the relevant laws that apply to that contract. Judgement is required in such determination.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Judgements are required in the determination in these estimates, such as the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes bank and other borrowings and notes payable disclosed in Notes 32 and 33 respectively, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net gearing ratio. For this purpose the Group defines net debt as total debt less bank balances and cash. Equity attributable to owners of the Company comprise share capital and reserves attributable to the Company's owners as shown in the consolidated statement of financial position.

The net gearing ratio at the end of the reporting period were as follows:

	2019 ***RMB'000***	2018 *RMB'000* (Restated)
Bank and other borrowings	**122,267,507**	100,624,629
Notes payable	**67,696,918**	70,634,777
Total debt	**189,964,425**	171,259,406
Less: Bank balances and cash	**(95,447,568)**	(87,885,381)
Net debt	**94,516,857**	83,374,025
Equity attributable to owners of the Company	**280,603,692**	247,762,454
Net gearing ratio	**33.68%**	33.65%

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS

Details of significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

a. Categories of Financial Instruments

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**131,519,104**	121,049,384
Financial liabilities		
Liabilities at amortised cost	**279,047,459**	248,997,854

b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include bank and other borrowings, notes payable, trade and other receivables, trade and other payables, amounts due from/to affiliated companies, bank balances and cash, and lease liabilities. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank and other borrowings, amounts due to non-controlling shareholders, amounts due from associates and joint ventures, and other receivables amounting to RMB112,570,607,000 (2018 restated: RMB83,812,769,000), RMB2,189,315,000 (2018 restated: RMB3,017,915,000), RMB343,326,000 (2018 restated: RMB6,320,025,000), and RMB433,142,000 (2018 restated: Nil), respectively. The variable-rate bank and other borrowings with original maturities from one to more than ten years are for financing development of property projects. Increase in interest rates would increase interest expenses. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. Management considers the exposure to interest rate risk in relation to bank deposits is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank and other borrowings, notes payable, amounts due to associates, joint ventures, non-controlling shareholders, fellow subsidiaries and a related company, and amounts due from associates, joint ventures and non-controlling shareholders amounting to RMB9,696,900,000 (2018 restated: RMB16,811,860,000), RMB67,696,918,000 (2018 restated: RMB70,634,777,000), RMB11,202,633,000 (2018 restated: RMB8,016,290,000) and RMB2,607,168,000 (2018 restated: RMB4,888,830,000), respectively. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2018: 100) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year would decrease/increase by RMB89,376,000 (2018 restated: RMB80,567,000) after capitalising finance costs in properties under development and investment properties under construction of RMB1,050,458,000 (2018 restated: RMB721,148,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank and other borrowings, amounts due to non-controlling shareholders and amounts due from associates and joint ventures.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK$-denominated bank borrowings and notes payable, British Pound-denominated bank borrowings, and US$-denominated notes payable in aggregate account for 52.8% of the Group's interest bearing debts. Management manages its foreign currency risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market risk *(continued)*

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date, mainly attributable to amounts due from associates and joint ventures, bank balances, amounts due to non-controlling shareholders, bank and other borrowings and notes payable, are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Assets		
HK$	**290,871**	4,153,130
United States dollars ("US$")	**3,298,384**	4,071,904
British Pound ("GBP")	**469,149**	551,074
Liabilities		
HK$	**55,458,841**	32,367,664
US$	**44,123,049**	43,916,927
Euro ("EUR")	**–**	7,816,078

Currency risk sensitivity analysis

The Group mainly exposes to the currency risk of US$ and HK$. The following details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the functional currencies of group entities against US$ and HK$ respectively. 5% (2018: 5%) is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes amounts due from associates and joint ventures, bank balances, bank and other borrowings and notes payable in currencies other than the functional currencies of the group entities.

For a 5% (2018: 5%) decrease of functional currencies of group entities against US$, HK$ and all other variables were held constant, the Group's profit before tax for the year would decrease by RMB2,689,413,000 (2018 restated: RMB2,957,647,000) after increase in capitalising of exchange losses in properties under development of RMB247,800,000 (2018 restated: RMB176,229,000).

For a 5% (2018: 5%) increase of functional currencies of group entities against US$, HK$ and all other variables were held constant, the Group's profit before tax for the year would increase by RMB2,148,348,000 (2018 restated: RMB2,493,518,000) after decrease in capitalising of exchange losses in properties under development of RMB788,865,000 (2018 restated: RMB736,506,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(ii) Credit risk

At 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group are arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of financial guarantees issued by the Group as disclosed in Note 39.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

For the trade receivables arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For other receivables, amounts due from associates, joint ventures and non-controlling shareholders, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates, joint ventures and non-controlling shareholders, which are mainly engaged in property development business in Hong Kong and the PRC and their property development projects are profitable. Based on the above assessment, management considered that the expected credit loss is minimal and the directors of the Company are of the opinion that the risk of default by counterparties is low.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings and notes payable as a significant source of liquidity. At 31 December 2019, the Group maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following table analyses the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period. The undiscounted amounts are subject to changes if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

	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 undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2019						
Trade and other payables	**57,082,886**	**4,578,470**	**1,359,793**	**177,790**	**63,198,939**	**62,906,120**
Amounts due to fellow subsidiaries and a related company	**2,682,583**	**–**	**–**	**–**	**2,682,583**	**2,556,926**
Amounts due to associates	**737,037**	**–**	**–**	**–**	**737,037**	**727,421**
Amounts due to joint ventures	**7,044,438**	**–**	**–**	**–**	**7,044,438**	**6,980,871**
Amounts due to non-controlling shareholders	**13,933,885**	**2,429,313**	**–**	**–**	**16,363,198**	**15,703,389**
Lease liabilities	**73,591**	**68,418**	**79,839**	**2,840**	**224,688**	**208,307**
Bank and other borrowings	**27,126,364**	**31,621,670**	**72,898,038**	**5,418,276**	**137,064,348**	**122,267,507**
Notes payable	**9,701,502**	**9,340,547**	**33,415,682**	**34,745,716**	**87,203,447**	**67,696,918**
Financial guarantee contracts	**55,430,943**	**1,072,851**	**569,100**	**–**	**57,072,894**	**–**
	173,813,229	**49,111,269**	**108,322,452**	**40,344,622**	**371,591,572**	**279,047,459**
At 31 December 2018, as restated						
Trade and other payables	48,737,282	2,843,174	781,307	83,343	52,445,106	52,445,106
Amounts due to fellow subsidiaries	889,073	–	–	–	889,073	854,770
Amounts due to associates	1,650,243	–	–	–	1,650,243	1,632,186
Amounts due to joint ventures	7,871,939	–	–	–	7,871,939	7,830,812
Amounts due to non-controlling shareholders	13,710,530	1,881,056	–	–	15,591,586	14,975,574
Bank and other borrowings	17,104,545	34,201,641	56,724,299	4,031,480	112,061,965	100,624,629
Notes payable	15,771,312	10,623,646	32,533,549	32,611,650	91,540,157	70,634,777
Financial guarantee contracts	40,512,595	174,948	1,635,531	–	42,323,074	–
	146,247,519	49,724,465	91,674,686	36,726,473	324,373,143	248,997,854

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. FINANCIAL INSTRUMENTS *(continued)*

b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity risk *(continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if that amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subjected to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffers credit losses.

c. Fair Value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial guarantee contracts are determined using discounted cash flow models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss given the default; and

- The fair values of other financial assets and other financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the notes payable as disclosed in Note 33, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

7. REVENUE

Revenue comprises sales from property development activities, property rentals and income from other operations. An analysis of the Group's revenue for the year is as follows:

	2019 ***RMB'000***	2018 *RMB'000* (Restated)
Sales from property development activities	**159,185,960**	140,310,716
Property rentals	**3,749,542**	2,968,154
Others *(Note)*	**715,451**	748,419
Revenue	**163,650,953**	144,027,289

Note: Others mainly comprise revenue from hotel operation, provision of construction and building design consultancy services.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resources allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

Property development	–	sales from property development activities
Property investment	–	property rentals
Other operations	–	revenue from hotel operation, provision of construction and building design consultancy services

Segment Revenue and Results

The following is an analysis of the Group's revenue and results (including share of results of associates and joint ventures) by reportable segments:

Year ended 31 December 2019

	Property development *RMB'000*	Property investment *RMB'000*	Other operations *RMB'000*	Segment total *RMB'000*
Revenue from contracts with customers				
– Recognised at a point in time	131,271,260	–	–	131,271,260
– Recognised over time	27,914,700	–	715,451	28,630,151
	159,185,960	–	715,451	159,901,411
Revenue from other sources				
– Rental income	–	3,749,542	–	3,749,542
Segment revenue – External	159,185,960	3,749,542	715,451	163,650,953
Segment profit (including share of profits of associates and joint ventures)	52,200,269	12,494,576	28,061	64,722,906

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results *(continued)*

Year ended 31 December 2018

	Property development RMB'000 (Restated)	Property investment RMB'000 (Restated)	Other operations RMB'000 (Restated)	Segment total RMB'000 (Restated)
Revenue from contracts with customers				
– Recognised at a point in time	119,233,520	–	–	119,233,520
– Recognised over time	21,077,196	–	748,419	21,825,615
	140,310,716	–	748,419	141,059,135
Revenue from other sources				
– Rental income	–	2,968,154	–	2,968,154
Segment revenue – External	140,310,716	2,968,154	748,419	144,027,289
Segment profit (including share of profits of associates and joint ventures)	52,515,873	10,467,101	79,766	63,062,740

Reconciliation of reportable segment profits to the consolidated profit before tax

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment profits include profits from subsidiaries and share of profits of associates and joint ventures. This represents the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses, finance costs and net foreign exchange gains/(losses) recognised in the consolidated income statement. This is the measure reported to management of the Group for the purposes of resources allocation and performance assessment.

	2019 RMB'000	2018 RMB'000 (Restated)
Reportable segment profits	**64,722,906**	63,062,740
Unallocated items:		
Interest income on bank deposits	**1,381,607**	1,113,074
Corporate expenses	**(566,825)**	(443,202)
Finance costs	**(759,297)**	(1,331,912)
Net foreign exchange gains/(losses) recognised in the consolidated income statement	**173,329**	(1,443,236)
Consolidated profit before tax	**64,951,720**	60,957,464

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 31 December 2019

	Property development *RMB'000*	Property investment *RMB'000*	Other operations *RMB'000*	Segment total *RMB'000*
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	**510,530,496**	**114,793,141**	**3,124,582**	**628,448,219**
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	**(229,773,153)**	**(9,772,710)**	**(5,240,874)**	**(244,786,737)**

At 31 December 2018

	Property development *RMB'000* (Restated)	Property investment *RMB'000* (Restated)	Other operations *RMB'000* (Restated)	Segment total *RMB'000* (Restated)
Segment assets (including interests in and amounts due from associates and joint ventures) *(Note a)*	445,840,308	98,364,807	1,857,240	546,062,355
Segment liabilities (including amounts due to associates and joint ventures) *(Note b)*	(189,832,195)	(12,937,649)	(3,306,632)	(206,076,476)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank balances and cash; and
- all liabilities are allocated to reportable segments other than bank and other borrowings and notes payable.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	2019 **RMB'000**	2018 RMB'000 (Restated)
Reportable segment assets	**628,448,219**	546,062,355
Unallocated items:		
Bank balances and cash	**95,447,568**	87,885,381
Consolidated total assets	**723,895,787**	633,947,736
Reportable segment liabilities	**(244,786,737)**	(206,076,476)
Unallocated items:		
Bank and other borrowings	**(122,267,507)**	(100,624,629)
Notes payable	**(67,696,918)**	(70,634,777)
Consolidated total liabilities	**(434,751,162)**	(377,335,882)

Notes:

(a) *Segment assets include interests in and amounts due from associates of RMB12,430,239,000 (2018 restated: RMB11,404,846,000) and RMB5,437,824,000 (2018 restated: RMB11,079,512,000) and interests in and amounts due from joint ventures of RMB23,876,179,000 (2018 restated: RMB11,915,982,000) and RMB7,068,451,000 (2018 restated: RMB10,484,298,000) respectively.*

(b) *Segment liabilities include amounts due to associates and joint ventures of RMB727,421,000 (2018 restated: RMB1,632,186,000) and RMB6,980,871,000 (2018 restated: RMB7,830,812,000) respectively.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2019

	Property development RMB'000	Property investment RMB'000	Other operations RMB'000	Consolidated RMB'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	**204,712**	**6,045,618**	**60,243**	**6,310,573**
Gain on disposal of property, plant and equipment	**602**	**–**	**5,900**	**6,502**
Gain on disposal of investment properties	**–**	**234,587**	**–**	**234,587**
Depreciation	**118,234**	**36,282**	**81,739**	**236,255**
Gain arising from changes in fair value of investment properties	**–**	**10,002,062**	**–**	**10,002,062**
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**201,602**	**–**	**–**	**201,602**
Share of profits of associates	**2,254,638**	**–**	**–**	**2,254,638**
Share of profits of joint ventures	**1,026,606**	**85,573**	**–**	**1,112,179**

Year ended 31 December 2018

	Property development RMB'000 (Restated)	Property investment RMB'000 (Restated)	Other operations RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets *(Note)*	92,958	4,105,482	20,367	4,218,807
Gain/(loss) on disposal of property, plant and equipment	15,117	(2,925)	5,973	18,165
Gain on disposal of investment properties	–	19,543	–	19,543
Depreciation and amortisation	143,379	1,200	38,355	182,934
Gain arising from changes in fair value of investment properties	–	8,746,558	–	8,746,558
Interest income on amounts due from associates, joint ventures and non-controlling shareholders	390,348	–	–	390,348
Share of profits of associates	1,854,405	–	–	1,854,405
Share of profits of joint ventures	920,484	99,577	–	1,020,061

Note: Non-current assets exclude interests in and amounts due from associates, interests in and amounts due from joint ventures, other receivables and deferred tax assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

8. SEGMENT INFORMATION *(continued)*

Revenue from Major Products and Services

An analysis of the Group's revenue for the year from its major products and services is set out in Note 7.

Information about Geographical Areas

The Group's property development, property investment and other operations are carried out in mainland China, Hong Kong, Macau and the United Kingdom. The following table provides a geographical analysis of the Group's revenue from external customers (based on where the products and services are delivered or provided) and non-current assets (based on the location of assets).

	Revenue by geographical market		Non-current assets *(Note)*	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
PRC				
Hua Nan Region	**27,465,881**	37,057,564	**16,896,312**	14,816,580
Hua Dong Region	**43,292,781**	28,147,382	**29,471,144**	22,674,305
Hua Bei Region	**35,730,493**	26,593,389	**46,231,218**	41,295,550
Northern Region	**28,727,499**	29,614,578	**5,029,344**	2,652,545
Western Region	**26,604,255**	15,998,149	**11,252,160**	11,029,948
Hong Kong and Macau	**1,517,999**	6,281,027	**3,038,457**	2,906,605
The United Kingdom	**312,045**	335,200	**6,164,168**	5,865,841
	163,650,953	144,027,289	**118,082,803**	101,241,374

Note: *Non-current assets exclude interests in and amounts due from associates, interests in and amounts due from joint ventures, other receivables and deferred tax assets.*

Information about Major Customers

There was no customer who accounted for over 10% of the Group's revenue for both years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9. OTHER INCOME AND GAINS, NET

	2019 RMB'000	2018 RMB'000 (Restated)
Other income and gains, net include:		
Interest income on bank deposits	**1,381,607**	1,113,074
Interest income on amounts due from fellow subsidiaries, associates, joint ventures and non-controlling shareholders	**201,602**	390,348
Other interest income	**13,820**	10,586
Total interest income	**1,597,029**	1,514,008
Income from primary land development *(Note 23)*	–	350,779
Gain on disposal of investment properties	**234,587**	19,543
Gain on disposal of property, plant and equipment	**6,502**	18,165
Net foreign exchange losses	**(615,536)**	(2,405,529)
Add: Exchange losses arising from foreign currency borrowings capitalised	**788,865**	962,293
Net foreign exchange gains/(losses) recognised in the consolidated income statement	**173,329**	(1,443,236)

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Interest on bank and other borrowings and notes payable	**7,950,336**	7,228,591
Interest on amounts due to non-controlling shareholders	**810,333**	474,507
Interest on lease liabilities and other finance costs	**209,498**	155,819
Total finance costs	**8,970,167**	7,858,917
Less: Amount capitalised	**(8,210,870)**	(6,527,005)
	759,297	1,331,912

Finance costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 4.34% (2018: 4.17%) per annum to expenditure on qualifying assets including the effect of capitalisation of exchange losses (Note 9).

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000 (Restated)
Current tax:		
PRC Corporate Income Tax ("CIT")	**12,170,762**	11,434,829
LAT	**9,239,598**	9,629,734
PRC withholding income tax	**192,714**	10,689
Hong Kong profits tax	**59,891**	149,071
Macau income tax	**21,322**	228,411
Others	**2,908**	7,888
	21,687,195	21,460,622
(Over)/under-provision in prior years:		
Hong Kong profits tax	**(713)**	2,366
	(713)	2,366
Deferred tax *(Note 34)*:		
Current year	**517,833**	264,819
Total	**22,204,315**	21,727,807

Under the Law of PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of PRC subsidiaries is 25% (2018: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the prevailing tax rate of 12% (2018: 12%) in Macau.

Details of deferred tax are set out in Note 34.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. INCOME TAX EXPENSES *(continued)*

The income tax expenses for the year are reconciled to the profit before tax per the consolidated income statement as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Profit before tax	**64,951,720**	60,957,464
Tax at the applicable tax rate of 25% (2018: 25%)	**16,237,930**	15,239,366
PRC withholding income tax	**192,714**	10,689
LAT	**9,239,598**	9,629,734
Tax effect of LAT	**(2,309,899)**	(2,407,433)
Tax effect of share of results of associates and joint ventures	**(841,704)**	(718,617)
Tax effect of expenses not deductible for tax purpose	**780,850**	961,601
Tax effect of income not taxable for tax purpose	**(103,713)**	(86,186)
(Over)/under-provision in prior years	**(713)**	2,366
Tax effect of tax losses not recognised	**58,975**	378,583
Utilisation of tax losses previously not recognised	**–**	(468,994)
Recognition of previously unrecognised tax losses	**(1,043,187)**	(267,078)
Effect of different tax rates	**(57,496)**	(355,746)
Others	**50,960**	(190,478)
Income tax expenses for the year	**22,204,315**	21,727,807

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

12. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000 (Restated)
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	**10,400**	10,408
Non-audit services	**1,928**	2,221
	12,328	12,629
Depreciation and amortisation	**236,255**	182,934
Staff costs including benefits and interests of directors *(Note)*	**2,457,906**	2,421,528
Rental expenses in respect of land and buildings under operating leases	**–**	64,223
Share of tax of		
Associates	**2,100,657**	1,373,481
Joint ventures	**442,784**	847,238
Cost of stock of properties recognised as expenses	**106,507,456**	86,920,938
Cost of other inventories recognised as expenses	**624,091**	412,707
Rental income in respect of investment properties under operating leases, net of outgoings of RMB482,313,000 (2018 restated: RMB516,739,000)	**(3,267,229)**	(2,451,415)

Note: During the year ended 31 December 2019, expenses incurred in respect of the Share Option Schemes and A-shares Restricted Stock Incentive Plan (Note 31) were RMB214,177,000 and RMB5,870,000 (2018 restated: RMB105,258,000 and RMB5,874,000) respectively, which have been included in the staff costs as disclosed above.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The employees of the Group's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost for retirement schemes recognised in the consolidated income statement of RMB155,948,000 (2018 restated: RMB104,090,000), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

Contributions totaling RMB3,210,000 (2018 restated: RMB3,463,000) were payable to the schemes at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. BENEFITS AND INTERESTS OF DIRECTORS

		Year ended 31 December 2019 As director				
	Notes	Directors' fees *RMB'000*	Basic salaries, allowances and benefits-in-kind *(Note (iv))* *RMB'000*	Performance related bonus *RMB'000*	Contributions to provident fund *RMB'000*	Total *RMB'000*
Executive Directors						
Yan Jianguo	*(i)*	–	4,529	2,309	16	6,854
Luo Liang		–	2,411	9,100	252	11,763
Guo Guanghui	*(iii)*	–	1,973	7,600	215	9,788
		–	8,913	19,009	483	28,405
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-executive Director						
Chang Ying	*(v)*	300 (approximately RMB261)	–	–	–	300 (approximately RMB261)
Independent Non-executive Directors						
Li Man Bun, Brian David	*(v)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
Lam Kwong Siu	*(v)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
Fan Hsu Lai Tai, Rita	*(v)*	500 (approximately RMB436)	–	–	–	500 (approximately RMB436)
		1,800 (approximately RMB1,569)	–	–	–	1,800 (approximately RMB1,569)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

		Year ended 31 December 2018 As director				
	Notes	Directors' fees *RMB'000* (Restated)	Basic salaries, allowances and benefits-in-kind *(Note (iv))* *RMB'000* (Restated)	Performance related bonus *RMB'000* (Restated)	Contributions to provident fund *RMB'000* (Restated)	Total *RMB'000* (Restated)
Executive Directors						
Yan Jianguo	*(i)*	–	4,116	1,334	15	5,465
Luo Liang		–	2,302	7,632	251	10,185
Guo Guanghui	*(iii)*	–	970	3,415	111	4,496
Nip Yun Wing	*(ii)*	–	1,212	756	5	1,973
		–	8,600	13,137	382	22,119
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-executive Director						
Chang Ying	*(v)*	300 (approximately RMB252)	–	–	–	300 (approximately RMB252)
Independent Non-executive Directors						
Li Man Bun, Brian David	*(v)*	500 (approximately RMB420)	–	–	–	500 (approximately RMB420)
Lam Kwong Siu	*(v)*	500 (approximately RMB420)	–	–	–	500 (approximately RMB420)
Fan Hsu Lai Tai, Rita	*(v)*	500 (approximately RMB420)	–	–	–	500 (approximately RMB420)
		1,800 (approximately RMB1,512)	–	–	–	1,800 (approximately RMB1,512)

Notes:

(i) *Mr. Yan was appointed as an Executive Director and the Chief Executive Officer of the Company effective from 1 January 2017. Mr. Yan was also appointed as the Chairman of the Company effective from 13 June 2017. Mr. Yan ceased to act concurrently as the Chief Executive Officer of the Company effective from 11 February 2020.*

(ii) *Resigned effective from 3 April 2018.*

(iii) *Appointed effective from 12 June 2018.*

(iv) *Allowances and benefits-in-kind include housing allowance and non-cash benefits including expense incurred in respect of the annual leave in lieu and share-based payments.*

(v) *The directors' fees are paid in HK$. The RMB amounts are disclosed for presentation purpose only.*

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

The performance related bonus was determined based on the Group's performance for the year.

Of the five individuals with the highest emoluments in the Group, one (2018: one) was a director of the Company whose emoluments are included above. The emoluments of the remaining four (2018: four) individuals were set out in Note 41(b).

In March 2020, Mr. Chang Ying decided to waive his director's emoluments during his term of office (i.e. from 15 September 2016 up to 31 December 2019), with a total amount of HK$989,000 (equivalent to approximately RMB861,000). Mr. Chang ceased to receive any director's emolument with effect from 1 January 2020.

Save as disclosed above, no other directors waived any emoluments in both years ended 31 December 2019 and 2018.

In addition to the benefits and interests as disclosed in the table above, during the year ended 31 December 2018, Mr. Nip Yun Wing received HK$800,000 (equivalent to approximately RMB672,000) as compensation for restrictive covenant for employment by a competitive business within three years after his resignation as a director of the Company.

Save as disclosed above, no directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2019 and 2018.

During the year, Mr. Yan Jianguo held directorship in CSCEC, and/or its subsidiaries/associated companies, which engaged in construction, property development and property investment and related businesses.

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during both years ended 31 December 2019 and 2018.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purpose of calculation of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**41,618,313**	37,716,257

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**10,956,201**	10,956,201

Pursuant to the share options granted on 29 June 2018 (Note 31), there were dilutive potential ordinary shares in existence during the year ended 31 December 2019, however, the impact on diluted earnings per share is insignificant for the year.

Diluted earnings per share were the same as the basic earnings per share for the year ended 31 December 2018 as there were no dilutive potential ordinary shares in existence during that year.

15. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Dividends recognised as distributions during the year		
Interim dividend paid in respect of financial year ended 31 December 2019 of HK45 cents per share (2018: Interim dividend paid in respect of financial year ended 31 December 2018 of HK40 cents per share)	**4,294,283**	3,681,284
Final dividend paid in respect of financial year ended 31 December 2018 of HK50 cents per share (2018: Final dividend paid in respect of financial year ended 31 December 2017 of HK45 cents per share)	**4,771,426**	4,141,444
	9,065,709	7,822,728

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

15. DIVIDENDS *(continued)*

The final dividend of HK57 cents per share in respect of the financial year ended 31 December 2019 (2018: final dividend of HK50 cents per share in respect of the financial year ended 31 December 2018), amounting to approximately RMB5,635,519,000 (2018 restated: RMB4,771,426,000) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed, which was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements, has not been recognised as a liability in the consolidated financial statements.

16. INVESTMENT PROPERTIES

	Completed			Under construction	
	PRC	Hong Kong & Macau	The United Kingdom	PRC	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FAIR VALUE					
At 1 January 2018, as restated	61,066,773	2,057,985	5,907,475	11,791,000	80,823,233
Additions	349,451	544	–	3,754,195	4,104,190
Gain arising from changes in fair value of investment properties	3,515,088	253,192	10,332	4,967,946	8,746,558
Transfer upon completion	2,011,461	–	–	(2,011,461)	–
Transfer from stock of properties	–	271,348	–	3,660,320	3,931,668
Disposals	(44,773)	(118,440)	–	–	(163,213)
Exchange realignment	–	125,557	(51,966)	–	73,591
At 31 December 2018, as restated	66,898,000	2,590,186	5,865,841	22,162,000	97,516,027
Additions	**1,933,950**	**127**	**35,686**	**4,044,269**	**6,014,032**
Gain arising from changes in fair value of investment properties	**5,386,295**	**66,504**	**19,187**	**4,530,076**	**10,002,062**
Transfer upon completion	**1,504,837**	**–**	**–**	**(1,504,837)**	**–**
Transfer from stock of properties	**411,114**	**–**	**–**	**2,349,516**	**2,760,630**
Transfer to stock of properties	**–**	**–**	**–**	**(1,211,000)**	**(1,211,000)**
Transfer to property, plant and equipment	**–**	**–**	**–**	**(217,024)**	**(217,024)**
Disposals	**(1,121,196)**	**–**	**–**	**–**	**(1,121,196)**
Exchange realignment	**–**	**33,671**	**243,454**	**–**	**277,125**
At 31 December 2019	**75,013,000**	**2,690,488**	**6,164,168**	**30,153,000**	**114,020,656**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. INVESTMENT PROPERTIES *(continued)*

Leasing Arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Where considered necessary to reduce credit risk, the Group may obtain rental deposit from the tenant.

For future minimum lease receivables in leases of investment properties, please refer to Note 37.

Valuation Processes of the Group

The fair values of the investment properties held by the Group at 31 December 2019 have been arrived on the basis of a valuation carried out on that date by Cushman & Wakefield Limited and CBRE Limited.

The valuers mentioned above are independent firms of professional valuers not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The Group's finance team reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least twice a year.

At each financial year end the finance team:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs

The valuation for completed investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The valuation for investment properties under construction was arrived at by making reference to comparable selling prices, as available in the relevant market. The estimated construction costs to complete the development and estimated developer's profits at the date of valuation are also taken into account.

There was no change to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2019 *RMB'000*	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	**30,153,000**	Residual method	Estimated selling prices	RMB18,200 – RMB84,200 per square meter
			Estimated costs to completion	RMB4,600 – RMB7,500 per square meter
			Estimated developer's profits	6.0% – 23.0%
Completed investment properties in the PRC	**75,013,000**	Investment approach	Prevailing market rents	RMB30 – RMB1,042 per square meter per month
			Reversionary yield	3.5% – 8.25%
Completed investment properties in Hong Kong and Macau	**2,690,488**	Investment approach	Prevailing market rents	HK$15 – HK$400 per square foot per month
			Reversionary yield	2.1% – 4.0%
Completed investment properties in the United Kingdom	**6,164,168**	Investment approach	Prevailing market rents	GBP47 – GBP68 per square foot per year
			Capitalisation rate	4.6% – 5.0%

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. INVESTMENT PROPERTIES *(continued)*

Fair Value Measurements Using Significant Unobservable Inputs *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*

Description	Fair value at 31 December 2018 *RMB'000* (Restated)	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	22,162,000	Residual method	Estimated selling prices	RMB8,200 – RMB84,000 per square meter
			Estimated costs to completion	RMB1,900 – RMB10,300 per square meter
			Estimated developer's profits	5.0% – 26.0%
Completed investment properties in the PRC	66,898,000	Investment approach	Prevailing market rents	RMB18 – RMB920 per square meter per month
			Reversionary yield	3.5% – 8.25%
Completed investment properties in Hong Kong and Macau	2,590,186	Investment approach	Prevailing market rents	HK$14 – HK$400 per square foot per month
			Reversionary yield	2.1% – 4.0%
Completed investment properties in the United Kingdom	5,865,841	Investment approach	Prevailing market rents	GBP45 – GBP65 per square foot per year
			Capitalisation rate	4.4% – 5.0%

Estimated costs to completion and developer's profit required are estimated by the independent valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The lower the costs and developer's profits, the higher the fair value.

Estimated selling prices and prevailing market rents are estimated based on the independent valuers' view of recent lettings or selling transactions within the subject properties and other comparable properties. The higher the selling prices and rents, the higher the fair value.

Reversionary yield and capitalisation rate are estimated by the independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the yield and capitalisation rate, the higher the fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets *(Note 36(i))*							
	Leasehold land and buildings	Prepaid lease payments for land	Other right-of-use assets	Hotel buildings	Plant, machinery and equipment	Furniture, fixtures, office equipment and motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
At 1 January 2018, as restated	1,723,010	–	–	1,951,099	324,314	646,713	–	4,645,136
Additions	28,247	–	–	34,041	4,067	48,262	–	114,617
Transfer from stock of properties	2,784	–	–	–	–	–	–	2,784
Disposals	(31,528)	–	–	–	(1,914)	(59,168)	–	(92,610)
Exchange realignment	50,093	–	–	–	1,575	15,996	–	67,664
At 31 December 2018, as restated	1,772,606	–	–	1,985,140	328,042	651,803	–	4,737,591
Adjustment for the adoption of HKFRS 16 *(Note 2(d))*	**–**	**581,232**	**65,925**	**–**	**–**	**–**	**–**	**647,157**
Additions	**218**	**15,632**	**171,850**	**14,641**	**8,395**	**85,805**	**–**	**296,541**
Transfer from investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**217,024**	**217,024**
Disposals	**(17,958)**	**–**	**–**	**–**	**(4,280)**	**(88,565)**	**–**	**(110,803)**
Exchange realignment	**15,742**	**–**	**–**	**–**	**–**	**7,580**	**–**	**23,322**
At 31 December 2019	**1,770,608**	**596,864**	**237,775**	**1,999,781**	**332,157**	**656,623**	**217,024**	**5,810,832**
DEPRECIATION								
At 1 January 2018, as restated	263,369	–	–	438,671	183,358	524,733	–	1,410,131
Provided for the year	58,195	–	–	47,696	22,614	41,102	–	169,607
Eliminated on disposals	(112)	–	–	–	(1,914)	(51,080)	–	(53,106)
Exchange realignment	3,670	–	–	–	1,339	1,630	–	6,639
At 31 December 2018, as restated	325,122	–	–	486,367	205,397	516,385	–	1,533,271
Adjustment for the adoption of HKFRS 16 *(Note 2(d))*	**–**	**103,150**	**–**	**–**	**–**	**–**	**–**	**103,150**
Provided for the year	**61,208**	**13,811**	**36,586**	**46,561**	**21,164**	**56,925**	**–**	**236,255**
Eliminated on disposals	**(2,611)**	**–**	**–**	**–**	**(3,043)**	**(71,337)**	**–**	**(76,991)**
Exchange realignment	**611**	**–**	**–**	**–**	**4**	**(4,882)**	**–**	**(4,267)**
At 31 December 2019	**384,330**	**116,961**	**36,586**	**532,928**	**223,522**	**497,091**	**–**	**1,791,418**
CARRYING VALUE								
At 31 December 2019	**1,386,278**	**479,903**	**201,189**	**1,466,853**	**108,635**	**159,532**	**217,024**	**4,019,414**
At 31 December 2018, as restated	1,447,484	–	–	1,498,773	122,645	135,418	–	3,204,320

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	Over the lease terms
Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Prepaid lease payments for land	20 to 70 years
Other right-of-use assets	1 to 30 years
Hotel buildings	20 years or over the remaining lease terms
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. PREPAID LEASE PAYMENTS FOR LAND

	2018 *RMB'000* (Restated)
Land use rights in the PRC	478,082
Analysed for reporting purposes as:	
Non-current assets	464,632
Current assets	13,450
	478,082

Prepaid lease payments for land of the Group amounting to RMB478,082,000 and RMB479,903,000 at 1 January 2019 and 31 December 2019 respectively were reclassified to right-of-use assets as included in "Property, plant and equipment" upon the adoption of HKFRS 16 (Notes 2(d) and 17).

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000 (Restated)
Cost of investments		
Listed in Hong Kong	**3,889,208**	3,889,208
Unlisted	**3,789,951**	3,741,084
Share of post-acquisition profits and other comprehensive income, net of dividends received	**4,751,080**	3,774,554
	12,430,239	11,404,846
Market value of the interest in the listed associate	**6,258,273**	2,946,910

Set out below are the particulars of the principal associates at 31 December 2019. In the opinion of the directors of the Company, to give details of other associates would result in particulars of excessive length.

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/registered capital indirectly held 2019	2018	Principal activities
China Overseas Grand Oceans Group Ltd. ("COGO")*	Hong Kong	PRC	**38.32%**	38.32% *(Note)*	Property development and investment, and investment holding
金茂投資(長沙)有限公司	PRC	PRC	**20%**	20%	Property development
廣州利合房地產開發有限公司	PRC	PRC	**20%**	20%	Property development
上海佳晟房地產開發有限公司	PRC	PRC	**49%**	49%	Property development
北京金良興業房地產開發有限公司	PRC	PRC	**40%**	40%	Property development
濟南泰暉房地產開發有限公司	PRC	PRC	**33%**	33%	Property development

* *COGO is listed in the Main Board of the Hong Kong Stock Exchange.*

Note: *Pursuant to the irrevocable undertaking of the rights issue on the basis of one rights share for every two shares, the Group has taken up the full entitlement to the new shares under the rights issue of COGO on 5 February 2018. The Group's shareholding on COGO was 38.32% immediately after the completion of the rights issue.*

All of these associates are accounted for using the equity method in these consolidated financial statements.

Set out below is the summarised financial information of associate of the Group at 31 December 2019 which, in the opinion of the directors of the Company, is material to the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES *(continued)*

Summarised Statement of Financial Position

	COGO	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Current		
Bank balances and cash	**27,426,734**	29,145,872
Other current assets	**100,928,726**	70,055,150
Total current assets	**128,355,460**	99,201,022
Financial liabilities (excluding trade payables)	**(19,464,979)**	(12,998,738)
Other current liabilities (including trade payables)	**(71,092,040)**	(49,290,206)
Total current liabilities	**(90,557,019)**	(62,288,944)
Non-current		
Total non-current assets	**5,741,814**	4,425,784
Financial liabilities	**(19,157,720)**	(20,323,721)
Other liabilities	**(2,869,227)**	(3,246,174)
Total non-current liabilities	**(22,026,947)**	(23,569,895)
Net assets	**21,513,308**	17,767,967

Summarised Statement of Comprehensive Income

	COGO	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue	**28,590,883**	21,524,668
Depreciation and amortisation	**(80,375)**	(46,151)
Interest income	**337,187**	332,338
Interest expense	**(33,843)**	(77,665)
Profit before tax	**8,295,572**	5,338,847
Income tax expenses	**(4,798,611)**	(3,233,178)
Profit for the year	**3,496,961**	2,105,669
Other comprehensive income	**(302,751)**	(366,561)
Total comprehensive income	**3,194,210**	1,739,108
Dividends received from COGO	**196,548**	66,123

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES *(continued)*

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	COGO	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Opening net assets at 1 January	**17,767,967**	12,479,619
Profit for the year	**3,496,961**	2,105,669
Rights issue and share issue expenses	**–**	3,728,660
Other comprehensive income and other equity movements	**770,359**	(372,999)
Dividends paid	**(521,979)**	(172,982)
Closing net assets at 31 December	**21,513,308**	17,767,967
Non-controlling interests	**(1,967,981)**	(727,591)
Equity attributable to owners of the associate	**19,545,327**	17,040,376
Interest in associate (%)	**38.32%**	38.32%
Interest in associate	**7,489,769**	6,529,872
Carrying value at 31 December	**7,489,769**	6,529,872

Aggregate Information of Associates that are not Individually Material

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
The Group's share of profit	**978,704**	1,071,449
The Group's share of total comprehensive income	**978,704**	1,071,449
Aggregate carrying amount of the Group's interests in these associates	**4,940,470**	4,874,974

The financial guarantees relating to the Group's interests in associates are disclosed in Note 39.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

20. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000 (Restated)
Cost of investments, unlisted	**9,242,362**	8,386,687
Loans to joint ventures *(Note)*	**11,090,959**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,542,858**	3,529,295
	23,876,179	11,915,982

Note: The loans to joint ventures are classified as equity loan in nature, which are unsecured, interest-free and recoverable on demand.

Set out below are the particulars of the principal joint ventures at 31 December 2019. In the opinion of the directors of the Company, to give details of other joint ventures would result in particulars of excessive length. These joint ventures are established and operating in the PRC, unless otherwise indicated.

Name of entity	Place of incorporation/ establishment	Place of operation	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group 2019	2018	Principal activities
Ultra Keen Holdings Limited	Hong Kong	Hong Kong	**30%^**	–	Property development
Infinite Sun Limited	Hong Kong	Hong Kong	**30%^**	–	Property development
Dragon Star H.K. Investments Limited	Hong Kong	Hong Kong	**20%^**	–	Property development
Marble Edge Investments Limited	Hong Kong	Hong Kong	**18%^**	–	Property development
Top Regent Holdings Limited	Hong Kong	Hong Kong	**33.3%^**	33.3%^	Property development
重慶嘉益房地產開發有限公司	PRC	PRC	**50%**	50%	Property development
重慶嘉江房地產開發有限公司	PRC	PRC	**60%^**	60%^	Property development
重慶豐盈房地產開發有限公司	PRC	PRC	**45%^**	45%^	Property development
中信保利達地產(佛山)有限公司	PRC	PRC	**50%**	50%	Property development
北京南悦房地產開發有限公司	PRC	PRC	**35%^**	35%^	Property development
廣州穗海置業有限公司	PRC	PRC	**25%^**	25%^	Property development

^ *The Group exercises joint control over decisions about the relevant activities require unanimous consent with other joint venture partners in accordance with joint venture agreements and/or the companies' Articles, and accordingly, these companies have been accounted for as joint ventures.*

All of these joint ventures are accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, there are no individually material joint ventures.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

20. INTERESTS IN JOINT VENTURES *(continued)*

Aggregate information of joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000 (Restated)
The Group's share of profit	**1,112,179**	1,020,061
The Group's share of total comprehensive income	**1,112,179**	1,020,061
Aggregate carrying amount of the Group's interests in these joint ventures	**23,876,179**	11,915,982

The financial guarantees relating to the Group's interests in joint ventures are disclosed in Note 39.

21. AMOUNTS DUE FROM ASSOCIATES AND JOINT VENTURES UNDER NON-CURRENT ASSETS

	Interest-free RMB'000	Interest bearing RMB'000	Total RMB'000
At 31 December 2019			
Amounts due from associates	**1,103,456**	–	**1,103,456**
	1,103,456	–	**1,103,456**
At 31 December 2018, as restated			
Amounts due from:			
associates	2,320,056	1,989,002	4,309,058
joint ventures	1,550,074	2,454,288	4,004,362
	3,870,130	4,443,290	8,313,420

At 31 December 2018, the interest bearing amounts due from associates and joint ventures bore variable interest rates ranging from 4.75% to 6.18% per annum.

All the non-current amounts due from associates and joint ventures are unsecured and not expected to be recovered within one year after the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

22. STOCK OF PROPERTIES AND OTHER INVENTORIES

	2019 RMB'000	2018 RMB'000 (Restated)
Completed properties	**53,225,422**	28,345,251
Properties under development *(Note)*	**337,606,930**	306,229,598
Total stock of properties	**390,832,352**	334,574,849
Other inventories	**150,126**	90,372
	390,982,478	334,665,221

Note: Included in the amount are properties under development of RMB194,898,472,000 (2018 restated: RMB177,872,405,000) not expected to be realised within twelve months from the end of the reporting period.

At 31 December 2019, stock of properties with carrying amount of RMB104,071,000 (2018 restated: RMB102,908,000) were stated at their net realisable values.

At 31 December 2019, properties under development included the costs incurred in fulfilling customer contracts amounting to RMB45,852,128,000 (2018 restated: RMB39,373,354,000).

At 31 December 2019, stock of properties included costs incurred for a project in Beijing of RMB14,571,619,000 (2018 restated: RMB13,258,660,000), whereby the Group entered into agreements with the Beijing local government for land development works such as relocation of residents and infrastructure constructions, and subsequent development of residential properties for sale.

23. LAND DEVELOPMENT EXPENDITURE

	2019 RMB'000	2018 RMB'000 (Restated)
Costs incurred	**18,046,053**	25,097,556

The Group, together with independent third parties, entered into agreements ("Agreements") with the Beijing local government to jointly redevelop some lands in Beijing. The Group assists the Beijing local government for the land redevelopment works, which included but is not limited to the removal of the existing buildings situated on the land, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. Pursuant to the Agreements, the Group will be reimbursed for the actual costs incurred in carrying out the land development and be entitled to the fixed returns irrespective of whether the Group will obtain the land use rights of the land in the future. The fixed return is recognised as income from primary land development under other income in the consolidated financial statements with reference to the progress for the land development.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

24. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of property development are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from property development and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an ageing analysis of trade receivables presented at the end of the reporting period:

	2019 ***RMB'000***	2018 *RMB'000* (Restated)
Trade receivables, aged		
0–30 days	**6,775,299**	5,221,252
31–90 days	**290,480**	680,548
Over 90 days	**1,207,510**	627,955
	8,273,289	6,529,755
Other receivables	**2,658,229**	3,193,327
	10,931,518	9,723,082

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

In determining the recoverability of trade receivables, management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors of the Company believe that no provision is required at the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

25. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/ASSOCIATES/JOINT VENTURES/ NON-CONTROLLING SHAREHOLDERS UNDER CURRENT ASSETS

At 31 December 2019 and 2018, all the amounts due from fellow subsidiaries are unsecured, interest-free and recoverable on demand.

At 31 December 2019, the amounts due from associates are unsecured, interest-free and recoverable within one year or on demand except for the amounts of RMB794,966,000 (2018 restated: RMB2,354,574,000) and RMB343,326,000 (2018 restated: RMB995,605,000), which bear fixed and variable interest rates, respectively, ranging from 4.75% to 7.13% (2018: 4.75%) per annum.

At 31 December 2019, the amounts due from joint ventures are unsecured, interest-free and recoverable on demand except for the amounts of RMB1,612,202,000 (2018 restated: RMB2,334,256,000) and Nil (2018 restated: RMB881,130,000) which bear fixed and variable interest rates, respectively, ranging from 2.5% to 4.75% (2018: 2.5% to 9.0%) per annum.

At 31 December 2019, the amounts due from non-controlling shareholders are unsecured, interest-free and recoverable within one year or on demand except for an amount of RMB200,000,000 (2018 restated: RMB200,000,000) which bears fixed interest rate at 2.1% (2018: 2.1%) per annum.

26. BANK BALANCES AND CASH

Included in bank balances and cash are restricted bank deposits of RMB2,553,012,000 (2018 restated: RMB3,889,312,000) which can only be applied in the designated property development projects.

At 31 December 2019, a current deposit of RMB200,000,000 was placed by the Group in China State Construction Finance Limited, a fellow subsidiary of the Company and non-bank financial institution approved by the China Banking and Insurance Regulatory Commission, which carried interest at 1.495% per annum.

All bank deposits of the Group carry interest at market rates ranging from 0.01% to 2.90% (2018: 0.01% to 4.47%) per annum.

At the end of the reporting period, the Group had the following bank balances and cash denominated in foreign currencies:

	2019 ***RMB'000***	2018 *RMB'000* (Restated)
Bank balances and cash denominated in:		
HK$	**6,064,744**	7,052,712
US$	**1,881,491**	4,071,904

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

26. BANK BALANCES AND CASH *(continued)*

The reconciliation of liabilities arising from financing activities is as follow:

	Bank and other borrowings RMB'000	Notes payable RMB'000	Accrued interest RMB'000	Amounts due to fellow subsidiaries and a related company RMB'000	Amounts due to associates RMB'000	Amounts due to joint ventures RMB'000	Amounts due to non-controlling shareholders RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018, as restated	85,971,973	61,965,929	565,647	628,305	1,683,950	4,503,274	7,347,969	–	162,667,047
Cash flows									
– inflow from financing activities	23,148,099	16,328,000	–	185,643	561,619	3,596,645	6,977,582	–	50,797,588
– outflow from financing activities	(10,270,751)	(9,895,023)	(7,402,422)	–	(947,121)	(398,553)	(634,468)	–	(29,548,338)
Exchange realignment	1,684,035	2,172,549	10,947	40,822	5	129,446	86,330	–	4,124,134
Other non-cash movements	91,273	63,322	7,704,322	–	333,733	–	1,198,161	–	9,390,811
At 31 December 2018, as restated	100,624,629	70,634,777	878,494	854,770	1,632,186	7,830,812	14,975,574	–	197,431,242
Adoption of HKFRS 16 (Note 2(b))	–	–	–	–	–	–	–	65,925	65,925
At 1 January 2019	**100,624,629**	**70,634,777**	**878,494**	**854,770**	**1,632,186**	**7,830,812**	**14,975,574**	**65,925**	**197,497,167**
Cash flows									
– inflow from financing activities	**50,334,281**	**10,708,172**	**–**	**2,138,309**	**27,234**	**1,345,858**	**1,961,408**	**–**	**66,515,262**
– outflow from financing activities	**(28,285,497)**	**(13,787,192)**	**(7,712,785)**	**(533,780)**	**(931,999)**	**(2,229,482)**	**(2,256,194)**	**(69,904)**	**(55,806,833)**
Exchange realignment	**791,354**	**93,407**	**11,056**	**–**	**–**	**19,288**	**20,634**	**–**	**935,739**
Other non-cash movements	**(1,197,260)**	**47,754**	**7,950,336**	**97,627**	**–**	**14,395**	**1,001,967**	**212,286**	**8,127,105**
At 31 December 2019	**122,267,507**	**67,696,918**	**1,127,101**	**2,556,926**	**727,421**	**6,980,871**	**15,703,389**	**208,307**	**217,268,440**

27. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on invoice date at the end of the reporting period:

	2019 *RMB'000*	2018 *RMB'000* (Restated)
Trade payables, aged		
0–30 days	**20,544,498**	15,619,795
31–90 days	**2,183,732**	2,860,841
Over 90 days	**21,315,096**	18,151,298
	44,043,326	36,631,934
Other payables	**10,318,488**	9,141,483
Retentions payable	**11,450,217**	9,673,371
	65,812,031	55,446,788

Other payables mainly include rental and other deposits, other taxes payable and accrued charges.

Of the other payables and retentions payable, an amount of RMB5,823,234,000 (2018 restated: RMB3,707,824,000) is due beyond twelve months from the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28. CONTRACT ASSETS AND PRE-SALES PROCEEDS

Details of contract assets are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Contract assets related to sales of properties *(Note (i))*	**1,121,750**	1,144,782
Costs for obtaining contracts *(Note (ii))*	**632,243**	158,422
Total contract assets	**1,753,993**	1,303,204

Notes:

(i) Contract assets consist of unbilled amounts resulting from sales of properties when revenue recognised exceeds the amounts billed to the customer.

(ii) Management expects the incremental costs, primarily sales commission and stamp duty, as a result of obtaining the pre-sale property contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the years ended 31 December 2019 and 2018, the amount of amortisation was insignificant and there was no impairment loss in relation to the costs capitalised.

Details of pre-sales proceeds are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Contract liabilities related to sales of properties *(Note (iii))*	**90,546,818**	74,685,345
Value added tax related to sales of properties as included in pre-sales proceeds	**7,392,349**	6,582,713
Total pre-sales proceeds	**97,939,167**	81,268,058

(iii) Increase in contract liabilities during the year was in line with the growth of the Group's contracted property sales.

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows the amount of revenue recognised in the current reporting period in relation to carried-forward contract liabilities:

	2019 RMB'000	2018 RMB'000 (Restated)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**67,981,651**	68,190,829

Management expects that the transaction price allocated to the unsatisfied contracts related to sales of properties at 31 December 2019 amounting to RMB128,899,082,000 (2018 restated: RMB101,697,937,000) will be recognised as revenue within the coming three financial years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

29. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND A RELATED COMPANY/ ASSOCIATES/JOINT VENTURES

At 31 December 2019, the amounts due to fellow subsidiaries and a related company (which is the joint venture of a fellow subsidiary) are unsecured, interest-free and repayable on demand except for the amounts of RMB2,284,663,000 (2018 restated: RMB620,623,000) which bear fixed interest rate at 5.5% (2018: 5.5% to 6.0%) per annum.

At 31 December 2019, except for the unsecured amounts due to associates and joint ventures of RMB440,833,000 (2018 restated: RMB1,256,135,000) and RMB1,537,742,000 (2018 restated: RMB1,497,100,000), respectively, which bear fixed interest rates ranging from 1.5% to 7.0% (2018: 0.35% to 5.23%) per annum and repayable within one year, all the amounts due to associates and joint ventures are unsecured, interest-free and repayable on demand.

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

At 31 December 2019, the current amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand except for the amounts of RMB5,261,433,000 (2018 restated: RMB3,625,680,000) and RMB1,653,315,000 (2018 restated: RMB2,355,015,000) which bear fixed and variable interest rates, respectively, ranging from 2.5% to 8.0% (2018: 4.35% to 8.0%) per annum.

At 31 December 2019, the non-current amounts due to non-controlling shareholders are unsecured, interest-free and not repayable within one year from the end of the reporting period except for the amounts of RMB1,677,962,000 (2018 restated: RMB1,016,752,000) and RMB536,000,000 (2018 restated: RMB662,900,000) which bear fixed and variable interest rates, respectively, ranging from 4.75% to 8.5% (2018: 5.23% to 8.5%) per annum.

31. SHARE CAPITAL

	Number of shares *'000*	Value *HK$'000*	Value *RMB'000*
Issued and fully paid			
At 1 January 2018, 31 December 2018 and 2019	**10,956,201**	**90,420,438**	**74,033,624**

Share-based Payments

Share Option Schemes by the Company

On 29 June 2018, the Company offered to grant share options (the "Share Options") to certain eligible persons (collectively, the "Grantees"), to subscribe for a total of 107,320,000 shares of the Company, subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 11 June 2018. Out of the 107,320,000 Share Options granted, a total of 2,000,000 Share Options were granted to directors of the Company. The exercise price is HK$25.85 per share.

One-third of the Share Options granted will vest on each of 29 June 2020, 29 June 2021 and 29 June 2022. The closing price immediately before 29 June 2018 was HK$25.85 per share.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

31. SHARE CAPITAL *(continued)*

Share-based Payments *(continued)*

Share Option Schemes by the Company *(continued)*
The fair value of the Share Options on 29 June 2018 determined using the Binomial Options Pricing Model was HK$6.36 per share. The significant inputs adopted in the model include:

Risk-free rate	2.12% with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of 29 June 2018
Historical volatility	31.91% calculated based on the historical price with period equals to the life the Share Options
Cap of the share-based payments	40% of respective Grantees' remuneration
Dividend yield	3.09% based on the average dividend yield in the past six years
Expected option life	6 years

The Binomial Options Pricing Model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Set out below are summaries of options granted under the plan:

	2019		2018	
	Average exercise price per share	**Number of share options** **'000**	Average exercise price per share	Number of share options '000
At 1 January	**HK$25.85**	**105,040**	Nil	–
Granted during the year	**Nil**	**–**	HK$25.85	107,320
Forfeited during the year	**HK$25.85**	**(2,730)**	HK$25.85	(2,280)
At 31 December	**HK$25.85**	**102,310**	HK$25.85	105,040

No options were exercised and expired during the year.

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

Grant Date	**Expiry date**	**Exercise price per share**	**Number of share options**
29 June 2018	28 June 2024	HK$25.85	102,310,000
Weighted average remaining contractual life of options outstanding at end of the year			4.5 years

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

31. SHARE CAPITAL *(continued)*

A-shares Restricted Stock Incentive Plan by Group's Holding Entities

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) (the "Incentive Plan") of China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company of the Company, 10,200,000 incentive shares were granted to certain employees of the Company (the "Employees", including two directors and certain members of senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share, subject to a lock-up period of two-year service from the Grant Date (the "Lock-up Period"). During the Lock-up Period, the incentive shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the incentive shares are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over the incentive shares will be removed, otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individual's key performance indicators are not achieved.

The fair value of the incentive shares on the Grant Date determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs adopted in the model include:

Closing price on the Grant Date	RMB9.16 per share
Exercise price	RMB4.866 per share
Average volatility	44%
Average dividend yield	3.32%
Average annual risk-free interest rate	2.84%

The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

Pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares during 2018, there was an increase in number of ordinary shares of CSCECL. As the fair value of the incentive shares on the Grant Date remained RMB2.21 per share, the number of incentive shares granted on the Grant Date and the exercise price per share were adjusted to 14,280,000 shares and RMB3.476 per share respectively.

Set out below are summaries of incentive shares granted to the Employees under the Incentive Plan:

	2019 Number of incentive shares *'000*	2018 Number of incentive shares *'000*
At 1 January	**13,314**	10,260
Adjustment upon the bonus issue of CSCECL	**–**	3,804
Adjustment upon intra-group transfer of employees during the year	**(84)**	(750)
Exercised during the year	**(4,410)**	–
At 31 December	**8,820**	13,314

No incentive shares were granted during the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32. BANK AND OTHER BORROWINGS

	2019 RMB'000	2018 RMB'000 (Restated)
Bank and other borrowings		
– secured	**1,433,622**	–
– unsecured	**120,833,885**	100,624,629
	122,267,507	100,624,629

	2019 RMB'000	2018 RMB'000 (Restated)
The bank and other borrowings are repayable as follows:		
Within one year	**23,217,153**	12,784,000
More than one year, but not exceeding two years	**27,982,130**	32,762,304
More than two years, but not exceeding five years	**66,886,730**	50,278,445
After five years	**4,181,494**	4,799,880
Total bank and other borrowings	**122,267,507**	100,624,629
Less: Amounts classified as current liabilities	**(23,217,153)**	(12,784,000)
Amounts classified as non-current liabilities	**99,050,354**	87,840,629

Borrowings of the Group with carrying amount of RMB67,923,424,000 (2018 restated: RMB66,519,453,000) bear interest at rates ranging from 4.17% to 7.00% (2018: 4.28% to 7.50%) per annum and are denominated in RMB. Borrowings of the Group amounting to RMB1,808,940,000 (2018 restated: RMB1,737,512,000), which are denominated in GBP, are based on London Interbank Offered Rate plus a specified margin per annum. The remaining borrowings of the Group amounting to RMB52,535,143,000 (2018 restated: RMB32,367,664,000), which are denominated in HK$, are based on HIBOR plus a specified margin per annum.

The Group's weighted average borrowing cost excluding the effect of capitalisation of exchange losses of RMB788,865,000 (2018 restated: RMB962,293,000) is 4.21% (2018: 4.30%) per annum. The borrowings amounting to RMB9,696,900,000 (2018 restated: RMB16,811,860,000) and RMB112,570,607,000 (2018 restated: RMB83,812,769,000) are carried at fixed interest rates and variable interest rates respectively.

At 31 December 2019, secured bank and other borrowings of the Group were pledged by certain assets as set out in Note 40.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

33. NOTES PAYABLE

At 31 December 2019 and 2018, the Group has the following notes issued with similar terms and conditions and different features:

Issue date	Principal amount *(in million)*	Issue price	Fixed interest rate per annum	Maturity date	Fair value at 31 December 2019[vi] ***RMB'000***	Carrying amount at 31 December **2019** ***RMB'000***	Carrying amount at 31 December 2018 *RMB'000* (Restated)
10 November 2010	US$1,000[i] (approximately RMB6,859)	100%	5.50%[iv]	10 November 2020	**7,061,461**	**6,852,194**	6,759,840
15 November 2012	US$700[i] (approximately RMB4,801)	99.665%	3.95%[iv]	15 November 2022	**4,991,420**	**4,782,920**	4,717,701
15 November 2012	US$300[i] (approximately RMB2,058)	99.792%	5.35%[iv]	15 November 2042	**2,518,468**	**2,039,079**	2,013,333
29 October 2013	US$500[i] (approximately RMB3,431)	99.595%	5.375%[iv]	29 October 2023	**3,762,034**	**3,417,250**	3,371,707
29 October 2013	US$500[i] (approximately RMB3,431)	99.510%	6.375%[iv]	29 October 2043	**4,741,257**	**3,400,378**	3,357,583
8 May 2014	US$550[i] (approximately RMB3,773)	99.786%	4.25%[iv]	8 May 2019	–	–	3,724,164
8 May 2014	US$450[i] (approximately RMB3,087)	99.554%	5.95%[iv]	8 May 2024	**3,489,281**	**3,072,048**	3,030,949
8 May 2014	US$250[i] (approximately RMB1,715)	101.132%	4.25%[iv]	8 May 2019	–	–	1,694,594
8 May 2014	US$250[i] (approximately RMB1,715)	103.080%	5.95%[iv]	8 May 2024	**1,938,490**	**1,737,195**	1,719,918
11 June 2014	US$500[i] (approximately RMB3,430)	99.445%	6.45%[iv]	11 June 2034	**4,604,287**	**3,399,483**	3,355,989
15 July 2015	EUR600[i] (approximately RMB4,501)	99.587%	1.75%[iv]	15 July 2019	–	–	4,691,056
6 November 2015	EUR400[i] (approximately RMB2,987)	99.541%	1.70%[v]	6 November 2019	–	–	3,125,022
19 November 2015	RMB3,404	100%	4.20%[v]	19 November 2021	**3,471,110**	**3,403,716**	3,403,716
19 November 2015	RMB1,000[iii]	100%	3.85%[v]	19 November 2022	**1,004,200**	**1,000,000**	1,000,000
9 December 2015	RMB1,015	100%	4.80%[v]	9 December 2020	**1,015,000**	**1,008,923**	1,006,464
15 January 2016	RMB400 (2018:RMB1,000)	100%	4.40%[v]	15 January 2021	**400,000**	**397,605**	991,591
23 August 2016	RMB6,000[iii]	100%	3.10%[v]	23 August 2026	**5,970,000**	**6,000,000**	6,000,000
5 February 2018	RMB3,000[i]	100%	5.60%[v]	6 February 2021	**3,035,400**	**3,000,000**	3,000,000
26 April 2018	US$750[i] (approximately RMB5,177)	99.844%	4.25%[iv]	26 April 2023	**5,403,579**	**5,160,044**	5,091,234
26 April 2018	US$750[i] (approximately RMB5,177)	99.646%	4.75%[iv]	26 April 2028	**5,760,047**	**5,146,776**	5,079,916
22 October 2018	RMB3,500[ii]	100%	4.00%[v]	22 October 2024	**3,541,300**	**3,500,000**	3,500,000
24 January 2019	RMB2,000[ii]	100%	3.47%[v]	23 January 2025	**2,000,200**	**2,000,000**	–
24 January 2019	RMB1,500[iii]	100%	3.75%[v]	23 January 2026	**1,489,500**	**1,500,000**	–
15 July 2019	HK$2,000[i] (approximately RMB1,770)	100%	2.00%[v]	15 January 2025	**1,773,204**	**1,763,625**	–
15 July 2019	US$450[i] (approximately RMB3,102)	99.849%	3.45%[iv]	15 July 2029	**3,153,989**	**3,100,454**	–
27 November 2019	US$294[i] (approximately RMB2,027)	99.173%	3.05%[iv]	27 November 2029	**1,991,316**	**2,015,228**	–
					73,115,543	**67,696,918**	70,634,777
			Less: Amounts classified as current liabilities			**(8,861,117)**	(14,226,427)
			Amounts classified as non-current liabilities			**58,835,801**	56,408,350

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

33. NOTES PAYABLE *(continued)*

Notes:

(i) The notes payable are unconditionally and irrevocably guaranteed by the Company. They shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the trust deed which include, inter alia, the negative pledge given by the Company and the related subsidiaries.

(ii) The notes payable with terms for adjustment of the interest rate and sell back option at the end of the third year from issue date.

(iii) The notes payable with terms for adjustment of the interest rate and sell back option at the end of the fifth year from issue date.

(iv) Payable semi-annually

(v) Payable annually

(vi) The fair values of the notes payable at 31 December 2019 were determined based on the closing market prices of the notes payable and are within Level 1 of the fair value hierarchy.

34. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

Deferred tax liabilities/(assets)

	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment on properties	Undistributed earnings of PRC subsidiaries and joint ventures	Other taxable temporary differences	Unrealised profit	Unused tax loss	Provision for LAT	Other deductible temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018, as restated	40,946	8,374,372	1,846,398	363,501	949,142	(141,434)	(85,957)	(3,053,446)	(150,464)	8,143,058
Charged/(credited) to profit or loss	4,107	2,122,364	(96,323)	(212,985)	142,585	(5,859)	(280,764)	(1,390,425)	13,541	296,241
Disposal of investment properties	–	(31,422)	–	–	–	–	–	–	–	(31,422)
Exchange realignment	–	–	27,810	–	–	–	–	–	–	27,810
At 31 December 2018, as restated	45,053	10,465,314	1,777,885	150,516	1,091,727	(147,293)	(366,721)	(4,443,871)	(136,923)	8,435,687
(Credited)/charged to profit or loss	**(19,209)**	**2,473,867**	**(27,840)**	**(34,495)**	**311,666**	**3,049**	**(1,188,584)**	**(892,384)**	**(40,938)**	**585,132**
Disposal of investment properties	**–**	**(67,299)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(67,299)**
Exchange realignment	**–**	**–**	**(91,415)**	**–**	**–**	**–**	**–**	**–**	**–**	**(91,415)**
At 31 December 2019	**25,844**	**12,871,882**	**1,658,630**	**116,021**	**1,403,393**	**(144,244)**	**(1,555,305)**	**(5,336,255)**	**(177,861)**	**8,862,105**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

34. DEFERRED TAX *(continued)*

Deferred tax liabilities/(assets) *(continued)*

The following is an analysis of the deferred tax balances for financial reporting purpose:

	2019 RMB'000	2018 RMB'000 (Restated)
Net deferred tax assets	**(7,324,745)**	(5,146,843)
Net deferred tax liabilities	**16,186,850**	13,582,530
	8,862,105	8,435,687

Under the CIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB7,821,211,000 (2018 restated: RMB6,685,409,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of RMB4,205,298,000 (2018 restated: RMB10,324,505,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of RMB631,164,000 (2018 restated: RMB6,905,693,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

35. GOODWILL

	2019 RMB'000	2018 RMB'000 (Restated)
Carrying amounts	**56,395**	56,395

The amount represented goodwill arising from acquisition of the entire equity interest in Hua Yi Designing Consultants Limited ("Hua Yi"). Hua Yi and its subsidiary are principally engaged in the provision of building design consultancy services and investment holding. For the purpose of impairment testing, the attributable amount of goodwill, having indefinite useful lives, has been allocated to the other operations category in the reportable segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

36. LEASES

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

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

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 ***RMB'000***	1 January 2019 *RMB'000*
Property, plant and equipment		
Leasehold land and buildings	**1,386,278**	1,447,484
Prepaid lease payments for land	**479,903**	478,082
Other right-of-use assets	**201,189**	65,925
	2,067,370	1,991,491
Lease liabilities		
Current	**72,040**	43,900
Non-current	**136,267**	22,025
	208,307	65,925

Additions to right-of-use assets during the year ended 31 December 2019 were RMB187,700,000.

(ii) Amounts recognised in the consolidated income statement

The following amounts relating to leases were recognised in the consolidated income statement:

	2019 ***RMB'000***
Depreciation of right-of-use assets (included in administrative expenses)	**111,605**
Interest expense (included in finance costs)	**10,086**
	121,691

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Lease agreements are typically made for fixed periods of 1 year to 30 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. On renewal, the terms of the leases are renegotiated. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

36. LEASES *(continued)*

(iv) At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Within one year	–	38,369
In the second to fifth year inclusive	–	31,001
After five years	–	292
	–	69,662

37. OPERATING LEASE COMMITMENTS

The Group as Lessor

At the end of the reporting period, completed investment properties and other properties with carrying amounts of RMB83,867,656,000 (2018 restated: RMB75,354,027,000) and RMB678,477,000 (2018 restated: RMB614,435,000) respectively, were let out under operating leases.

Property rental income earned during the year is RMB3,749,542,000 (2018 restated: RMB2,968,154,000), of which RMB3,716,008,000 (2018 restated: RMB2,942,396,000) was derived from the letting of investment properties. All of the properties leased out have committed tenants for one to twenty years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivables:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Within one year	**3,169,582**	2,529,677
Between one and two years	**2,328,428**	2,081,773
Between two and three years	**1,584,009**	1,407,804
Between three and four years	**1,059,674**	815,248
Between four and five years	**782,647**	564,018
Later than five years	**1,247,818**	1,467,544
	10,172,158	8,866,064

38. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments not provided for in the consolidated financial statements:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Capital expenditure in respect of investment properties:		
Contracted but not provided for	**3,906,853**	2,427,162

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

39. FINANCIAL GUARANTEES

At the end of the reporting period, the financial guarantees were as follows:

(a) Guarantees given by the Group to banks in respect of credit facilities granted to:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Associates		
– Maximum	**1,382,244**	1,368,094
– Utilised	**1,382,244**	1,368,094
Joint ventures		
– Maximum	**509,150**	878,385
– Utilised	**509,150**	878,385

(b) At 31 December 2019, the Group had counter indemnities amounted to RMB474,143,000 (2018 restated: RMB20,435,000) for guarantees issued in respect of certain construction contracts undertaken by the Group.

(c) At 31 December 2019, the Group provided guarantees amounted to RMB55,181,500,000 (2018 restated: RMB40,076,595,000) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

The directors of the Company considered that the fair values of financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of short maturity periods and low applicable default rates.

40. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Company's subsidiaries have been pledged to secure the bank borrowings of the Company's subsidiaries. The carrying values of the pledged assets at 31 December 2019 and 2018 were as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Investment properties	**2,444,810**	–
Stock of properties	**12,384,085**	–
	14,828,895	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS

(a) In addition to those balances and transactions disclosed elsewhere in the consolidated financial statements, the following material related party transactions have been entered into by the Group during the year:

Nature of transaction	*NOTES*	**2019 RMB'000**	2018 RMB'000 (Restated)
Fellow subsidiaries			
Property development project construction fee	*(a)*	**7,606,973**	3,893,628
Rental and utility income	*(b)*	**68,079**	58,899
Insurance fee	*(c)*	**157**	98
Heating pipes connection service fee	*(a)*	**43,195**	25,565
Building design consultancy income	*(c)*	**3,535**	7,620
Property management fee	*(f)*	**546,847**	309,054
Engineering service fee	*(f)*	**56,396**	23,412
Sales of properties	*(h)*	**345,554**	–
Associates			
Interest income	*(d)*	**52,267**	176,283
Royalty income	*(e)*	**174,200**	168,000
Lease payments	*(b)*	**14,671**	14,641
Underwriting commission income	*(g)*	**–**	36,385
Joint ventures			
Interest income	*(d)*	**143,910**	188,259

Notes:

(a) Property development project construction fee and heating pipes connection service fee are charged in accordance with respective contracts. The amounts represent aggregate transaction amounts during the year in relation to contracts signed in current and prior years.

(b) Rental and utility income and lease payments are charged in accordance with respective tenancy agreements.

(c) Insurance fee and building design consultancy income are charged in accordance with respective contracts.

(d) Interest income is charged at interest rates as specified in Notes 21 and 25 on the outstanding amounts.

(e) Royalty income is charged at annual fee as specified in the contracts.

(f) Property management fee and engineering service fee are charged at rates in accordance with respective contracts.

(g) In connection with the rights issue of COGO in 2018 (Note 19), the Group agreed to underwrite the rights shares of COGO and was entitled to an underwriting commission income which was charged at 1.5% of the aggregate subscription price in respect of the underwritten shares.

(h) The Group entered into various sale and purchase agreements with certain subsidiaries of China Overseas Property Holdings Limited, a fellow subsidiary of the Company, for the disposal of car parking spaces and office units in the PRC at an aggregated consideration of RMB345,554,000, which was determined after arm's length negotiations between both parties and having taken into account the valuation conducted by an independent valuer. The transactions were completed during the year ended 31 December 2019.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) The remuneration of the Company's directors and other members of key management of the Group during the year were as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Basic salaries, housing allowances, other allowances and benefits in kind	**38,082**	37,517
Bonus	**109,582**	92,496
Provident Fund contribution	**3,199**	3,158
	150,863	133,171

The emoluments of other members of key management of the Group were within the following bands:

	2019	2018
RMB1,000,000 or below	**1**	1
RMB1,000,001 to RMB2,500,000	**–**	1
RMB2,500,001 to RMB5,000,000	**1**	5
RMB5,000,001 to RMB7,500,000	**5**	5
RMB7,500,001 to RMB10,000,000	**3**	6
RMB10,000,001 to RMB12,500,000	**5**	–
	15	18

The remuneration of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with Other State-Controlled Entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company consider those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned.

In connection with their property development activities, the Group awarded certain construction and other works contracts to entities, which to the best knowledge of management, are State-controlled Entities.

The Group has also entered into various transactions with the PRC government departments or agencies which include the acquisition of land mainly through tendering to those government departments or agencies.

Other than those disclosed in section (a) above and the acquisition of land from the government departments or agencies, the directors of the Company consider that the other transactions with those State-controlled Entities are not material to the Group.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

The Group is active in sales and lease of properties, the provision of real estate agency and management services and other services in various provinces in the PRC. The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. However, the directors of the Company are of the opinion that other than those disclosed in section (a) above, the transactions with State-controlled Entities are not material to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in the consolidated statement of financial position and Notes 21, 25, 26, 29 and 30.

42. EVENT AFTER THE REPORTING PERIOD

As the coronavirus disease (COVID-19) outbreak was happening in China and other countries during the first quarter in 2020, the business and economic activities have been affected. The Group will keep monitoring the situation and react actively to its impacts on the Group's business operations. Up to the date of approval of the consolidated financial statements, the related financial impact on the Group could not be reasonably estimated at this stage.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2019 *RMB'000*	2018 *RMB'000* (Restated)
Non-current Assets			
Property, plant and equipment		**67,538**	3,390
Investments in subsidiaries		**1,388,032**	1,358,820
		1,455,570	1,362,210
Current Assets			
Stock of properties		**1,008**	995
Other receivables		**3,818**	15,311
Deposits and prepayments		**14,823**	11,748
Amounts due from subsidiaries		**156,233,813**	134,220,892
Tax prepaid		**–**	103
Bank balances and cash		**2,881,837**	8,645,500
		159,135,299	142,894,549
Current Liabilities			
Other payables		**182,599**	57,200
Other deposits		**152**	150
Amounts due to subsidiaries		**23,417,563**	27,831,616
Lease liabilities – due within one year		**26,231**	–
Tax liabilities		**3,867**	–
Other financial liabilities		**117,974**	133,762
		23,748,386	28,022,728
Net Current Assets		**135,386,913**	114,871,821
Total Assets Less Current Liabilities		**136,842,483**	116,234,031
Capital and Reserves			
Share capital		**74,033,624**	74,033,624
Reserves	*Note (a)*	**8,021,254**	7,538,011
Total Equity		**82,054,878**	81,571,635
Non-current Liabilities			
Bank borrowings – due after one year		**54,532,043**	34,363,523
Lease liabilities – due after one year		**36,067**	–
Other financial liabilities		**219,495**	298,873
		54,787,605	34,662,396
		136,842,483	116,234,031

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2020 and were signed on its behalf by:

Yan Jianguo
DIRECTOR

Luo Liang
DIRECTOR

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

(a) Reserves of the Company

	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018, as restated	–	18,285,401	18,285,401
Loss and total comprehensive income for the year	–	(3,029,920)	(3,029,920)
2017 final dividend paid	–	(4,141,444)	(4,141,444)
2018 interim dividend paid	–	(3,681,284)	(3,681,284)
Equity settled share-based transactions *(Note 31)*	105,258	–	105,258
At 31 December 2018, as restated	105,258	7,432,753	7,538,011
Profit and total comprehensive income for the year	**–**	**9,334,775**	**9,334,775**
2018 final dividend paid	**–**	**(4,771,426)**	**(4,771,426)**
2019 interim dividend paid	**–**	**(4,294,283)**	**(4,294,283)**
Equity settled share-based transactions *(Note 31)*	**214,177**	**–**	**214,177**
At 31 December 2019	**319,435**	**7,701,819**	**8,021,254**

The Company's reserves available for distribution to shareholders at 31 December 2019 represents the retained profits of RMB7,701,819,000 (2018 restated: RMB7,432,753,000).

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries at 31 December 2019 which, in the opinion of the directors of the Company, principally affect the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Ace Dragon Development Limited	1 ordinary share HK$1	–	100	Property development
Asia Metro Investment Limited	1 ordinary share HK$1	–	80	Property development
Carmelite Riverside London S.a.r.l. (vii)	15,000 shares of GBP1 each	–	100	Property investment
China Overseas Finance (Cayman) II Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) III Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) V Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Finance (Cayman) VI Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance (Cayman) VII Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Finance Cayman VIII Limited (v)	1 share of US$1	100	–	Issuance of guaranteed notes
China Overseas Property Limited	100 ordinary shares HK$1,000	100	–	Investment holding, property consultancy and real estate agency
China Overseas (Zhong Guo) Limited	5,000,000 ordinary shares HK$50,000,000	–	100	Investment holding
Chung Hoi Finance Limited	500,000 ordinary shares HK$5,000,000	100	–	Loan financing, investment holding and security investments
Gain Regent Company Limited	2 ordinary shares HK$2	–	100	Property development
Goldwell Development Limited	100 ordinary shares HK$100	–	100	Property development and investment
Great Fortune Property Limited (viii)	48,100,000 shares of GBP1 each	–	100	Property investment
Great Sky Property Investment Company Limited (vi)	MOP25,000	–	100	Property development
Longcross Limited	30,370,000 ordinary shares HK$30,370,000 404,552,883 non-voting deferred shares HK$404,552,883	–	100	Property investment
Macfull Limited	1,250 ordinary shares HK$1	–	80	Property development
Maxjet Company Limited	10 ordinary shares HK$10	–	100	Property development
Omar Property Development Company Limited (vi)	MOP26,000	–	85	Property development
One Finsbury Circus London Prop Co S.a.r.l. (vii)	12,024 shares of GBP1 each	–	100	Property investment
上海中海海昆房地產有限公司 (iv)	RMB10,000,000	–	100	Property development
上海中海海煦房地產有限公司 (iv)	RMB10,000,000	–	100	Property development
上海海升環盛房地產開發有限公司 (iii)	RMB10,000,000	–	70	Property development
上海金海伊上房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
上海中建投資有限公司 (iv)	RMB450,000,000	–	51	Property investment
上海中海海軒房地產有限公司 (iv)	US$196,000,000	–	100	Property investment
大連鼎泰嘉益房地產有限公司 (iv)	RMB20,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
大連鼎泰晟興房地產有限公司(iv)	RMB20,000,000	–	100	Property development
西安中海東誠置業有限公司(iv)	RMB50,000,000	–	100	Property development
西安中海譽高置業有限公司(iv)	RMB10,000,000	–	100	Property development
蘇州竹輝興業有限公司(ii)	USD20,000,000	–	100	Property development
蘇州茂龍地產發展有限公司(ii)	RMB3,230,500,000	–	51	Property development
中海海隆商業管理(蘇州)有限公司(iv)	RMB20,000,000	–	100	Property investment
寧波中海海棠房地產有限公司(iv)	RMB20,000,000	–	100	Property development
寧波中海海源房地產有限公司(iv)	RMB20,000,000	–	100	Property development
天津中海海盛地產有限公司(iv)	RMB3,540,000,000	–	100	Property development
北京中海新城置業有限公司(iv)	RMB100,000,000	–	100	Property development
北京中海盈達房地產開發有限公司(iv)	RMB10,000,000	–	100	Property development
北京中海鑫海房地產開發有限公司(iv)	RMB10,000,000	–	100	Property development
佛山市順德中海嘉森房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海興業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海新海匯置業有限公司(iv)	RMB20,000,000	–	100	Property development
中海地產(瀋陽)有限公司(iv)	US$199,600,000	–	100	Property development
瀋陽中海嘉業房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
瀋陽中海鼎業房地產開發有限公司(iv)	US$290,000,000	–	100	Property development
杭州中海宏鯤房地產有限公司(iv)	RMB500,000,000	–	100	Property development
長沙中海梅溪房地產開發有限公司(iv)	RMB50,000,000	–	95	Property development
長沙潤洋置業有限公司(iv)	RMB30,000,000	–	100	Property development
長春中海地產有限公司(iii)	RMB100,000,000	–	100	Property development
長春海悦房地產開發有限公司(iv)	RMB20,000,000	–	100	Property development
長春海華房地產開發有限公司(ii)	USD49,800,000	–	100	Property development
青島中海海灣置業有限公司(iv)	RMB10,000,000	–	100	Property development
青島中海海岸置業有限公司(iv)	RMB1,630,000,000	–	100	Property development
南京海澤房地產開發有限公司(iii)	RMB2,200,000,000	–	65	Property development
南京海頤房地產開發有限公司(iii)	RMB1,000,000,000	–	65	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
南京海嘉房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
重慶中工建設有限公司 (iv)	RMB380,000,000	–	100	Property development
重慶中海海能房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
重慶中海海盛房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
重慶中海興城房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
香港華藝設計顧問(深圳)有限公司 (ii)	RMB12,000,000	–	100	Design consultancy services
北京中海華藝城市規劃設計有限公司 (iv)	RMB1,000,000	–	100	Design consultancy services
中海地產(珠海)有限公司 (ii)	RMB405,000,000	–	100	Property development
珠海市中海海晟房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
武漢中海鼎盛房地產有限公司 (iv)	RMB20,000,000	–	100	Property development
鄂州中建寶來房地產有限公司 (iii)	RMB100,000,000	–	50	Property development
中海企業發展集團有限公司 (ii)	RMB20,000,000,000	–	100	Property development and investment, and investment holding
深圳市中海凱驪酒店管理有限公司 (iv)	RMB5,000,000	–	100	Hotel management
深圳市毅駿房地產開發有限公司 (iv)	RMB12,500,000	–	80	Property development
深圳市中海啟明房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
中海商業發展(深圳)有限公司 (ii)	RMB20,000,000	–	100	Commercial project
東莞市中海嘉業房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
廈門中海地產有限公司 (iv)	RMB20,000,000	–	100	Property development
廈門中海嘉業地產有限公司 (iv)	RMB10,000,000	–	100	Property development
昆明海豪房地產開發有限公司 (iii)	RMB1,500,000,000	–	60	Property development
昆明海祥房地產開發有限公司 (iv)	RMB100,000,000	–	100	Property development
煙台中海地產有限公司 (iv)	RMB10,000,000	–	100	Property development
海創福業(煙台)地產有限公司 (ii)	RMB454,000,000	–	100	Property development
海創佳業(煙台)地產有限公司 (ii)	RMB1,610,500,000	–	100	Property development
廣州荔安房地產開發有限公司 (iv)	RMB2,800,000,000	–	100	Property development
廣州荔駿房地產開發有限公司 (iv)	RMB2,800,000,000	–	100	Property development
廣州荔旭房地產開發有限公司 (iv)	RMB1,300,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Proportion of nominal value of issued/registered ordinary capital held by the Company Indirectly %	Principal activities
廣州荔璟房地產開發有限公司 (iv)	RMB1,350,000,000	–	100	Property development
廣州中海海志房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
廣州中海盛安房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
濟南中海城房地產開發有限公司 (iv)	RMB30,000,000	–	100	Property development
哈爾濱中海地產有限公司 (iv)	RMB20,000,000	–	100	Property development
哈爾濱中海龍祥房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
太原中海仲興房地產開發有限公司 (iv)	RMB50,000,000	–	100	Property development
福州中海地產有限公司 (iv)	RMB30,000,000	–	100	Property development
無錫中海太湖新城置業有限公司 (iv)	RMB20,000,000	–	51	Property development
中海地產(無錫)有限公司 (ii)	RMB5,042,000,000	–	100	Property development
鄭州海旭房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
新疆中海地產有限公司 (iv)	RMB100,000,000	–	60	Property development
石家莊中海房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
北京中信房地產有限公司 (iv)	RMB50,000,000	–	100	Property development
北京中信新城房地產有限公司 (iv)	RMB500,000,000	–	80	Property development
北京國泰飯店有限公司 (iv)	RMB96,536,700	–	100	Hotel and serviced apartment operation
北京中信新城逸海房地產開發有限公司 (iv)	RMB50,000,000	–	100	Property development
大連中信海港投資有限公司 (iv)	RMB250,000,000	–	80	Property development
大連鼎泰錦城房地產有限公司 (iv)	RMB20,000,000	–	100	Property development
西安中海長興房地產有限公司 (iv)	RMB100,000,000	–	100	Property development
深圳中海紅樹灣房地產有限公司 (iii)	RMB30,000,000	–	100	Property development
大連匯港置業有限公司 (iv)	RMB50,000,000	–	80	Property development
湖南省中信控股有限公司 (iv)	RMB100,000,000	–	100	Property development
蘇州中海海隆房地產有限公司 (iv)	RMB200,000,000	–	100	Property development
珠海市盈凱達房地產開發有限公司 (iv)	RMB100,000,000	–	100	Property development
烏魯木齊海新展房地產有限公司 (iv)	RMB20,000,000	–	100	Property development
青島博萊置業有限公司 (iv)	RMB60,000,000	–	100	Property development

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of entity	Paid up issued/registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
青島市聯恒地產有限公司 (iv)	RMB129,850,000	–	100	Property development
青島市聯明地產有限公司 (iv)	RMB30,000,000	–	100	Property development
鄭州海盈房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
鄭州海嘉房地產開發有限公司 (iv)	RMB20,000,000	–	100	Property development
成都信蓉投資有限公司 (iv)	RMB20,000,000	–	100	Property development
成都信蜀投資有限公司 (iv)	RMB40,000,000	–	100	Property development
成都信勤置業有限公司 (iv)	RMB20,000,000	–	100	Property development
成都信新置業有限公司 (iv)	RMB20,000,000	–	100	Property development
天津中海天嘉湖房地產開發有限公司 (iv)	RMB600,000,000	–	100	Property development
中信保利達地產（天津）有限公司 (iv)	US$49,500,000	–	51	Property development
中海佳蓉成都房地產開發有限公司 (iv)	RMB10,000,000	–	100	Property development
中海佳錦房地產開發成都有限公司 (iv)	RMB10,000,000	–	100	Property development
貴陽中海房地產有限公司 (iv)	RMB20,000,000	–	100	Property development
中海仁信（萬寧）房地產開發有限公司 (iv)	US$100,000,000	–	100	Property and tourism development
萬寧仁和發展有限公司 (iv)	US$206,200,000	–	99.9	Property development and hotel operation
萬寧金信發展有限公司 (iv)	US$53,200,000	–	99.9	Property development
中海鼎業（萬寧）房地產有限公司 (iv)	US$86,000,000	–	99.9	Property development
上海老西門新苑置業有限公司 (iv)	RMB2,500,000,000	–	100	Property development

Notes:

(i) Incorporated in the British Virgin Islands
(ii) Foreign investment enterprise registered in the PRC
(iii) Joint stock limited company established in the PRC
(iv) Limited liability company registered in the PRC
(v) Incorporated in the Cayman Islands
(vi) Incorporated in Macau
(vii) Incorporated in Luxembourg
(viii) Incorporated in Jersey

None of the subsidiaries had any debt securities in issue at the end of the year except for notes payable (Note 33) issued by China Overseas Finance (Cayman) II Limited (US$1,000,000,000), China Overseas Finance (Cayman) III Limited (US$1,000,000,000), China Overseas Finance (Cayman) V Limited (US$1,000,000,000), China Overseas Finance (Cayman) VI Limited (US$1,200,000,000), China Overseas Finance (Cayman) VII Limited (US$1,500,000,000), China Overseas Finance (Cayman) VIII Limited (HK$2,000,000,000 and US$744,000,000), 中海企業發展集團有限公司 (RMB20,403,716,000) and 中信房地產集團有限公司 (RMB1,415,000,000).

Five Year Financial Summary

For the year ended 31 December 2019

(A) CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Revenue	135,649,438	138,637,906	142,798,668	144,027,289	**163,650,953**
Operating profit	40,442,872	48,929,983	54,071,963	59,414,910	**62,344,200**
Net gain on distribution in specie	2,010,372	–	–	–	**–**
Share of profits of					
Associates	326,740	402,796	1,001,140	1,854,405	**2,254,638**
Joint ventures	520,266	655,526	665,942	1,020,061	**1,112,179**
Finance costs	(2,205,850)	(1,737,283)	(1,198,448)	(1,331,912)	**(759,297)**
Profit before tax	41,094,401	48,251,022	54,540,597	60,957,464	**64,951,720**
Income tax expenses	(12,763,044)	(15,810,816)	(18,298,378)	(21,727,807)	**(22,204,315)**
Profit for the year	28,331,357	32,440,206	36,242,219	39,229,657	**42,747,405**
Attributable to:					
Owners of the Company	27,714,569	31,282,439	35,059,478	37,716,257	**41,618,313**
Non-controlling interests	616,788	1,157,767	1,182,741	1,513,400	**1,129,092**
	28,331,357	32,440,206	36,242,219	39,229,657	**42,747,405**

Notes:

(i) During the year, the Group has changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the comparative figures have been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated results for the years ended 31 December 2015, 2016 and 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated results for the years ended 31 December 2015, 2016, 2017 and 2018 were not restated.

Five Year Financial Summary (continued)

For the year ended 31 December 2019

(B) CONSOLIDATED NET ASSETS

	At 31 December				
	2015 *RMB'000* (Restated)	2016 *RMB'000* (Restated)	2017 *RMB'000* (Restated)	2018 *RMB'000* (Restated)	**2019** ***RMB'000***
Non-current assets					
Investment properties	54,599,508	59,914,211	80,823,233	97,516,027	**114,020,656**
Deposits for acquisition of investment properties	138,907	–	–	–	**–**
Property, plant and equipment	3,442,860	3,470,651	3,235,005	3,204,320	**4,019,414**
Prepaid lease payments for land	1,237,074	507,111	477,922	464,632	**–**
Interests in associates	5,025,310	4,922,273	6,832,846	11,404,846	**12,430,239**
Interests in joint ventures	9,910,936	9,399,976	10,296,208	11,915,982	**23,876,179**
Investments in syndicated property project companies	20,210	21,621	20,096	–	**–**
Available-for-sale investments	1,927,092	132,685	96,149	–	**–**
Amounts due from associates	4,168,410	2,436,266	7,444,927	4,309,058	**1,103,456**
Amounts due from joint ventures	2,246,452	1,837,809	5,471,919	4,004,362	**–**
Amounts due from CITIC Group	3,564,759	–	–	–	**–**
Other receivables	–	–	376,089	339,170	**433,142**
Goodwill	56,395	56,395	56,395	56,395	**56,395**
Deferred tax assets	3,020,906	3,364,745	4,069,062	5,146,843	**7,324,745**
	89,358,819	86,063,743	119,199,851	138,361,635	**163,264,226**
Current assets	396,236,090	424,097,582	416,486,120	495,586,101	**560,631,561**
Total assets	485,594,909	510,161,325	535,685,971	633,947,736	**723,895,787**
Non-current liabilities					
Bank and other borrowings – due after one year	(83,826,156)	(55,163,690)	(74,912,576)	(87,840,629)	**(99,050,354)**
Notes payable – due after one year	(59,172,144)	(64,082,395)	(47,773,575)	(56,408,350)	**(58,835,801)**
Amounts due to non-controlling shareholders	(1,032,856)	(776,856)	(3,153,835)	(1,759,365)	**(2,293,675)**
Lease liabilities – due after one year	–	–	–	–	**(136,267)**
Deferred tax liabilities	(7,347,808)	(8,802,529)	(11,374,609)	(13,582,530)	**(16,186,850)**
	(151,378,964)	(128,825,470)	(137,214,595)	(159,590,874)	**(176,502,947)**
Current liabilities	(154,422,621)	(178,246,795)	(171,430,330)	(217,745,008)	**(258,248,215)**
Total liabilities	(305,801,585)	(307,072,265)	(308,644,925)	(377,335,882)	**(434,751,162)**
Net assets	179,793,324	203,089,060	227,041,046	256,611,854	**289,144,625**
Equity attributable to Owners of the Company	174,776,610	198,467,859	220,526,257	247,762,454	**280,603,692**
Non-controlling interests	5,016,714	4,621,201	6,514,789	8,849,400	**8,540,933**
	179,793,324	203,089,060	227,041,046	256,611,854	**289,144,625**

Notes:

(i) During the year, the Group has changed its presentation currency from Hong Kong dollars to Renminbi. Accordingly, the comparative figures have been restated to conform with the current year's presentation.

(ii) In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, the Group adopted modified retrospective approach and respective adjustments were recognised at 1 January 2018 with the difference recognised in opening restated balance of equity. The consolidated net assets at 31 December 2015, 2016 and 2017 were not restated accordingly.

(iii) The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for previous years, as permitted under the specific transition provisions in the standard. Accordingly, the consolidated net assets at 31 December 2015, 2016, 2017 and 2018 were not restated.

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