Huijing Holdings Company Limited
滙景控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 9968

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR

Mr. Lun Ruixiang *(Chairman)*

EXECUTIVE DIRECTORS

Mr. Lun Zhao Ming *(Chief Executive Officer)*
Mr. Lau Kam Kwok Dickson
Mr. Lu Peijin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Lai Kuen Susanna
Mr. Hung Wan Shun Stephen
Ms. Lin Yanna

AUDIT COMMITTEE

Ms. Chiu Lai Kuen Susanna *(Chairman)*
Mr. Hung Wan Shun Stephen
Ms. Lin Yanna

NOMINATION COMMITTEE

Mr. Lun Ruixiang *(Chairman)*
Mr. Hung Wan Shun Stephen
Ms. Lin Yanna

REMUNERATION COMMITTEE

Ms. Lin Yanna *(Chairman)*
Mr. Lun Ruixiang
Mr. Hung Wan Shun Stephen

COMPANY SECRETARY

Mr. Lau Kam Kwok Dickson

AUTHORIZED REPRESENTATIVES

Mr. Lun Zhao Ming
Mr. Lau Kam Kwok Dickson

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Dongguan, Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

TUS Corporate Finance Limited

LEGAL ADVISERS

As to Hong Kong law:
Deacons

As to PRC law:
Beijing Dentons Law Offices, LLP (Shenzhen)

PRINCIPAL BANKS

Hang Seng Bank
Dongguan Rural Commercial Bank Houjie Branch
ICBC Dongguan Houjie Branch
China Construction Bank Dongguan Houjie Branch

COMPANY WEBSITE

www.huijingholdings.com

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,605,606**	2,238,462	1,197,774	2,092,663
Profit before tax	**1,226,809**	937,350	444,745	588,376
Income tax expense	**(606,798)**	(536,382)	(286,813)	(249,986)
Profit for the year	**620,011**	400,968	157,932	338,390
Other comprehensive (loss)/income for the year	**(1,595)**	(1,524)	1,081	(781)
Total comprehensive income for the year	**618,416**	399,444	159,013	337,609
Attributable to:				
Owners of the parent	**613,795**	401,664	159,151	337,728
Non-controlling interests	**4,621**	(2,220)	(138)	(119)
	618,416	399,444	159,013	337,609

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,998,259**	1,612,213	1,232,644	874,823
Current assets	**6,618,999**	8,360,615	6,471,996	4,427,231
Non-current liabilities	**869,007**	1,664,219	1,010,531	567,603
Current liabilities	**6,125,627**	7,220,639	5,942,387	4,331,586
Net assets	**1,622,624**	1,087,970	751,722	402,865
Total equity	**1,622,624**	1,087,970	751,722	402,865
Total equity attributable to owners of the parent	**1,585,879**	958,176	556,512	397,361
Non-controlling interests	**36,745**	129,794	195,210	5,504

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the annual results of Huijing Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2019, together with the business review for 2019 and the prospect for 2020.

Annual Results

During 2019, with the advantage of layout in the Guangdong-Hong Kong-Macau Greater Bay Area, quality land reserves with reasonable costs and excellent product and service capability, the Group recorded a comprehensive quality growth in results and further consolidated its competitive edge. For the year ended 31 December 2019, the Group's revenue and gross profit for the year amounted to RMB3,605.6 million and RMB1,644.9 million, representing a year-on-year increase of 61.1% and 37.9% respectively ,and the gross profit margin and net profit margin were 45.6% and 17.2% respectively, remaining at a relatively high level. Net profit for the year was RMB620.0 million, representing a year-on-year increase of 54.6%. The overall revenue and profit achieved stable growth during the year.

Business Review

(1) Property market review

In 2019, the Chinese government insisted on the position of "Houses for living in and not for speculative investment" at the real estate policy level and comprehensively implemented policies in light of different cities' specific conditions, which contributed to the steady development of the property market throughout the year. According to the Property Development Investments and Sales in China from January to December 2019 issued by the National Bureau of Statistics, the sales area of commercial housing nationwide in 2019 was 1,715.6 million sq.m, down by 0.1% over last year, and the sales of commercial housing nationwide in 2019 amounted to RMB16.0 trillion, up by 6.5%. Despite the decreasing trend of trading areas of commercial housing nationwide, the Group still maintained a steady growth in sales.

Facing the ever-changing market environment and intensifying competition in the industry during 2019, and adhering to the robust and balanced development strategy and the mission of "Maintaining foothold in the Greater Bay Area", the Group focused on developments in Guangdong Province and expanded into regions such as the Central China Region. It continuously improved its own business structure and enhanced its overall brand effect, winning the recognition of the industry and its customers while achieving satisfactory operation results.

(2) Land reserves

With the success achieved in the Greater Bay Area, the Group actively expanded its property portfolios into the Yangtze River Delta Urban Cluster (which includes Anhui Province, Jiangsu Province and Zhejiang Province) and the Yangtze Mid-stream Urban Cluster (which includes Hunan Province), targeting regions and cities with high growth potential.

In 2019, the Group continued to make good market judgment and seized cyclical opportunities, actively evaluated various opportunities on acquisition of new land, and proactively increased its land reserves from multiple channels, including urban renewal projects, cooperation and company acquisition, etc. The site area of land reserves of new projects were 121,584 sq.m. As at 31 December 2019, the total site area of land reserves of the Group reached 2,438,050 sq.m (the total gross floor area ("GFA") of land reserves was 2,941,518 sq.m). Such sufficient and high quality land reserves will strongly guarantee and support a more balanced and steady development of the Group in the future.

(3) Financial condition and strategy

On top of the adequate land reserves and inventories for sales, the Group adopted sound financial strategies to further improve its financial structure and reduce finance costs. In 2019, the total assets and total liabilities of the Group were RMB8,617.3 million and RMB6,994.6 million respectively with gearing ratio declining from 243.2% in 2018 to 82.6% in 2019. The Company's financial position is in good condition.

For operation performance, the Group achieved good results in 2019 by virtue of its in-depth insight into the real estate market in China and the flexible business development strategies. For the year ended 31 December 2019, the Group realized contracted sales of approximately RMB4,391.7 million (including the contracted sales from joint ventures of approximately RMB484.4 million) with a year-on-year increase of 71.4%.

(4) Successfully listing on the Main Board of the Stock Exchange

2019 was a year marking a historic milestone for the Group. The Group worked together and confidently launched the plan of listing on the Main Board of The Stock Exchange of Hong Kong Limited, and was successfully listed on 16 January 2020, which signified that the Group had opened a new chapter for its future development, and it had critical and profound strategic signification for the Group's long-term development.

The successful listing, not only opened the door to the international capital market for us, improved the capital and debt structure of the Group, reduced financing costs and effectively improved the market image and industry influence, but also further enhanced the corporate governance and internal control management standards , attracted more high-quality talents to join us and created benefits, such as shaping more high-quality and highly competitive property products, therefore laying a solid foundation for the Group's rapid development in the next stage.

CHAIRMAN'S STATEMENT

Business Prospect

(1) Development of the overall real estate market

Maintaining balance between various aspects will be the focus of the real estate market in 2020. It will continually adhere to the positioning of "no speculation of residential properties" and follow the basic principle of "adopting different policies for different cities" under the prior goal of "maintaining stableness", namely maintaining "stable land prices, stable house prices and stable price expectations " to properly keep the room and flexibility for policy optimization and promote the long-term stable and healthy development of the real estate market. At the same time, under the comprehensive impact of various factors, the differentiated pattern of different cities is expected to be increasingly obvious. With the advantages of key city clusters and metropolitan areas further highlighted and under the impact of overdraft in demand in most third- and fourth-tier cities and other factors, greater pressure will be imposed on the market. Facing the new situation of the development of overall real estate market, the Group will seize the opportunities of market adjustment and resiliently change its business strategy, so as to solidly secure steady and sustained growth in performance.

(2) Future development strategies and prospect

2020 is the first year of the Group's successful listing, and also an important year for the Group to "stand at a new starting point and realise a new leap". In the face of greater challenges and development opportunities, the Group will continue to implement our mission of "Maintain foothold in Greater Bay Area", implementing the development strategy of "taking the urban renewal projects as the core, taking the cultural and tourism-healthy living towns and the scientific and innovative technologies industrial towns as the two-wing", ensuring the Group's short term and mid-to-long term land supply through urban renewal projects, merger and acquisition and land tendering.

CHAIRMAN'S STATEMENT

In terms of the urban renewal projects, the Group intends to enlarge and strengthen the urban renewal team and implements the blue ocean strategy on the urban renewal projects with huge potential, acquiring highly cost-competitive land tracts or projects in a scientific, systematic, efficient and sustainable way and incubating our existing urban renewal projects in a faster pace, thus continuing to be one of the leading developers of urban renewal projects in the Greater Bay Area. In terms of the operation and management of the Company, while strictly monitoring and controlling the risks, we will establish an internal control mechanism and organization system matched with the Group's development strategy, improving our operation quality and efficiency with great efforts, adding value to our products and services, creating high-quality projects and eventually improving our brand and reputation. In terms of financial management, we will stick to a steady and robust financial strategy, strictly controlling the gearing ratio and operating expense and enhancing our capital operating capability to optimize our capital structure. At the same time, the Group will continue to strengthen the Company's talent and echelon construction, adhere to people-oriented principle, and continuously stimulate the enthusiasm and creativity of every employee and partner.

The breaking-out of COVID-19 pandemic in China and other places of the world since the Spring Festival has impacted all the industries in different level. The Group has been keeping an eye on the latest development of this virus and has taken active efforts to prevent the spread of virus in our Company and the community. In addition, we donated RMB5 million in total to Leishengshan Hospital in Wuhan through Wuhan Charity Federation for purchasing protective equipment, medical devices and medicine and participated in the relevant works to prevent the spread of COVID-19 to support those health care staff combating this pandemic in the frontline. We believe that the virus will finally be defeated. However, during this pandemic-prevailing period, daily life and the work mode of people all changed to some extent, so correspondingly our Company has provided with our customers the most humane care and services. Besides, our Company has devoted more resources to the online sales service and adjusted our marketing plan and strategy promptly in order to provide the most professional and customized services. The battle to the COVID-19 is still on and we would not slack off. The Group will also make adjustments corresponding to the latest situation and enhance its immunity. Looking forward to 2020, we will be brave and resolute, prudent and farsighted. Adhering to the mission of "Inspiring growth together", we will achieve win-win results!

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, investors, business partners, staff and all sectors of society for their support. The successful listing marks that the Group will start a new development process on a higher platform. In 2020, the Group will continue to enhance its comprehensive competitiveness. With better operating efficiency and brand image, the Group will create better value for all shareholders, create a better life for customers and build a development platform for all employees to display their talents. We will work together to create a brilliant future and inspire tomorrow's growth!

Lun Ruixiang
Chairman
26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In 2019, the PRC economic development continued to maintain steady growth. As real estate is a major part of the macro economy, the PRC government focused more on city-specific measures regarding market regulation to ensure the steady development of the industry. The PRC government has also pledged to adhere to the principle of "housing is for living in, not for speculation" and facilitate the development of a long-term management mechanism for the real estate market.

Confronted with the ever-changing market environment and the increasingly fierce competition in the industry, the Group adheres to the strategy of steady and balanced development and focuses on the mission of "Maintain foothold in Greater Bay Area" (立足大灣區), thus constantly improving operational efficiency and business structure. With a foothold in Dongguan city, the Group will primarily focus on developments in Guangdong Province and expand into regions such as the Central China Region.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties and, to a lesser extent, lease of investment properties. For the year ended 31 December 2019, the Group recorded a total revenue of approximately RMB3,605.6 million, representing a year-on-year increase of approximately 61.1%.

Contracted sales

For the year ended 31 December 2019, including those of joint ventures, the Group recorded contracted sales of approximately RMB4,391.7 million, representing an increase of approximately 71.4% compared to the year ended 31 December 2018, and contracted GFA sold of approximately 338,370 sq.m., representing an increase of approximately 57.9% compared to the year ended 31 December 2018.

Sales of properties

For the year ended 31 December 2019, the revenue from sales of properties recorded a year-on-year increase of approximately 60.9% to approximately RMB3,601.0 million, which accounted for approximately 99.9% of the total revenue of the Group. For the year ended 31 December 2019, the Group recognised total GFA of approximately 323,795 sq.m., which represented an increase of approximately 53.1% as compared to the previous year. The average selling price ("ASP") of the properties recognised as property sales was approximately RMB11,121 per sq.m., representing a year-on-year increase of approximately 5.0%.

Based in Guangdong Province, the Group continued to expand into the Central China Region and key hub cities during the year. The following map shows the geographical locations of the property projects and land parcels as at 31 December 2019.

The following table sets out the recognised sales and GFA sold of each city in 2019:

City	Recognised GFA *sq.m.*	Percentage of total recognised GFA *(%)*	Recognised ASP *RMB/sq.m.*	Recognised revenue *RMB'000*	Percentage of total recognised revenue *(%)*
Dongguan	146,411	45.2%	15,012	2,197,992	61.0%
Heyuan	97,135	30.0%	7,307	709,725	19.8%
Hefei	52,378	16.2%	8,946	468,561	13.0%
Hengyang	27,871	8.6%	8,065	224,771	6.2%
Total	323,795	100.0%	11,121	3,601,049	100.0%

Particulars of projects and land parcels are set out in the following table:

Name of Project	City	The Group's Equity Interest	Sold GFA (sq.m.)	Saleable GFA (Note 1) (sq.m.)	Investment Property (sq.m.)	Unsaleable GFA (sq.m.)	Total estimate GFA for future development (sq.m.)	Total Consideration (RMB'000)	Attributable Consideration (RMB'000)	Land Cost (RMB/sq.m.)
Huijing Riverside Villa (御海藍岸)	Dongguan	100%	402,222	37,851	–	49,257	–	559,891	559,891	1,144.2
Huijing Riverside Villa • Perfection (御海藍岸 • 臻品)	Dongguan	100%	22,366	10,505	–	5,276	–	80,059	80,059	2,098.7
Royal Spring Hill (御泉香山)	Dongguan	100%	214,455	9,938	–	42,024	–	184,600	184,600	692.9
City Valley (城市山谷)	Dongguan	100%	117,798	6,412	–	24,566	–	91,794	91,794	617.0
Huijing City Centre (滙景城市中心)	Dongguan	100%	106,438	34,891	–	28,659	–	231,031	231,031	1,359.1
Century Gemini (世紀雙子) (Note 5)	Dongguan	100%	49,444	9,064	–	27,168	–	102,639	102,639	920.9
Huijing City (滙景城) (Note 5)	Dongguan	100%	–	–	25,780	–	–			
Central Palace (中央華府)	Dongguan	100%	62,590	4,770	–	11,670	–	80,097	80,097	1,013.5
Huijing Palace (滙景華府) and Huijing Ginza (滙景銀座)	Dongguan	100%	152,229	900	–	23,619	–	144,598	144,598	818.1
Emperor View Peak (帝景峰)	Dongguan	100%	38,379	319	–	11,661	–	37,023	37,023	735.2
Humen Marina City (虎門濱海城)	Dongguan	98%	50,958	51,089	–	19,509	–	377,298	369,752	3,103.9
Fenghua Mansion (豐華公館) (Note 2)	Dongguan	100%	–	16,150	–	2,745	–	105,260	105,260	5,571.0
Houjie Town Baotun Village Area (Note 3)	Dongguan	100%	–	–	–	–	–	23,701	23,701	–
Hongmei Hongwugao (Note 4)	Dongguan	100%	–	–	–	–	–	259,154	259,154	–
Qingxi Sanzhong Area (Note 4)	Dongguan	100%	–	–	–	–	–	186,300	186,300	–
BundNo.8 (外灘8號)	Heyuan	100%	178,087	2,698	–	35,244	–	186,131	186,131	861.6
Nine Miles Bay (九里灣花園)	Heyuan	100%	–	400,968	–	77,006	230,456	747,084	747,084	1,054.6
Dongjiang River Galleries (a portion of)	Heyuan	100%	–	–	–	–	532,707	490,517	490,517	920.8
Hefei Huijing City Centre (合肥滙景城市中心)	Hefei	100%	97,546	109,915	84,121	69,960	–	182,723	182,723	505.4
Huijing Yanhu International Resort (衡陽滙景 • 雁湖生態文旅小鎮)	Hengyang	100%	27,871	65,601	–	12,867	1,185,342	330,283	330,283	255.7
Huijing Global Centre (滙景發展環球中心)	Changsha	49%	–	231,942	–	64,672	–	826,040	404,760	2,784.9
Total			1,520,383	993,013	109,901	505,903	1,948,505	5,226,223	4,797,397	1,029.2

Notes:

1. Saleable/leasable GFA refer to the internal floor area of a property, which has been derived from the relevant (i) pre-sale permit; (ii) floor area prediction report (房產面積預測報告), where a pre-sale permit is not available for the whole or a part of a property; and/or (iii) relevant development indicators approved by the relevant authority responsible for urban and rural planning or the Group's internal records, where neither a pre-sale permit nor floor area prediction report is available for the whole or a part of the development.

2. The development of Fenghua Mansion (豐華公館) commenced in October 2018. On 19 November 2019, the Group acquired this project through the acquisition of a property under development held by Dongguan Fenghua Automobile Sales Services Co., Ltd (東莞市豐華汽車銷售服務有限公司).

3. The expected GFA is not available for Houjie Town Baotun Village Area as the latest land planning remains subject to approval. For further details, please refer to the subsection under the Company's prospectus dated 31 December 2019 (the "Prospectus") headed "Compliance with Laws and Regulations — Historical Non-compliance Incidents — (A) Delay in Commencement and/or completion of construction within the prescribed period as stipulated in the relevant land grant contracts".

4. As at 31 December 2019, the land in Qingxi Sanzhong Area and Hongmei Hongwugao was zoned for industrial use, current information (including plot ratio) is not relevant for our Group's purpose. For further details, please refer to the subsection under the Prospectus headed "Business — Land reserves".

5. Century Gemini and Huijing City are situated on the same parcel of land and therefore share the same site area.

Investment properties

As at 31 December 2019, the Group had a total GFA of approximately 109,901 sq.m (leasable area of approximately 14,108 sq.m.) with rental income of approximately RMB4.6 million for the year ended 31 December 2019.

Land reserves

Leveraging on the Group's in-depth understanding of the property markets in the Greater Bay Area, the Yangtze River Delta Urban Cluster, the Mid-Stream Urban Cluster and intensive studies on its target cities, the Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further establish the Group's presence in those markets. As at 31 December 2019, the Group has land reserves amounting to approximately 2,941,518 sq.m., with 17 projects and 4 parcels of land located in 5 cities in the Greater Bay Area, the Yangtze River Delta Urban Cluster and the Mid-Stream Urban Cluster.

The following table sets out the GFA of the Group's land reserves by geographical locations as at 31 December 2019:

	Total land reserve GFA *(sq.m.)*	Percentage of total land reserve GFA *(%)*
Dongguan	181,889	6.2%
Heyuan	1,166,829	39.7%
Hefei	109,915	3.7%
Hengyang	1,250,943	42.5%
Changsha	231,942	7.9%
Total	2,941,518	100.0%

As at the date of this report, the progress of the Three-old Transformation Schemes was as follows:

1. Project Zhangmutou Baoshan Area: The Three-old Transformation for this project is carried out under the Cooperation Scenario. However, due to the outbreak of the COVID-19 in early 2020, the relevant schedule of completing the Three-old Transformation procedures and obtaining the land-use rights for commercial and residential purposes is expected to be delayed to the end of 2020. The total site area of this project is 171,330 sq.m. with an expected plot ratio accountable gross floor area of 385,000 sq.m..

2. Humen Xinwan Area: The Three-old Transformation for this project is carried out under the Right Owners Scenario. The vendor had finished the transformation of the enterprise into a limited company. However, due to the outbreak of the COVID-19 in early 2020, the relevant schedule of completing the Three-old Transformation procedures and obtaining the land-use rights for residential purposes is expected to be delayed to the end of 2020. The total site area of this project is 14,910 sq.m. with an expected plot ratio accountable gross floor area of 44,730 sq.m..

3. Wanjiang Gonglian Area: The Three-old Transformation for this project is carried out under the Cooperation Scenario. However, due to the outbreak of the COVID-19 in early 2020, the relevant schedule is expected to be affected, as such the Group expects that the Three-old Transformation procedures could be completed by the end of 2024 to obtain the land-use-rights for commercial and residential purposes. The total site area of this project is 58,230 sq.m. with an expected plot ratio accountable gross floor area of 174,690 sq.m..

4. The Company had entered into 6 agreements as preparatory services providers with relevant parties. The relevant projects are all located in Dongguan city and have a total site area of 1,310,781 sq.m.. The Three-old Transformation for the relevant projects is expected to be carried out under the Single Party Scenario. The details of the projects are as follows:

Project	**Location**	**Total site area** *(sq.m.)*
Xie Gang Li Village (謝崗黎村)	Xiegang town, Dongguan city	323,000
AI Smart Town (AI智能小鎮)	Shatian town, Dongguan city	294,400
Qishi South Town (企石南鎮)	Qishi town, Dongguan city	218,600
Cha Shan Shang Yuan (茶山上元)	Chashan town, Dongguan city	207,800
Qingxi Qingxia (清溪清廈)	Qingxi town, Dongguan city	161,300
Chashan Waterworks Area (茶山水廠片區)	Chashan town, Dongguan city	105,681
Total		1,310,781

5. The Company is currently working on obtaining the qualifications of the preparatory services providers and promoting the progress of acquiring the project lands for the other 8 projects. The relevant projects are all located in Dongguan city and have a total site area of 379,423 sq.m.. The Three-old Transformation for the relevant projects is expected to be carried out under the Single Party Scenario.

FINANCIAL REVIEW

Overall performance

For the year ended 31 December 2019, total revenue of the Group was approximately RMB3,605.6 million, which represented a year-on-year increase of approximately 61.1%. Gross profit was approximately RMB1,644.9 million, which represented a year-on-year increase of approximately 37.9%. Gross profit margin was approximately 45.6%, which represented a year-on-year decrease of approximately 7.7 percentage points. Profit for the year recorded a year-on-year increase of approximately 54.6% to approximately RMB620.0 million and profit attributable to owners of the parent recorded a year-on-year increase of approximately 52.6% to approximately RMB615.4 million for the year ended 31 December 2019.

Revenue

Revenue increased from approximately RMB2,238.5 million for the year ended 31 December 2018 to approximately RMB3,605.6 million for the year ended 31 December 2019, which represented a year-on-year increase of approximately 61.1%. The GFA delivered increased from 211,429 sq.m. for the year ended 31 December 2018 to 323,795 sq.m. for year ended 31 December 2019, which represented a year-on-year increase of approximately 53.1%, while the ASP increased from RMB10,587 per sq.m. to RMB11,121 per sq.m mainly as a result of the higher GFA delivered in Dongguan city and the relatively higher property price in Dongguan city, especially for the higher average property price of completed projects, namely Humen Marina City, Huijing Riverside Villa Perfection and Huijing City Centre.

Cost of sales

Corresponding to the significant increase in revenue, the cost of sales increased accordingly from approximately RMB1,045.5 million for the year ended 31 December 2018 to approximately RMB1,960.7 million for the year ended 31 December 2019, which resulted from the significant increase in GFA delivered during the year ended 31 December 2019 as compared to the same period in 2018.

Gross Profit and Gross Profit Margin

Gross profit increased from approximately RMB1,193.0 million for the year ended 31 December 2018 to approximately RMB1,644.9 million for the year ended 31 December 2019, with gross profit margin being approximately 53.3% and 45.6%, respectively. The decrease in gross profit margin was mainly due to the difference between the product portfolio and regional portfolio of property delivery in 2019.

Other Income and Gains

Other income and gains increased from approximately RMB16.1 million for the year ended 31 December 2018 to approximately RMB27.4 million for the year ended 31 December 2019. Such increase was mainly due to (i) the increase in bank interest income from approximately RMB0.9 million for the year ended 31 December 2018 to approximately RMB7.9 million for the year ended 31 December 2019, and (ii) the increase in forfeiture of deposits.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased significantly from approximately RMB90.8 million for the year ended 31 December 2018 to approximately RMB11.0 million for the year ended 31 December 2019 as the fair value of the Group's investment properties remained relatively stable during the year ended 31 December 2019.

Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB71.3 million for the year ended 31 December 2018 to approximately RMB83.8 million for the year ended 31 December 2019. Such increase was primarily due to the increase of approximately RMB11.3 million in advertisement expense for the year ended 31 December 2019 as compared to the same period in 2018, as a result of the increase in advertising and marketing activities held for the year ended 31 December 2019 for project and brand promotion of the Group.

Administrative Expenses

Administrative expenses increased from RMB190.7 million for the year ended 31 December 2018 to RMB263.4 million for the year ended 31 December 2019. Such increase was primarily due to (i) the increase in listing expense from RMB10.1 million for the year ended 31 December 2018 to RMB29.7 million for the year ended 31 December 2019, and (ii) additional expenses of RMB46.5 million incurred for equity-settled share option during the year ended 31 December 2019.

Other Expenses

Other expenses remained relatively stable at approximately RMB12.5 million for the year ended 31 December 2019 as compared to the previous year of approximately RMB12.7 million.

Share of Loss of a Joint Venture

Share of loss of a joint venture increased from approximately RMB10.3 million for the year ended 31 December 2018 to approximately RMB14.5 million for the year ended 31 December 2019, which was primarily due to increase in the salary of the sales staff and advertising expenses of the joint venture.

Finance Costs

Finance cost increased from approximately RMB77.5 million for the year ended 31 December 2018 to approximately RMB82.4 million for the year ended 31 December 2019, which was primarily due to the increase in bank borrowings during the year ended 31 December 2019.

Income Tax Expenses

Income tax expenses increased from approximately RMB536.4 million for the year ended 31 December 2018 to approximately RMB606.8 million for the year ended 31 December 2019, with effective income tax rate of approximately 57.2% and 49.5% for the respective year. The decrease in effective income tax rate was primarily due to the decrease in deferred tax expense.

Net Profit and Net Profit Margin

Net profit increased from approximately RMB401.0 million for the year ended 31 December 2018 to approximately RMB620.0 million for the year ended 31 December 2019, while net profit margin decreased from approximately 17.9% for the year ended 31 December 2018 to approximately 17.2% for the year ended 31 December 2019. The decrease in net profit margin was primarily due to the listing-related expenses and share-based compensation expense incurred during the year ended 31 December 2019.

Our adjusted net profit for the year ended 31 December 2019 after excluding listing-related expenses and share-based compensation expense of approximately RMB29.7 million and RMB46.5 million, respectively, was approximately RMB696.2 million with net profit margin of approximately 19.3%. The increase in net profit was primarily due to an increase in revenue by 61.1% for the year ended 31 December 2019 as a result of an increase in properties delivered, which was partially offset by an increase in selling and distribution expenses and administrative expenses by 17.5% and 38.1%, respectively, compared to the year ended 31 December 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Group operated in a capital-intensive industry and has funded its growth primarily through cash generated from operations including proceeds from the sale of its properties, debt financing and capital contributions from shareholders. The Group's cash requirements relate primarily to acquisitions of lands, properties development, debt repayment, and clearance of all applicable taxes for projects developed.

Going forward, the Group believes that its liquidity requirements will be satisfied by cash generated from its operating activities, banking facilities available to us, and the net proceeds received from the Global Offering (as defined in the Prospectus).

As at 31 December 2019, the Group had a total cash and bank balance (including restricted cash) of approximately RMB728.8 million as compared to approximately RMB444.4 million as at 31 December 2018. The increase was primarily due to the increase in proceeds from sales of properties. Substantially all of the Group's cash and bank balance are denominated in RMB.

The Group's net current assets were approximately RMB1,140.0 million and RMB493.4 million as at 31 December 2018 and 2019, respectively. The decrease in net current assets was mainly attributable to (i) the increase of current portion of short-term interest-bearing bank and other borrowings of approximately RMB380.1 million as at 31 December 2019; (ii) the increase of trade payables of approximately RMB664.9 million as at 31 December 2019; being partially offset by (i) the increase of cash and cash equivalents and restricted cash of approximately RMB284.4 million as at 31 December 2019; and (ii) the increase of trade receivables of approximately RMB109.4 million as at 31 December 2019.

As at 31 December 2019, the Group's borrowings of RMB2,059.0 million (2018: RMB2,483.4 million) were borrowings with floating interest rates.

As at 31 December 2019, the Group had banking facilities in the total amount of RMB2,951.3 million, of which approximately RMB2,207.4 million, representing 74.8% has been utilized.

Key financial ratios

As at 31 December 2019, the Group's net gearing ratio (calculated as the total borrowings and lease liabilities net of restricted cash, cash and cash equivalents divided by total equity) was approximately 82.6%, which represented a decrease of 160.6 percentage points as compared to approximately 243.2% as at 31 December 2018. The decrease was primarily attributable to the (i) increase in cash and cash equivalents balance as at 31 December 2019, (ii) decrease in loans from related parties and (iii) decrease in short-term and long-term interest-bearing bank and other borrowings and thus an increase in the balance of total equity as at 31 December 2019, which resulted in a better optimised capital structure.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates and remained relatively stable at 1.2 times and 1.1 times as at 31 December 2018 and 2019, respectively.

Foreign exchange risk

Substantially all of the Group's revenue and expenditure are denominated in RMB. As at 31 December 2019, the Group has not entered into any hedging transactions. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk arises from its long-term borrowings. As all of the Group's borrowings are denominated in RMB, the interest rates on the Group's borrowings are primarily affected by interest-bearing bank and other borrowings. The Group manages its interest rate risk by closely monitoring the trend of interest rate fluctuation and its impact on the Group's interest rate risk exposure, as well as regulating the debt portfolio of the Group.

Pledge of assets

The Group's bank and other borrowings as at 31 December 2019 of approximately RMB2,059.0 million (2018: approximately RMB2,483.4 million) were secured by certain land held for development for sale, equity interests in certain subsidiaries, properties owned by the Group, properties under development and completed properties held for sale of the Group with total carrying values of approximately RMB3,111.2 million (2018: approximately RMB2,024.6 million).

Capital commitments

As at 31 December 2019, the Group had commitments that are contracted but not provided for in respect of property development expenditure as follows:

	As at 31 December	
	2019	2018
	(RMB'000)	*(RMB'000)*
Contracted, but not provided for:		
Properties under development	**1,371,239**	1,945,198
Purchase of land through acquisition of subsidiaries	**840,108**	941,206
Investment properties under construction	**119,832**	131,273
Total	**2,331,179**	3,017,677

Financial guarantees and contingent liabilities

As at 31 December 2019, the Group's total financial guarantees are as follows:

	As at 31 December	
	2019	2018
	(RMB'000)	*(RMB'000)*
Guarantees given to banks in connection with mortgage facilities provided to customers of the Group's properties *(Note a)*	**5,468,152**	4,085,827
Guarantee given to banks in connection with facilities granted to related companies controlled by Mr. Lun Ruixiang *(Note b)*	**113,600**	1,849,200
Total	**5,581,752**	5,935,027

Notes:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the customers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted customers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the start of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to customers of the Group's completed properties held for sale. In the opinion of the directors of the Company that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans principals together with any accrued interest and penalties and accordingly, no financial liability has been made in connection with these guarantees.

(b) The Group provided guarantees in respect of bank loans granted to certain related companies controlled by Mr. Lun Ruixiang. The respective bank loans were also secured by pledges of certain properties owned by Mr. Lun Ruixiang or by the Group and were guaranteed by Mr. Lun Ruixiang.

In determining whether financial liabilities should be recognised in respect of the relevant financial guarantee contracts, the directors of the Company exercise judgement in the evaluation of the probability of a resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no financial liability has been recognised in the financial statements. The guarantees have been released after the end of the reporting period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the year ended 31 December 2019, there was no significant investment, material acquisition and disposals of subsidiaries and associated companies by the Group.

Significant investment held

For the year ended 31 December 2019, there was no significant investment held by the Group.

Employee and remuneration policy

As at 31 December 2019, the Group had a total of 503 employees. Total expenditure on salary and welfare of the Group's employees for the year ended 31 December 2019 amounted to approximately RMB149.9 million (2018: approximately RMB104.7 million). The Group has adopted a system of determining the remuneration of employees based on employees qualification, experience, position and seniority. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, allowances, discretionary bonus, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's employees, including social insurance and housing funds. In terms of employee training, the Group provides consistent and systematic training to employees based on their positions and expertise, in order to enhance their expertise in real estate and their related fields.

FUTURE OUTLOOK

Looking ahead, the Company foresees the PRC economic development will continue to maintain steady growth. As real estate is a major part of the macro economy, the PRC government will focus more on city-specific measures regarding market regulation, so as to ensure the steady development of the industry as a whole, while different regional markets may further differ in performance, and liquidity is expected to improve gradually.

Looking forward to 2020, the outbreak of the COVID-19 in early 2020 will have a short-term impact on the PRC economy. Under the effective control measures of the PRC government, the epidemic has generally been under control. Due to the differences in the size and structure of the PRC economy, the impact of the epidemic on the economy is higher than that of during the Severe Acute Respiratory Syndrome (SARS) in 2003. The revenue from the service industries such as catering, retail, transportation, and tourism declined significantly. As the global epidemic spreads, trade is affected and resulted in a weaker foreign demand. In order to achieve this year's economic goals, the PRC government will adopt a more proactive monetary and fiscal policy to increase investment, promote consumption and stabilize foreign demand.

The epidemic will also have a short-term impact on sales, development, investment, and cash flow of the real estate industry. Nevertheless, real estate continues to be the backbone for the growth of the PRC economy. The PRC government will introduce more lenient policies to underpin the market and maintain a reasonable growth in real estate investment. The financial policies pertaining to the real estate industry will also remain stable, individual housing loan is expected to increase steadily, and there is room for downward adjustments of mortgage rate. It is expected that market transactions throughout the year will gradually pick up as the market adjusts. During the epidemic, companies of well-established infrastructure and public management outperformed in major cities, the value of the economic core will be further highlighted, and the attractiveness of the cities will continue to increase in the future.

The outbreak will also have certain impact on the Group, and the specific impact depends on the duration and development trend of the epidemic situation. The Group will adopt a more aggressive sales strategy by adjusting marketing plans and strategies in a timely manner to intensify its marketing effort. Meanwhile, the Group will continue to strengthen cash flow management, speed up repayments and increase capital turnover rate. By optimizing the operation adjustment, the Group sets to refine and strengthen the management of project timeline.

The Group will also maintain a prudent investment strategy, and ensure sufficient and quality land reserve through proactively participating in urban redevelopment and renewal. The Group will continue to strengthen its presence across the Guangdong-Hong Kong-Macau Greater Bay Area, vigorously boost its market share in regions where the Group has established its presence, gradually extending its outreach across areas with high growth potential such as the Yangtze River Delta, Chengdu-Chongqing and the mid-stream of the Yangtze River.

Faced with new challenges, the Group will pay close attention to the changes in market environment, continue to meet customers's demand as its orientation and concentrate on a balanced and steady development. The Group adheres to the strategy of a steady and balanced development and focuses on the mission of "Maintain foothold in Greater Bay Area" (立足大灣區), thus constantly improving operational efficiency and business structure. With a foothold in Dongguan, the Group will continue to focus on developments in Guangdong Province and expand into regions such as the Central China Region.

The following table sets out the GFA breakdown of the Group's land reserves by property project as at 31 December 2019:

As at 31 December 2019

	Completed as at 31 December 2019				Under development as at 31 December 2019				
Property Type	Unsaleable GFA (sq.m.)	GFA sold (sq.m.)	GFA available for sale (sq.m.)	Investment Property (sq.m.)	Saleable GFA (sq.m.)	Unsaleable GFA (sq.m.)	Investment Property (sq.m.)	Total estimate GFA for future development (sq.m.)	Total GFA (sq.m.)
Residential property project									
Dongguan	193,845	1,110,441	81,155	–	65,843	23,650	–	–	1,474,934
Heyuan	35,244	178,087	2,698	–	400,968	77,006	–	763,163	1,457,166
Subtotal	229,089	1,288,528	83,853	–	466,811	100,656	–	763,163	2,932,100
Integrated property project									
Dongguan	28,659	106,438	34,891	–	–	–	–	–	169,988
Hefei	5,965	97,546	17,609	–	92,306	63,995	–	–	277,421
Changsha	–	–	–	–	231,942	64,672	–	–	296,614
Subtotal	34,624	203,984	52,500	–	324,248	128,667	–	–	744,023
Investment property									
Dongguan	–	–	–	25,780	–	–	–	–	25,780
Hefei	–	–	–	–	–	–	84,121	–	84,121
Subtotal	–	–	–	25,780	–	–	84,121	–	109,901
Property promoting specific industry									
Hengyang	1,011	27,871	23,425	–	42,176	11,856	–	1,185,342	1,291,681
Subtotal	1,011	27,871	23,425	–	42,176	11,856	–	1,185,342	1,291,681
Total	264,724	1,520,383	159,778	25,780	833,235	241,179	84,121	1,948,505	5,077,705

The following table sets forth a summary of the Group's property projects and project phases developed, including projects and project phases held for future development as at 31 December 2019:

As at 31 December 2019

		Completed as at 31 December 2019						Under development as at 31 December 2019										
	Location	Total site area (sq.m.)	Unsaleable GFA (sq.m.)	GFA sold (sq.m.)	GFA available for sale (sq.m.)	Investment Property (sq.m.)	Total GFA completed (sq.m.)	Saleable GFA (sq.m.)	Pre-saleable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Unsaleable GFA (sq.m.)	Investment Property (sq.m.)	Total GFA under development (sq.m.)	Total estimate GFA for future development (sq.m.)	Total GFA (sq.m.)	Actual/Estimated Construction Commencement Time	Actual/Estimated Pre-sale Commencement Time	Actual/Estimated Construction Commencement Time
Huijing Riverside Villa (御海藍岸)	Dongguan	315,867	45,731	402,222	36,666	–	484,619	1,185	1,185	295	3,526	–	4,711	–	489,330	2010.9.30	2011.4.1	2020.6
Huijing Riverside Villa • Perfection (御海藍岸 • 臻品)	Dongguan	10,220	5,276	22,366	10,505	–	38,147	–	–	–	–	–	–	–	38,147	2017.9.1	2018.4.28	2019.6.26
Royal Spring Hill (御泉香山)	Dongguan	119,999	42,024	214,455	9,938	–	266,417	–	–	–	–	–	–	–	266,417	2010.12.28	2011.5.20	2017.3.9
City Valley (城市山谷)	Dongguan	59,665	24,566	117,798	6,412	–	148,776	–	–	–	–	–	–	–	148,776	2014.4.15	2014.11.25	2018.7.6
Huijing City Centre (滙景城市中心)	Dongguan	37,025	28,659	106,438	34,891	–	169,988	–	–	–	–	–	–	–	169,988	2015.10.16	2016.4.8	2019.7.8
Century Gemini (世紀雙子) (Note)	Dongguan	17,314	27,168	49,444	9,064	–	85,676	–	–	–	–	–	–	–	85,676	2011.1.21	2012.5.21	2015.1.5
Huijing City (滙景城) (Note)	Dongguan		–	–	–	25,780	25,780	–	–	–	–	–	–	–	25,780	2011.1.21	n.a	2015.4.30
Central Palace (中央華府)	Dongguan	18,914	11,670	62,590	4,770	–	79,030	–	–	–	–	–	–	–	79,030	2010.4.14	2010.4.28	2011.11.21
Huijing Palace (滙景華府) and Huijing Ginza (滙景銀座)	Dongguan	38,001	23,619	152,229	900	–	176,748	–	–	–	–	–	–	–	176,748	2005.6.14	2005.10.26	2008.9.28
Emperor View Peak (帝景峰)	Dongguan	12,240	11,661	38,379	319	–	50,359	–	–	–	–	–	–	–	50,359	2008.3.19	2008.9.23	2009.9.16
Humen Marina City (虎門濱海城)	Dongguan	37,407	2,130	50,958	2,581	–	55,669	48,508	39,146	38,137	17,379	–	65,887	–	121,556	2018.7.27	2018.12.14	2020.9.30
Fenghua Mansion (豐華公館)	Dongguan	6,042	–	–	–	–	–	16,150	14,665	–	2,745	–	18,895	–	18,895	2018.10.24	n.a	2020.6.30
Subtotal		672,694	222,504	1,216,879	116,046	25,780	1,581,209	65,843	54,997	38,432	23,650	–	89,493	–	1,670,702			
BundNo.8 (外灘8號)	Heyuan	60,007	35,244	178,087	2,698	–	216,029	–	–	–	–	–	–	–	216,029	2016.7.27	2019.5.8	2018.12.25
Nine Miles Bay (九里灣花園)	Heyuan	273,500	–	–	–	–	–	400,968	230,488	126,385	77,006	–	477,974	230,456	708,430	2018.11.30	2018.12.20	2021.12.31
Dongjiang River Galleries (a portion of)	Heyuan	266,353	–	–	–	–	–	–	–	–	–	–	–	532,707	532,707	n.a	n.a	n.a
Subtotal		599,860	35,244	178,087	2,698	–	216,029	400,968	230,488	126,385	77,006	–	477,974	763,163	1,457,166			
Hefei Huijing City Centre (合肥滙景城市中心)	Hefei	37,779	5,965	97,546	17,609	–	121,120	92,306	–	–	63,995	84,121	240,422	–	361,542	2017.1.19	2017.8.31	2020.9.30
Huijing Yanhu International Resort (衡陽滙景 • 雁湖生態文旅小鎮)	Hengyang	938,427	1,011	27,871	23,425	–	52,307	42,176	30,886	4,211	11,856	–	54,032	1,185,342	1,291,681	2016.4.28	2017.10.30	2020.12.31
Huijing Global Centre (滙景發展環球中心)	Changsha	27,081	–	–	–	–	–	231,942	178,486	50,617	64,672	–	296,614	–	296,614	2016.6.30	2017.12.25	2020.6.30
Total		2,275,841	264,724	1,520,383	159,778	25,780	1,970,665	833,235	494,856	219,645	241,179	84,121	1,158,535	1,948,505	5,077,705			

Note: Century Gemini and Huijing City are situated on the same parcel of land and therefore share the same site area.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Chairman and Non-Executive Director

Mr. Lun Ruixiang (**倫瑞祥**), aged 52, was appointed as a director of the Company ("Director") on 9 January 2019 and was appointed as chairman of the Board and redesignated as a non-executive Director on 25 March 2019. He is also the chairman of the nomination committee of the Board. Mr. Lun Ruixiang is responsible for formulating the overall strategies, development and directions, as well as monitoring the operations and management of the Group. Mr. Lun Ruixiang founded the Group in 2004 and has over 15 years of experience in residential and commercial property development and business development. Mr. Lun Ruixiang has been engaging in the automobile industry in Dongguan since January 1995.

Mr. Lun Ruixiang is a relative of Mr. Lun Zhao Ming, an executive Director and the chief executive officer of the Group.

Executive Directors

Mr. Lun Zhao Ming (**倫照明**), aged 55, is the chief executive officer of the Group. He was appointed as a Director and redesignated as an executive Director on 25 March 2019. Mr. Lun Zhao Ming joined the Group in June 2005 as a chairman assistant and was primarily responsible for human resources and administration affairs. He was promoted as a vice president in November 2009, during which time he was engaged on overseeing the daily operation of the Group as well as management affairs. Mr. Lun Zhao Ming was promoted as a senior vice president in January 2015, and was promoted as the chief executive officer of the Group in January 2018. In addition to monitoring our daily operation and management, he is also in charge of formulating the business strategies and directions and also a director of certain subsidiaries of the Company.

Prior to joining the Group, Mr. Lun Zhao Ming worked at Dongguan Humen Port Mayong Xinsha Development Co., Ltd. (東莞市虎門港麻涌新沙開發有限公司), a company primarily engaged in industrial park development, from September 2003 to May 2005. Mr. Lun Zhao Ming graduated from Sun Yat-Sen University in the PRC with a bachelor's degree in science in July 1984.

Mr. Lun Zhao Ming is a relative of Mr. Lun Ruixiang, a non-executive Director and chairman of the Board.

Mr. Lau Kam Kwok Dickson (**劉金國**), aged 52, has been the chief financial officer of Hai Feng Holdings Limited, an indirect wholly-owned subsidiary of the Company, since February 2016 and has been appointed as a Director and redesignated as an executive Director and company secretary of the Company since on 25 March 2019. Mr. Lau is primarily responsible for handling corporate governance and company secretarial matters, as well as overseeing the financial affairs of the Group, and also a director of certain subsidiaries of the Company. Mr. Lau has over 12 years of financial control experience in property development industry and has various experiences with listed groups. Mr. Lau worked at New Heritage Holdings Limited (Stock Exchange stock code: 95), focusing on property development and property investment business in the PRC since the early 80's, as the financial controller from October 2006 to April 2010; Soundwill Group (Stock Exchange stock code: 878), a Hong Kong-based investment holding company principally engaged in property-related businesses, as the financial controller since May 2010 and promoted to and appointed as executive director in December 2011 until May 2013; and Wang On Group (Stock Exchange stock code: 1222), a company engaged in property development business in Hong Kong, as chief financial officer from June 2013 to November 2014.

Mr. Lau is admitted as a Certified Public Accountant in Hong Kong in July 2003 and became a fellow of the Hong Kong Institute of Certified Public Accountants in June 2010. Mr. Lau obtained a degree of Bachelor of Arts from City University of Hong Kong in Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu Peijun (**盧沛軍**), aged 47, joined the Group as the financial controller in March 2005 and became our vice president in May 2015. He was appointed as a Director and redesignated as an executive Director on 25 March 2019. Mr. Lu is mainly responsible for the management of the Financial Department and the Legal Department of the Company and assisting in monitoring project implementation and progress, and also a director of certain subsidiaries of the Company. He has more than 11 years of finance-related experience before joining the Group. He worked at Dongguan Branch of Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank (廣發銀行)) from January 1994 to March 2005.

Mr. Lu graduated from South China Normal University with a degree of bachelor in legal studies through online education in February 2005.

Independent Non-Executive Directors

Ms. Chiu Lai Kuen Susanna (**趙麗娟**), **MH, JP**, aged 59, was appointed as an independent non-executive Director on 11 December 2019. Ms. Chiu is also the chairman of the audit committee of the Board.

Ms. Chiu has over 30 years of experience in accounting, business management and operations. From 2000 to 2006, Ms. Chiu joined DVN Holdings Company Limited (currently known as Frontier Services Group) (Stock Exchange stock code: 0500), a company specializing in development and sales of digital broadcasting systems, where she was the chief operating officer and the senior vice president of the Business Development and Corporate Affairs. During 2006 to 2019, she served as senior vice president, group chief representative in Eastern China Region and consultant under the Fung Group, which engaged in trading, distribution, logistics and retailing businesses. Since May 2019, she has been serving as an independent non-executive director of Kato (Hong Kong) Holdings Limited (Stock Exchange stock code: 2189).

Ms. Chiu was awarded the Medal of Honor by the Hong Kong Government in 2013 for her achievement and dedication in public services especially in relations to the accounting profession. She was also awarded the "Outstanding Women Professionals" Award in 2014, "Distinguished Alumni" Award from Sheffield University and was also awarded "2017 Outstanding Business Women" by Hong Kong Commercial Daily in 2017. In 2017 and 2018, Ms. Chiu was awarded the "Justice of Peace" and "New Territories Justice of the Peace" respectively by the Hong Kong Government for her contribution to the community. Ms. Chiu has been a member of the Women's Commission since January 2017. She was also a member of the Equal Opportunities Commission from May 2009 to May 2017, as well as the Energy Advisory Committee from July 2014 to July 2018. Ms. Chiu is currently a member of The Chinese People's Political Consultative Conference of Shanghai.

Ms. Chiu graduated with First Class Honors in Economics from the University of Sheffield in the United Kingdom in 1982 and holds an Executive MBA degree from the Chinese University of Hong Kong in Hong Kong in 1997. Ms. Chiu was the President of the Council of the Hong Kong Institute of Certified Public Accountants in 2013, and the president of the Information Systems Audit and Control Association (China Hong Kong Chapter) from 2001 to 2006. She is a qualified Chartered Accountant from England, a Hong Kong Certified Public Accountant, PRC Certified Public Accountant and Auditor of the Information Systems Audit and Control Association.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Wan Shun Stephen (熊運信), aged 59, was appointed as an independent non-executive Director on 11 December 2019. He is also a member of the audit committee, remuneration committee and nomination committee of the Board.

Mr. Hung is a solicitor in Hong Kong and has over 24 years of experience in legal practice. Mr. Hung was admitted as a solicitor in Hong Kong in May 1995. Mr. Hung is currently with Li & Partners, a Hong Kong based law firm and has been a partner of the firm since December 2014.

Mr. Hung has been a member of the Council of the Law Society of Hong Kong (the "Law Society") since October 2003. He was elected as vice-president of the Law Society from May 2012 to August 2014 and president from August 2014 to June 2016. Mr. Hung has also been the representative for Law Society in the Judicial Officers Recommendation Commission from July 2015 to July 2019 and the Duty Lawyer Service Council since February 2018. Mr. Hung has been serving various appointments including the Financial Reporting Council since December 2018; Communications Authority since April 2017; Professional Services Advancement Support Scheme Vetting Committee since January 2017; Hong Kong Examinations and Assessment Authority since September 2013; and Sub-committee on Causing or Allowing the Death of a Child of the Law Reform Commission since February 2007 and Lump Sum Grant Steering Committee since April 2015.

Mr. Hung received his degree of Bachelor of Arts from University of Winnipeg in Canada in May 1982. He later received his degree of Bachelor of Laws in December 1992 and Postgraduate Certificate in Laws in September 1993 from the University of Hong Kong in Hong Kong.

Ms. Lin Yanna (林燕娜), aged 56, was appointed as an independent non-executive Director on 11 December 2019. Ms. Lin Yanna is also the chairman of the remuneration committee, and a member of audit committee and nomination committee of the Board.

Ms. Lin Yanna has over 18 years of experience in business management and operation. From January 2001 to August 2008, Ms. Lin Yanna worked as the general manager of Shanghai Bus Financial Management Company Limited (上海巴士財務管理有限公司), a company focusing on financial management and providing accounting services, and was responsible for the overall operational management, construction of operational structure and formulation of overall management and risk management policies. She was the director of and a member of the investment decision committee of Shanghai Stonecapital Co., Ltd (上海磐石投資有限公司), an investment management company in China, from September 2008 to September 2018. At Shanghai Stonecapital Co., Ltd, she was mainly responsible for overseeing private equity investment and managing assets of Shanghai Stonecapital Co., Ltd.

Ms. Lin Yanna graduated from Shanghai University of Finance and Economics in the PRC in January 1999, with a master's degree in management. Ms. Lin Yanna also completed a master's programme jointly organized by the Shanghai National Accounting Institute and the Chinese University of Hong Kong in the PRC and received a degree of Master in Accounting for Senior Management in December 2004.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Bo (王波), aged 50, has been the chief operating officer of the Group since January 2018. Mr. Wang joined the Group as an executive vice president in October 2017. Mr. Wang is responsible for the overall implementation of projects, project progress and quality control and supervision of project progress and implementation. He has over nine years of experience in operation management in property development industry. Before joining the Group, he worked as the general vice president of Guangzhou Huahai Group (廣州華海集團), a property developer, from March 2015 to October 2017; the president assistant of Guangdong Nimble Investment Company Limited (廣東敏捷投資有限公司), which is a property development and property management company, from October 2012 to November 2013; vice president of Guangdong Chuang Hong Property Development Company Limited (廣東創鴻房地產開發有限公司) from October 2011 to November 2012; and the general manager of development department and project supervisor of Guangdong L'Sea Group Company Limited (廣東利海集團有限公司) from April 2010 to December 2011.

Mr. Wang graduated from Wuhan University of Technology in the PRC with a bachelor's degree in industrial and residential architecture engineering in June 1992.

Mr. Chen Shaobin (陳少斌), aged 52, is a vice president of the Group. He first joined as the deputy general manager of Real Estate Development Department in the Group in April 2004 and became our vice president in May 2016. Mr. Chen is responsible for assisting the Group's outreaching affairs.

Mr. Lin Shugen (林樹根), aged 58, is a chairman assistant of the Group. He has been with the Group since July 2003 and became a vice president in January 2018. He is mainly responsible for assisting in project financing related matters, and also a director of certain subsidiaries of the Company. Mr. Lin has over 25 years of experience in financing. Prior to joining the Group, Mr. Lin served client manager of Dongguan Houjie Branch of Agriculture Bank of China (中國農業銀行厚街支行) from March 1993 to July 2003.

Mr. Lin obtained a bachelor's degree in economic management from Hubei School of Planning and Management Department (湖北省計劃管理幹部學院) (now known as Hubei University of Economics (湖北經濟學院)) in July 2002.

Mr. Long Bo (龍波), aged 55, is a chairman assistant of the Group. He is primarily responsible for the overall management of contract bidding and preparing and reviewing cost budgets, and also a director of certain subsidiaries of the Company. He joined the Group in November 2010 as a general financing manager and was promoted to chairman assistant in March 2015. Mr. Long has over 24 years of experience in project management and financing. Prior to serving the Group, he worked at Guangdong Guanyi Investment Group Limited (廣東冠益投資(集團)有限公司), an investment management company in the PRC, as a standing deputy general manager and financial controller from May 2003 to October 2010; Shenzhen Galaxy Securities Co., Ltd (深圳銀河證券股份有限公司) as a senior project manager from May 1998 to March 2003; and Shenzhen Nanyou (Holdings) Ltd. (深圳南油(集團)股份有限公司) as a manager at the financing department from May 1994 to May 1998.

Mr. Long graduated with a master's degree in business management from the Business School of Jilin University (吉林大學商學院) in July 2001. Before that, he obtained a bachelor's degree in business administration and management from Shanghai University of Finance and Economics (上海財經大學) in June 1984.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company's shares were listed on the Stock Exchange since 16 January 2020 (the "Listing Date"). Since the shares of the Company were not yet listed on the Stock Exchange during the year ended 31 December 2019 (the "Year"), the CG Code was not applicable to the Company during the Year. To the best of the knowledge of the Directors, the Company has fully complied with all applicable code provisions set out in the CG Code during the period commencing from the Listing Date to the date of this annual report.

Compliance With Model Code For Securities Transactions By Directors Of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed their compliance with the Model Code throughout the period commencing from the Listing Date to the date of this annual report.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the period commencing from the Listing Date to the date of this annual report.

BOARD OF DIRECTORS

The composition of the Board during the period commencing from the Listing Date to the date of this report is as follows:

Non-executive Director:

Mr. Lun Ruixiang *(Chairman)*

Executive Directors:

Mr. Lun Zhao Ming *(Chief Executive Officer)*
Mr. Lau Kam Kwok Dickson
Mr. Lu Peijun

Independent Non-executive Directors:

Ms. Chiu Lai Kuen Susanna
Mr. Hung Wan Shun Stephen
Ms. Lin Yanna

The biographical information of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

Mr. Lun Ruixiang is a relative of Mr. Lun Zhao Ming. Save as disclosed aforesaid, none of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The chairman, being Mr. Lun Ruixiang, provides leadership for and management of the Board. He is responsible for ensuring that all Directors are properly briefed on issues to be discussed at Board meetings and receive, in a timely manner, adequate, accurate, clear, complete and reliable information. He also takes primary responsibility to ensure that the Board works effectively, performs its responsibilities and discusses all key and appropriate issues in a timely manner. He fulfills this by encouraging Directors to make a full and active contribution to the Board's affairs and ensure the Board acts in the best interests of the Company. He also encourages Directors with different view to voice their concerns, allows sufficient time for discussion of issues and ensure Board decisions fairly reflect Board consensus. The chairman is responsible for facilitating the effective contribution of non-executive Directors and ensuring constructive relations between executive and non-executive Directors.

The chief executive officer, being Mr. Lun Zhao Ming, is responsible for leading the day-to-day management of the Group's business in accordance with the strategy, policies and programmes approved by the Board. The chief executive officer is also responsible for providing reports and advice to the Board on the performance of the Group's business. The chief executive officer would be supported by the management, who provides relevant information and recommendations to facilitate informed decision making.

Independent Non-executive Directors

During the period commencing from the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Code provision A.4.2 provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors (including independent non-executive Directors) is appointed for an initial term of three years commencing from the Listing Date and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors make decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), significant domestic and/or overseas investments, financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

A summary of training received by Directors during the period under review and as at the date of this annual report according to the records provided by the Directors is as follows:

Directors	Attended briefings/ trainings
Mr. Lun Ruixiang	✓
Mr. Lun Zhao Ming	✓
Mr. Lau Kam Kwok Dickson	✓
Mr. Lu Peijun	✓
Ms. Chiu Lai Kuen Susanna	✓
Mr. Hung Wan Shun Stephen	✓
Ms. Lin Yanna	✓

Board meetings

The Company was listed on 16 January 2020. The Board held one meeting during the period commencing from the Listing Date to the date of this annual report. The table below sets forth the details of the attendance at this meeting:

Name of Directors	Attended/ Number of meetings held
Mr. Lun Ruixiang	1/1
Mr. Lun Zhao Ming	1/1
Mr. Lau Kam Kwok Dickson	1/1
Mr. Lu Peijun	1/1
Ms. Chiu Lai Kuen Susanna	1/1
Mr. Hung Wan Shun Stephen	1/1
Ms. Lin Yanna	1/1

No annual general meeting was held during the period commencing from the Listing Date to the date of this annual report.

BOARD COMMITTEES

The Board has established the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All the said Board committees of the Company are established with defined written terms of reference, which are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The majority of the members of the said Board committees are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" of this annual report.

Audit Committee

The primary duties of the audit committee are (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor; (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) to communicate and monitoring the work of internal audit and external auditors to develop and implement policy on the engagement of an external auditor to supply non-audit services, and to report to the Board, identify and make recommendations on any matters requiring action or improvement; (iv) discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one audit firm is involved; (v) to examine the financial positions of the Company; (vi) to oversee the Company's financial reporting system, risk management and internal control systems; and (vii) to oversee the Company's corporate governance functions.

No meeting had been held by the audit committee during the period under review as the shares of the Company were only listed on the Stock Exchange on the Listing Date. During the period commencing from the Listing Date to the date of this annual report, two audit committee meetings were held. In the meetings, the audit committee reviewed the audit plan, reviewed the annual financial results and report as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit, reviewed major internal audit issues, reviewed the financial reporting system, compliance procedures, internal control and risk management systems and processes, recommended re-appointment of external auditors and relevant scope of works and continuing connected transactions, ensured the Company's corporate governance function and fulfilled duties as aforesaid required. From the perspective of the Company's corporate governance, the audit committee also reviewed the compliance of the Model Code and Employees Written Guidelines and the Company's compliance with the Listing Rules and disclosure in this Corporate Governance Report. The table below sets forth the details of the attendance at these meetings:

Name of committee member	Attended/ Number of meetings held
Ms. Chiu Lai Kuen Susanna *(Chairman)*	2/2
Mr. Hung Wan Shun Stephen	2/2
Ms. Lin Yanna	2/2

Remuneration Committee

The remuneration committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The primary duties of the remuneration committee are (i) to recommend the Board on the Company's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (iv) to make recommendation to the Board on the remuneration of non-executive Directors; (v) to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group; and (vi) to consider and recommend to the Board for approval the grant of share options to Directors and senior management pursuant to any share option schemes in effect.

No meeting had been held by the remuneration committee during the period under review as the shares of the Company were only listed on the Stock Exchange on the Listing Date. During the period commencing from the Listing Date to the date of this annual report, one remuneration committee meeting was held. In the meeting, the remuneration committee considered and recommended to the Board the remuneration package of the individual executive Directors and senior management as well as the remuneration of the non-executive Directors and fulfilled duties as aforesaid required. The table below sets forth the details of the attendance at this meeting:

Name of committee member	Attended/ Number of meeting held
Ms. Lin Yanna *(Chairman)*	1/1
Mr. Lun Ruixiang	1/1
Mr. Hung Wan Shun Stephen	1/1

Details of the Directors' remuneration for the period under review are set out in note 8 to the consolidated financial statements.

Details of the remuneration by band of the members of senior management (excluding Directors) of the Company for the period under review is set out below:

Remuneration bands (excluding equity-settled share option expense)	Number of person(s)
RMB500,000 to RMB749,999	1
RMB750,000 to RMB999,999	–
RMB1,000,000 to RMB1,249,999	2
RMB1,250,000 or above	1

Nomination Committee

The primary duties of the nomination committee are to (i) review the structure, size, composition and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to make recommendations to the Board on the appointment or re-appointment of Directors; (iii) to identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals nominated for directorship; (iv) to review the policy on Board diversity and make disclosure of such in the corporate governance report; and (v) to assess the independence of the independent non-executive Directors.

The nomination committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the nomination committee will then be put to the Board for decision.

No meeting had been held by the nomination committee during the period under review as the shares of the Company were listed on the Listing Date. During the period commencing from the Listing Date to the date of this annual report, one nomination committee meeting was held. In the meeting, the nomination committee reviewed the structure, size, composition and diversity of the Board, reviewed the board diversity policy, as well as assessed the independence of independent non-executive Directors, made recommendation to the Board on the re-election of the retiring Directors and fulfilled duties as aforesaid required. The table below sets forth the details of the attendance at this meeting:

Name of committee member	Attended/ Number of meeting held
Mr. Lun Ruixiang *(Chairman)*	1/1
Mr. Hung Wan Shun Stephen	1/1
Ms. Lin Yanna	1/1

Nomination Policy

(i) *Objective*

The nomination committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as the Directors at general meetings or appoint as Directors to fill casual vacancies.

The nomination committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

(ii) *Selection Criteria*

In assessing a proposed candidate for the recommendation of appointment or re-appointment of the members of the Board, the factors which would be used as reference by the nomination committee include but not limited to the Director's reputation for integrity, his/her accomplishment and experience in the industry which the Group operates, his/her commitment in respect of available time and relevant interest as well as the diversity in all its aspects as set out in the Board Diversity Policy adopted by the Company from time to time. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

(iii) Nomination Procedures

The Nomination Committee shall invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Diversity Policy") in accordance with the provisions of the Listing Rules, which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee will monitor the implementation of the Diversity Policy and will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the period under review.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other statutory and regulatory requirements.

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

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

Auditors' Remuneration

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report".

The remuneration paid to Ernst & Young ("EY"), the external auditors of the Company for the period under review was RMB4.8 million and RMB8.5 million for audit services and non-audit services respectively.

Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Group's executive management and the internal audit department (the "IA Department") have been delegated the responsibility of identifying and evaluating the risks faced by the Group and of designing, operating and monitoring an effective internal control system that covers governance, compliance, risk management, financial as well as operational control.

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review. The management is delegated to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It is endeavoured to evaluate and compare the level of risk against predetermined acceptable levels of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. Any material risk identified by the management or the IA Department will be reported to the audit committee and the Board. The management and the IA Department assist the audit committee and the Board to manage and control such risks by ensuring an effective risk management system is maintained and operated within the Group.

The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding the Group's assets, providing reliable financial reporting information and complying with the applicable laws and regulations. Systems and procedures are also established to identify, measure, manage and control, rather than eliminate, different risks arising from different business and functional activities.

The IA Department plays an important role in enhancing internal control system of the Group. It assists the Board in determining whether sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic audits over all major operations of the Group, under a rotational cycle. An annual audit plan (comprising annual audit focus and audit frequencies) is prepared based on the department's independent risk assessment. Such work plan is discussed and agreed with the audit committee at the beginning of each financial year. If any material risks or internal control defects are found, the IA Department will discuss with respective department heads to have actions agreed and subsequently followed up, in order to ensure that satisfactory controls are maintained. Major internal audit findings will be submitted to the audit committee for review and all improvement actions will be properly followed up by management to ensure that they are implemented within a reasonable period of time.

In addition, the Group has engaged an independent consulting firm to assist the IA Department to provide professional internal audit services to the Group. Such appointment aims to provide leadership to and enhance professionalism and independence of the IA Department.

The Group complies with the requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group will disclose inside information to the public as soon as reasonably practicable unless the information falls within any of the "safe harbours" provisions and satisfies the conditions under the SFO. Before the information is fully disclosed to the public, the Group will ensure that the information is kept strictly confidential.

The Group has strictly prohibited unauthorized use of confidential or inside information and established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors are authorized to communicate with parties outside the Group.

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the Year, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system to be effective and adequate.

Shareholders' Rights

Procedures for shareholders to convene an extraordinary general meeting

According to article 58 of the Company's articles of association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at a general meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, shareholders who wish to propose resolutions may follow article 58 of the Company's articles of association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 of the Company's articles of association are set out above.

Regarding proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders' enquiries

If shareholders have any queries in connection with their shareholdings, please write to or contact the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at:

Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1066
Fax: (852) 2262 7584
Website: www.tricorglobal.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Change In Constitutional Documents

The Company's articles of association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company. There has not been any change in the Company's constitutional documents during the period commencing from the Listing Date to the date of this annual report.

REPORT OF THE DIRECTORS

The Directors are pleased to present their first report together with the audited consolidated financial statements for the Year.

Global Offering

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 January 2019, the shares of which were listed on the Main Board of the Stock Exchange on the Listing Date.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

Results and Dividends

The results of the Group for the Year and the financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 55 to 128 of this annual report.

The Directors have recommended a special dividend of HK$4.5 cents (2018: not applicable) per ordinary share of the Company, amounting to a total special dividend of approximately RMB212,159,000 (2018: not applicable).

The proposed special dividend, if approved at the forthcoming annual general meeting of the Company (the "2020 AGM") to be held on Friday, 22 May 2020, will be payable on Tuesday, 18 August 2020 to shareholders whose names appear on the register of members of the Company on Monday, 1 June 2020.

The Board has adopted a dividend policy. The principles and guidelines of such are as follows:

(a) The Company has no fixed dividend payout ratio;

(b) Any declaration and payment of dividends by the Company shall be made in accordance with the constitutional documents of the Company and the relevant laws and regulations, including the Companies Law of the Cayman Islands (the "Cayman Companies Law"). Pursuant to the Cayman Companies Law, the Company shall not declare or pay a dividend or make a distribution out of contributed surplus (which, for this purpose, includes proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, and donations of cash and other assets to the Company), if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than its liabilities;

(c) Any declaration and payment of dividends by the Company, including the amount of any dividends to be declared, is subject to the discretion of the Board and, where required under the constitutional documents of the Company and the Cayman Companies Law, the approval of the shareholders of the Company (the "Shareholders"); and

(d) The Directors may recommend a declaration and payment of dividends after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(a) from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be entitled to attend and vote at the 2020 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Monday, 18 May 2020; and

(b) from Friday, 29 May 2020 to Monday, 1 June 2020 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to the proposed special dividend. In order to be qualified for the proposed special dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Thursday, 28 May 2020.

During the periods mentioned in sub-paragraphs (a) and (b) above, no transfer of shares will be registered.

Business Review

An overview and the outlook of the Group's business are provided in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" of this annual report. No important event affecting the Group has occurred since the end of the Year. Certain financial key performance indicators can be found in the section headed "Financial Highlights".

The financial risk management objectives and policies of the Group are shown in note 43 to the consolidated financial statements.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance are included in a separate "Environmental, Social and Governance Report", which will be published in compliance with the stipulations under the Listing Rules, and in the section headed "Corporate Governance Report".

The Company is in compliance with the relevant laws and regulations that have a significant impact on the Company for the Year.

Use of Net Proceeds From Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 16 January 2020. The net proceeds from the Company's listing amounted to HK$1,391.1 million after deducting share issuance costs and listing expenses. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. A summary of the use of proceeds is set out below:

	Net proceeds from the Company's listing (in HK$ millions)		
Use of proceeds	Planned use	Utilized as at the date of this annual report	Unutilized as at the date of this annual report
• To fund development costs to advance urban renewal projects	765.1	–	765.1
• Development and construction costs for the development of existing property projects, namely Hefei Huijing City Centre and Huijing Yanhu International Resort	278.2	250.0	28.2
• Repayment of certain existing interest-bearing bank borrowings and other borrowings	278.2	135.0	143.2
• To provide funding for working capital and other general corporate purposes	69.6	35.0	34.6
Total	1,391.1	420.0	971.1

The net proceeds that have not been utilized were temporarily placed in short term deposits with licensed institutions in the PRC and Hong Kong as at the date of this annual report.

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

Pre-Emptive Rights

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

Equity-Linked Agreements

Save for the share option schemes of the Company as disclosed in the section headed "Share Option Scheme" of this report of the Directors and in note 32 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the Year or subsisted at the end of the Year.

Charitable Donations

Charitable donations made by the Group during the Year amounted to HK$2.2 million (2018: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

Distributable Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity, respectively.

Under the Cayman Companies Law, the Company may make distribution to the Shareholders out of contributed surplus. However, the Company cannot declare or pay a dividend, or make a distribution out of this contributed surplus if it is, or would after the payment be, unable to pay its debts as they fall due in the ordinary course of business.

Major Customers and Suppliers

The five largest customers in aggregate accounted for less than 30% of the Group's turnover for the Year. The five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 39.6% and 12.2% respectively by value of the Group's total purchases for the Year.

None of the Directors, their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the major customers or suppliers noted above.

Directors

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

Chairman and Non-Executive Director

Mr. Lun Ruixiang

Executive Directors

Mr. Lun Zhao Ming *(Chief Executive Officer)*
Mr. Lau Kam Kwok Dickson
Mr. Lu Peijun

Independent Non-executive Directors

Ms. Chiu Lai Kuen Susanna
Mr. Hung Wan Shun Stephen
Ms. Lin Yanna

In accordance with the Company's articles of association, Mr. Lun Ruixiang shall retire from office by rotation at the 2020 AGM and be eligible for re-election. Further, the Company's articles of association requires that any Director appointed by the Board shall hold office until the next following annual general meeting and shall be eligible for re-election at that meeting. Accordingly, Mr. Lun Zhao Ming, Mr. Lau Kam Kwok Dickson and Mr. Lu Peijun who were appointed by the Board on 25 March 2019, and Ms. Chiu Lai Kuen Susanna, Mr. Hung Wan Shun Stephen and Ms. Lin Yanna who were appointed by the Board on 11 December 2019 shall retire from office at the 2020 AGM, and being eligible, offer themselves for re-election.

The Company has received annual confirmations of independence from each of the independent non-executive Directors and as at the date of this report still considers them to be independent.

Directors' Service Contracts

No Director proposed for re-election at the 2020 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of Its Associated Corporations

As of the date of this annual report, the interests and short positions of the Directors and chief executive and/or their respective associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in shares of the Company

Name of Director	Nature of Interests	Number of shares (Note 1)	Underlying shares interested	Total	Approximate percentage of shareholding
Mr. Lun Ruixiang	Interest in a controlled corporation (Note 2)	4,421,241,000 (L)	–	4,421,241,000	84.15%
	Interest of spouse	44,659,000 (L) (Note 3)	2,600,000	47,259,000	0.90%
	Beneficial owner	–	9,600,000	9,600,000	0.18%
Mr. Lun Zhao Ming	Beneficial owner	–	6,000,000	6,000,000	0.11%
Mr. Lau Kam Kwok Dickson	Beneficial owner	–	2,000,000	2,000,000	0.04%
Mr. Lu Peijun	Beneficial owner	–	6,000,000	6,000,000	0.11%

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.

2. Wui Ying Holdings Limited, holding 4,421,241,000 shares of the Company, is beneficially wholly-owned by Mr. Lun Ruixiang.

3. Wui Shing Holdings Limited, holding 44,659,000 shares of the Company, is beneficially wholly-owned by Ms. Chan Hau Wan and Ms. Chan Hau Wan is deemed to be interested in the same number of shares held by Wui Shing Holdings Limited by virtue of the SFO. Since Mr. Lun Ruixiang is the spouse of Ms. Chan Hau Wan, he is also deemed to be interested in the same number of shares which are held by Ms. Chan Hau Wan by virtue of the SFO.

(ii) Interests in the associated companies

Name of Director	Name of associated company	Nature of interests	Number of class of securities in the associated company	Percentage of shareholding interests in the associated company
Mr. Lun Ruixiang	Wui Ying Holdings Limited	Beneficial owner	1	100%

Save as disclosed above, as at the date of this annual report, none of the Directors and the chief executive of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As of the date of this annual report, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interests	Number of shares (Note 1)	Underlying shares interested	Total	Approximate percentage of shareholding
Wui Ying Holdings Limited	Interest in a controlled corporation	4,421,241,000 (L)	–	4,421,241,000	84.15%
Ms. Chan Hau Wan	Interest of spouse	4,421,241,000 (L) (Note 2)	9,600,000	4,430,841,000	84.33%
	Interest in a controlled corporation	44,659,000 (L)	–	44,659,000	0.85%
	Beneficial owner	–	2,600,000	2,600,000	0.05%

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.

2. Wui Ying Holdings Limited, holding 4,421,241,000 shares of the Company, is beneficially wholly-owned by Mr. Lun Ruixiang and Mr. Lun Ruixiang is deemed to be interested in the same number of shares held by Wui Ying Holdings Limited by virtue of the SFO. Since Ms. Chan Hau Wan is the spouse of Mr. Lun Ruixiang, she is also deemed to be interested in the same number of shares which are held by Mr. Lun Ruixiang by virtue of the SFO.

Save as disclosed above, as of the date of this annual report, no person had registered an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Schemes

A. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"), effective from 6 April 2019:

1. **Purpose:**

   The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the Shareholders as a whole. The Pre-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

2. **Participants:**

   The Board may determine any directors and employees of any member of the Group, whom the Board considers, in its sole discretion, have contributed to the Group, to take up options to subscribes for shares of the Company.

3. **Total number of shares available for issue under the Pre-IPO Share Option Scheme and the percentage of issued share capital as of the date of this report:**

   As at the end of the Year, the total number of ordinary shares available for issue under the Pre-IPO Share Option Scheme is 79,500,000, representing 1.51% of the issued share capital of the Company as at the date of this annual report.

   As at the date of this annual report, 2,800,000 shares under the options were lapsed that the total number of ordinary shares currently available for issue under the Pre-IPO Share Option Scheme is 76,700,000, representing 1.46% of the issued share capital of the Company as of the date of this annual report.

4. **The period within which shares must be taken up under an option:**

   The period within which the Shares shall be taken up under an option shall be a period during which the option may be exercised. Subject to the provisions for early termination contained in the Pre-IPO Share Option Scheme, such period shall be the time as indicated in the letter of grant to each grantee.

5. **The amount payable on application or acceptance of the option and the period within which payments must be made:**

   An offer of an option shall be deemed to have been accepted within 10 business days from the date of offer of grant of the option upon acceptance of the option duly signed by the grantee together with a payment of RMB1.0.

6. **The basis of determining the exercise price:**

   The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme shall be 50% to 70% of the final offer price per Offer Share (as defined in the Prospectus) in Hong Kong dollars.

7. **The remaining life of the Pre-IPO Share Option Scheme:**

   The Pre-IPO Share Option Scheme was expired on the Listing Date. Subsequent to the expiry of the Pre-IPO Share Option Scheme, no further option can be granted thereunder but in all other respects, the provisions of the Pre-IPO Share Option Scheme shall remain in force and all options granted prior to such expiry shall continue to be valid and exercisable in accordance therewith.

The movements in the number of share options under the Pre-IPO Share Option Scheme during the Year were as follows:

		Number of shares under the options						
Category and name of participant	Date of grant (dd/mm/yyyy)	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2019	Exercise price per share	Vesting/ Exercise period (dd/mm/yyyy)
Directors								
Mr. Lun Ruixiang	06/04/2019	8,600,000	–	–	–	8,600,000	HK$0.965	(Note 1)
	23/10/2019	1,000,000	–	–	–	1,000,000	HK$0.965	(Note 1)
Mr. Lun Zhao Ming	06/04/2019	6,000,000	–	–	–	6,000,000	HK$0.965	(Note 1)
Mr. Lau Kam Kwok Dickson	06/04/2019	2,000,000	–	–	–	2,000,000	HK$1.351	(Note 1)
Mr. Lu Peijun	06/04/2019	6,000,000	–	–	–	6,000,000	HK$0.965	(Note 1)
Sub-total		23,600,000	–	–	–	23,600,000		
Associate of Director								
Ms. Chan Hau Wan (Note 2)	23/10/2019	2,600,000	–	–	–	2,600,000	HK$0.965	(Note 1)
Sub-total		2,600,000	–	–	–	2,600,000		
Employees								
In aggregate	06/04/2019	14,900,000	–	–	–	14,900,000	HK$0.965	(Note 1)
	06/04/2019	10,350,000	–	–	–	10,350,000	HK$1.2545	(Note 1)
	06/04/2019	10,900,000	–	–	–	10,900,000	HK$1.351	(Note 1)
	06/04/2019	12,350,000	–	–	– (Note 4)	12,350,000	HK$1.351	(Note 3)
	23/10/2019	4,800,000	–	–	–	4,800,000	HK$1.351	(Note 1)
Sub-total		53,300,000	–	–	–	53,300,000		
Total		79,500,000	–	–	–	79,500,000		

Notes:

1. 20% of the underlying shares of the Company is vested from 16 January 2020 to 15 January 2021; 20% of the underlying shares of the Company is vested from 16 January 2021 to 15 January 2022; 20% of the underlying shares of the Company is vested from 16 January 2022 to 15 January 2023; 20% of the underlying shares of the Company is vested from 16 January 2023 to 15 January 2024; 20% of the underlying shares of the Company is vested from 16 January 2024 to 15 January 2025.

2. Ms. Chan Hau Wan is the spouse of Mr. Lun Ruixiang. Pursuant to Chapter 14A of the Listing Rules, Ms. Chan Hau Wan is an associate of Mr. Lun Ruixiang.

3. The underlying shares of the Company will be vested in five vesting periods as the same manner in note 1 above. The first vesting date varies for different grantees from 19 June 2020 to 14 August 2021.

4. As at the date of this annual report, 2,800,000 shares under the options were lapsed, resulting in a total number of 76,700,000 shares outstanding under the options.

B. Post-IPO Share Option Scheme

The Company adopted a Post-IPO Share Option Scheme (the "Post-IPO Share Option Scheme") by resolutions in writing of the Shareholders on 11 December 2019. The following is a summary of the principal terms of the Post-IPO Share Option Scheme:

1. Purpose:

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

2. Participants:

Any individual, being an employee, director, consultant, professional, customer, supplier, agent, franchisee partner, adviser of contractor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

3. Total number of shares available for issue under the Post-IPO Share Option Scheme and the percentage of issued share capital as at the date of this report:

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 525,400,000, being no more than 10.0% of the total number of shares in issue on 16 January 2020, being the date the shares of the Company commence trading on the Stock Exchange.

The overall limit on the number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time ("Option Scheme Limit").

4. Maximum entitlement of each participant under the Post-IPO Share Option Scheme:

The total number of shares of the Company issued and to be issued upon exercise of the option granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue. Any grant of further options above this limit shall be subject to approval of the shareholders of the Company at general meeting, with such participant and his close associates (or his associates if such participant is a connected person of the Company) abstaining from voting.

5. The period within which shares must be taken up under an option:

The period which the Board may in its absolute discretion determine but in any event not exceeding ten years from the date of grant.

6. **The minimum period for which an option must be held before it can be exercised:**

   The Board may at its discretion impose any conditions, restrictions or limitations in relation thereto in addition to those expressly set forth in the Post-IPO Share Option Scheme as it may think fit (which shall be stated in the offer letter) including, among other things, vesting period and conditions, restrictions or limitations relating to the achievement of operating or financial targets.

7. **The amount payable on application or acceptance of the option and the period within which payments must be made:**

   An offer shall be deemed to have been accepted and the option to which offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares of the Company in respect of which the offer is accepted clearly stated therein. The grantee shall pay HK$1.00 to the Company by way of consideration for the grant, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee. Any offer may be accepted in respect of less than the number of shares for which it is offered provided that it is accepted in a board lot for dealing in the Company's shares on the Stock Exchange or an integral multiple thereof.

8. **The basis of determining the exercise price:**

   The exercise price of the option shall be determined by the Board but shall be not less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

9. **The remaining life of the Post-IPO Share Option Scheme:**

   The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing on the Listing Date.

   As of the date of this annual report, no options were granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

Directors' Rights to Acquire Shares or Debentures

Apart from the share option schemes operated by the Company as disclosed above and in note 32 to the consolidated financial statements, neither at the end of nor at any time during the Year did there subsist any arrangement to which the Company, any of its subsidiaries or holding companies, was a party, and the objects of or one of the objects of such arrangement are/is 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 Transactions, Arrangements or Contracts of Significance

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Year and up to the date of this annual report.

Management Contracts

Other than the Directors' letters of appointment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year and up to the date of this annual report.

Deed of Non-Competition

The Company shall receive, from each of the controlling shareholders of the Company (the "Covenantor"), an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the Covenantors has undertaken to the Company that he/she/it shall or shall procure that his/her/its close associates (other than members of the Group) shall:

(i) not, directly or indirectly, carry on, or participate in, or be interested or involved or engaged in or acquire or hold any right or interest (in each case whether for his/her/its own account or in conjunction with or on behalf of other person, and as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business or investment activities in the PRC and Hong Kong, except for the existing Ancillary Properties (as defined in the Prospectus), which is the same as, similar or in competition or likely to compete with the businesses carried on or contemplated to be carried or by any member of the Group (the "Restricted Business");

(ii) if there is any project or new business opportunity that relates to the Restricted Business ("New Business Opportunities" and each, a "New Business Opportunity"), refer such New Business Opportunity to the Group for consideration;

(iii) not invest or participate in any Restricted Business;

(iv) If any of the Covenantors, their respective close associates and/or companies controlled by them (other than the Group) wishes to sell any interest in land to any third party (the "Opportunity for Sale"), each of the Covenantors will and will procure their associates that the Opportunity for Sale is offered to the Company and the Company shall have a first right of refusal in respect of such Opportunity for Sale; and

(v) provide, during the Relevant Period (as defined in the Prospectus), where necessary and at least on an annual basis, all information necessary for the review by the Company and the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of the Group) compliance with the Deed of Non-Competition, and to enable the Company to enforce the Deed of Non-Competition.

Details of the Deed of Non-Competition were disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

As of the date of this annual report, the Company had received an annual written confirmation from each of the Covenantors in respect of their and their close associates' compliance with the Deed of Non-Competition. The independent non-executive Directors had reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-Competition for the Period and up to the date of this annual report.

Connected Transactions

Details of the continuing connected transactions of the Company during the Year are as follows:

(1) Property management services provided by Dongguan Huijing Property Management Company Limited (東莞市滙景物業服務有限公司) ("Dongguan Property Management")

On 11 December 2019, the Company entered into a framework agreement with Dongguan Property Management to regulate the transactions with Dongguan Property Management and its subsidiaries in relation to the provision of pre-delivery property management services for the unsold properties held for sale only (a) before the completion; (b) after completion and until the incorporation of the owners association of the relevant properties are set up; and (c) the engagement of the initial property management services provided had been renewed upon expiry of the initial term (the "Framework Management Services Agreement"). Dongguan Property Management is beneficially owned as to 60% by Ms. Chan Hau Wan and as to 40% by Mr. Lun Ruixiang, and is therefore an associate of Mr. Lun Ruixiang and Ms. Chan Hau Wan and a connected person of the Company under the Listing Rules.

The Framework Management Services Agreement shall become effective from the Listing Date and up to and including 31 December 2021 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The principal terms of the Framework Management Services Agreement are set forth below:

(i) Dongguan Property Management or its subsidiaries shall, where it is selected following the relevant tender processes, provide management and related services to the Group's unsold properties held for sale according to the tender documents and definitive management services agreements to be entered into between Dongguan Property Management and members of the Group from time to time;

(ii) the management fees payable by the Group in relation to the unsold properties held for sale shall be based on the fee quotes to be submitted by Dongguan Property Management under the relevant tender bids which will be subject to the selection procedures set out under the subsection headed "Non-exempt Continuing Connected Transactions — Pricing terms and tender process of relevant management services and internal decoration services after the Listing" in the Prospectus ; and

(iii) the definitive management services agreement to be signed between Dongguan Property Management and members of the Group in relation to the unsold properties held for sale shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Framework Management Services Agreement.

The maximum aggregate annual property management fees to be paid by the Company to Dongguan Property Management in relation to the property management services for the unsold properties held for sale for each of the three years ending 31 December 2021 will be approximately RMB2.9 million, RMB5.2 million and RMB8.1 million, respectively.

The above annual caps are derived based on (i) the number of the existing unsold properties of the completed development for the three years ending 31 December 2021; (ii) the expected aggregate gross floor area to be developed by the Group for the three years ending 31 December 2021; (iii) the anticipated number of unsold units for the three years ending 31 December 2021 with reference to the relevant historical unsold rate of the Group's properties; (iv) the prescribed property management fees guidance under the applicable regulations of the PRC; and (v) the property management fees charged for comparable developments.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the relevant management and related services under the Framework Management Services Agreement exceed 0.1% but are all less than 5% on an annual basis for the three years ending 31 December 2021, the management services under the Framework Management Services Agreement and the proposed annual caps for each of the three years ending 31 December 2021 are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Provision of interior decoration services by Dongguan Huifeng Construction Limited (東莞市滙豐建築工程有限公司) ("Dongguan Huifeng")

On 11 December 2019, the Company entered into a framework interior decoration services agreement with Dongguan Huifeng to govern the terms and conditions of the transactions between the Group and Dongguan Huifeng in connection with the provision of interior decoration services to the Group (the "Framework Decoration Services Agreement"). Pursuant to the Framework Decoration Services Agreement, where Dongguan Huifeng shall be selected following the relevant selection process, Dongguan Huifeng shall provide interior decoration services to the Group according to the definitive building decoration services agreement to be signed by the Group with Dongguan Huifeng from time to time. Dongguan Huifeng is beneficially owned by Mr. Lun Ruixiang, and is therefore an associate of Mr. Lun Ruixiang and a connected person of the Company under the Listing Rules.

The Framework Decoration Services Agreement took effect upon the Listing Date and will be valid until 31 December 2021, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Pursuant to the Framework Decoration Services Agreement, the provision of interior decoration services by Dongguan Huifeng will be subject to a selection process overseen by the Group's review panel. Please refer to the paragraph headed "— Non-exempt Continuing Connected Transactions — Pricing terms and tender process of relevant management services and internal decoration services after the Listing" in the Prospectus with respect to the pricing terms and tender process.

The maximum aggregate annual interior decoration services fees to be paid by the Company to Dongguan Huifeng in respect of the provision of interior decoration services for each of the three years ending 31 December 2021 will be approximately RMB33.0 million, RMB18.2 million and RMB33.0 million, respectively.

The above annual caps are determined with reference to (i) the estimation on the demand for the relevant interior decoration services, projected with reference to the aggregate gross floor area under development for the Group's existing property projects; (ii) the historical amounts paid to Dongguan Huifeng by the Group for building decoration services during the Track Record Period (as defined in the Prospectus); and (iii) the Group's effort to diversify its supplier base in connection with the building decoration services.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the relevant interior decoration services under the Framework Decoration Services Agreement exceed 0.1% but are all less than 5% on an annual basis for the three years ending 31 December 2021, the building decoration services under the Framework Management Services Agreement and the proposed annual caps for each of the three years ending 31 December 2021 are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the Framework Management Services Agreement and the Framework Decoration Services Agreement, and confirmed that each of the continuing connected transactions has been entered into:

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

(b) on normal commercial terms or better to the Group; and

(c) in accordance with the relevant agreements governing the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young ("EY"), the Company's auditor, was engaged to report on the Group's continuing connected transactions above 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. EY has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, there was no connected transactions, arrangement or contracts of significance to which the Company, its holding company or subsidiaries was a party, and in which a Director had a material interest or interest in competing business, whether directly or indirectly, nor contracts of significance between the Company or its subsidiaries and a controlling shareholder or its subsidiaries, subsisted at the end of the Period and up to the date of this report.

Related Party Transactions

Certain significant related party transactions entered into by the Group during the Year, which do not constitute connected or continuing connected transactions under the Listing Rules are disclosed in note 40 to the consolidated financial statements.

Permitted Indemnity

Pursuant to the Company's articles of association, the Directors or other officers of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or damages which they may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

From the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as of 31 December 2019 are set out in note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Financial Summary

A summary of the results and the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 4 of this annual report.

Properties

Particulars of the projects and land parcels of the Group are shown on page 11 of this annual report.

Emolument of Directors and Senior Management

The Directors and senior management of the Company receive compensation in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company.

The emolument policy for the employees of the Group is set up by the Human Resources Department and the employees' emoluments are determined on the basis of their qualifications, experiences and area of expertises.

The emoluments of the Directors and senior management of the Company are reviewed and recommended by the Remuneration Committee of the Company and decided by the Board, having regard to the Company's performance and the remuneration benchmark in the industry.

The Group has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme for the Directors and the employees of the Group, details of which are disclosed in section headed "Share Option Schemes".

Details of the emoluments of the Directors are set out in note 8 to the consolidated financial statements set out in this annual report.

Public Float

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% to 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

The Stock Exchange had granted the Company a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage subject to the condition that:

(i) the minimum public float shall be the higher of (a) 15%; or (b) such percentage of Shares to be held by the public immediately after the completion of the global offering (as increased by any Shares to be issued under any exercise of the Over-allotment Option (as defined in the Prospectus));

(ii) the Company's market capitalisation at the time of listing is over HK$10 billion;

(iii) the Company will make appropriate disclosure of the lower prescribed percentage of public float in the Prospectus together with a confirmation of sufficiency of public float in its successive annual reports after the listing; and

(iv) there will be an open market in the shares offered in the global offering, and the number of shares and the extent of their distribution would enable the market to operate properly.

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

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report".

Auditor

The consolidated financial statements of the Group for the Period have been audited by EY. EY will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as independent auditor of the Company will be proposed at the 2020 AGM.

By Order of the Board
Lun Ruixiang
Chairman

Hong Kong, 26 March 2020

INDEPENDENT AUDITOR'S REPORT

安永

To the shareholders of Huijing Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Huijing Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 128, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Adequacy of income tax provision For the year ended 31 December 2019, the Group's income tax expense of RMB607 million comprised corporate income tax at a statutory tax rate at 25% and land appreciation tax at tax rates ranging from 30% to 60% incurred by the Group's subsidiaries in the People's Republic of China. The determination of the tax provision involves significant management estimates about the group companies' taxable income and the appropriate application of the tax rate, in particular when estimating the land appreciation tax. We identified this as a key audit matter because the income tax expense is significant to the Group and the income tax provision assessment process is complex and involves estimates. Related disclosures of the accounting judgements and estimates, the income tax expense and the tax provision for land appreciation tax are included in notes 3, 10 and 29 to the financial statements.	Our audit procedures to assess the adequacy of the income tax provision included the following: • obtaining management's schedules to assess the completeness of the tax computations; • comparing the financial information used in these management schedules to the corresponding accounting records or other underlying documentation; • involving our internal tax specialists in the evaluation of management's application of the relevant tax regulations to the tax computations for significant entities in the Group; and • examining the correspondence with tax authorities to assess whether there were any uncertain tax positions or tax disputes.
Valuation of investment properties As at 31 December 2019, the Group had investment properties with a carrying amount of RMB1,003 million measured at fair value. Significant estimation is required to determine the fair values of the investment properties and the Group engaged an external valuer to assist management to determine the fair values. Different valuation models were applied by the external valuer to the different types of investment properties held by the Group. The models included various assumptions, including estimated rental values with reference to the current market rents for similar properties in the same location and condition, rental growth rates, discount rates, long term vacancy rates, occupancy rates and capitalisation rates. Related disclosures of the accounting judgements and estimates and fair values of the investment properties are included in notes 3 and 14 to the financial statements.	Our audit procedures to assess the valuation of the investment properties included the following: • obtaining and reviewing the valuation reports prepared by the external valuer engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and considering the external valuer's objectivity and independence; and • involving our internal valuation specialists to assist us in evaluating the assumptions, methodologies and parameters adopted in the valuations.

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit 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.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Lok Man Ho.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	*5*	**3,605,606**	2,238,462
Cost of sales		**(1,960,659)**	(1,045,469)
Gross profit		**1,644,947**	1,192,993
Other income and gains	*5*	**27,403**	16,109
Selling and distribution expenses		**(83,818)**	(71,332)
Administrative expenses		**(263,395)**	(190,706)
Fair value gains on investment properties, net	*14*	**11,027**	90,830
Other expenses		**(12,466)**	(12,694)
Finance costs	*7*	**(82,421)**	(77,539)
Share of loss of a joint venture		**(14,468)**	(10,311)
PROFIT BEFORE TAX	*6*	**1,226,809**	937,350
Income tax expense	*10*	**(606,798)**	(536,382)
PROFIT FOR THE YEAR		**620,011**	400,968
Attributable to:			
Owners of the parent		**615,390**	403,188
Non-controlling interests		**4,621**	(2,220)
		620,011	400,968
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic (RMB per share)	*12*	**0.14**	0.09
Diluted (RMB per share)	*12*	**0.14**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 **RMB'000**	2018 RMB'000
PROFIT FOR THE YEAR	**620,011**	400,968
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,595)**	(1,524)
Other comprehensive loss for the year	**(1,595)**	(1,524)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**618,416**	399,444
Attributable to:		
Owners of the parent	**613,795**	401,664
Non-controlling interests	**4,621**	(2,220)
	618,416	399,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**17,607**	20,026
Right-of-use assets	15(a)	**10,134**	4,897
Investment properties	14	**1,002,900**	932,300
Intangible assets	16	**5,460**	4,544
Investment in a joint venture	17	**28,958**	56,479
Land held for development for sale	18	**286,975**	23,701
Receivable from a joint venture	22	**492,149**	458,841
Deferred tax assets	30	**154,076**	111,425
Total non-current assets		**1,998,259**	1,612,213
CURRENT ASSETS			
Land held for development for sale	18	**757,842**	1,385,367
Properties under development	19	**2,875,681**	2,312,033
Completed properties held for sale	20	**1,075,239**	805,669
Trade receivables	21	**112,806**	3,368
Prepayments, other receivables and other assets	22	**1,046,327**	944,854
Amounts due from directors	27	**–**	157,989
Amounts due from related parties	27	**–**	2,303,327
Prepaid land appreciation tax		**22,336**	3,577
Restricted cash	23	**276,304**	285,769
Cash and cash equivalents	23	**452,464**	158,662
Total current assets		**6,618,999**	8,360,615
CURRENT LIABILITIES			
Trade payables	24	**1,582,636**	917,714
Other payables, deposits received and accruals	25	**313,602**	692,075
Lease liabilities	15(b)	**5,709**	3,645
Contract liabilities	26	**1,724,907**	1,618,240
Amounts due to directors	27	**62,442**	383,935
Amounts due to related parties	27	**–**	1,427,197
Loans from related parties	27	**–**	601,700
Interest-bearing bank and other borrowings	28	**1,277,150**	897,095
Provision for corporate income tax		**564,036**	317,516
Provision for land appreciation tax	29	**595,145**	361,522
Total current liabilities		**6,125,627**	7,220,639
NET CURRENT ASSETS		**493,372**	1,139,976
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,491,631**	2,752,189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**781,860**	1,586,265
Lease liabilities	15(b)	**4,663**	1,148
Deferred tax liabilities	30	**82,484**	76,806
Total non-current liabilities		**869,007**	1,664,219
NET ASSETS		**1,622,624**	1,087,970
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**–***	–
Reserves	33	**1,585,879**	958,176
		1,585,879	958,176
Non-controlling interests		**36,745**	129,794
TOTAL EQUITY		**1,622,624**	1,087,970

* The amount is less than RMB500.

Lun Zhao Ming
Director

Lau Kam Kwok Dickson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent									
	Issued capital RMB'000 *(note 31)*	Share option reserve RMB'000 *(note 32)*	Capital reserve RMB'000 *(note 33(d))*	Merger reserve RMB'000 *(note 33(b))*	Statutory surplus reserve RMB'000 *(note 33(a))*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As 1 January 2019	**–**	**–**	**–**	**4,500**	**89,830**	**(1,224)**	**865,070**	**958,176**	**129,794**	**1,087,970**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**615,390**	**615,390**	**4,621**	**620,011**
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,595)**	**–**	**(1,595)**	**–**	**(1,595)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(1,595)**	**615,390**	**613,795**	**4,621**	**618,416**
Acquisition of non-controlling interests	**–**	**–**	**(28,610)**	**–**	**–**	**–**	**–**	**(28,610)**	**(97,670)**	**(126,280)**
Issue of new shares	**–#**	**–**	**–**	**–**	**–**	**–**	**–**	**–#**	**–**	**–#**
Distribution to the then equity owners of subsidiaries *(note 33(c))*	**–**	**–**	**–**	**(4,001)**	**–**	**–**	**–**	**(4,001)**	**–**	**(4,001)**
Equity-settled share option arrangements *(note 32)*	**–**	**46,519**	**–**	**–**	**–**	**–**	**–**	**46,519**	**–**	**46,519**
Transfer from retained profits	**–**	**–**	**–**	**–**	**21,384**	**–**	**(21,384)**	**–**	**–**	**–**
As at 31 December 2019	**–#**	**46,519***	**(28,610)***	**499***	**111,214***	**(2,819)***	**1,459,076***	**1,585,879**	**36,745**	**1,622,624**

	Attributable to owners of the parent							
	Issued capital RMB'000 *(note 31)*	Merger reserve RMB'000 *(note 33(b))*	Statutory surplus reserve RMB'000 *(note 33(a))*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	–	4,500	58,100	300	493,612	556,512	195,210	751,722
Profit/(loss) for the year	–	–	–	–	403,188	403,188	(2,220)	400,968
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(1,524)	–	(1,524)	–	(1,524)
Total comprehensive income/(loss) for the year	–	–	–	(1,524)	403,188	401,664	(2,220)	399,444
Acquisition of non-controlling interests	–	–	–	–	–	–	(179,427)	(179,427)
Acquisition of subsidiaries *(note 35)*	–	–	–	–	–	–	116,231	116,231
Transfer from retained profits	–	–	31,730	–	(31,730)	–	–	–
As at 31 December 2018	–	4,500*	89,830*	(1,224)*	865,070*	958,176	129,794	1,087,970

* These reserve accounts comprise the consolidated reserves of RMB1,585,879,000 (2018: RMB958,176,000) in the consolidated statement of financial position.

\# The amount is less than RMB500.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,226,809**	937,350
Adjustments for:			
Interest income	5	**(7,883)**	(874)
Interest income of a loan to a joint venture	5	**(13,587)**	(14,405)
Depreciation of property, plant and equipment	6	**4,848**	5,420
Depreciation of right-of-use assets	15(c)	**7,073**	4,518
Amortisation of intangible assets		**1,390**	870
Share option expense		**46,519**	–
Fair value gains on investment properties		**(11,027)**	(90,830)
Share of loss of a joint venture		**14,468**	10,311
Finance costs	7	**82,421**	77,539
		1,351,031	929,899
Acquisition of land held for development for sale		**(269,860)**	–
Increase in properties under development		**(1,865,961)**	(8,242)
Decrease in completed properties held for sale		**1,893,756**	175,084
Increase in trade receivables		**(109,438)**	(808)
(Increase)/decrease in prepayments, other receivables and other assets		**(103,143)**	329,831
Increase/(decrease) in trade payables		**664,922**	(21,578)
Increase/(decrease) in contract liabilities		**75,789**	(368,276)
Decrease in other payables, deposits received and accruals		**(378,473)**	(192,203)
Cash generated from operations		**1,258,623**	843,707
Interest received		**7,883**	874
Interest paid		**(277,982)**	(207,761)
PRC corporate income tax paid		**(57,322)**	(15,893)
PRC land appreciation tax paid		**(125,065)**	(192,051)
Net cash flows from operating activities		**806,137**	428,876

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance to a joint venture		**(6,668)**	(152,699)
Increase in amounts due from related parties		**(392,700)**	(757,038)
Decrease/(increase) in amounts due from directors		**83,591**	(124,335)
Purchases of items of property, plant and equipment	*13*	**(4,025)**	(8,824)
Additions of intangible assets	*16*	**(2,306)**	(1,667)
Additions of investment properties	*14*	**(59,573)**	(109,370)
Acquisitions of subsidiaries	*35*	**–**	(557,805)
Proceeds from disposal of items of property, plant and equipment		**1,596**	–
Decrease/(increase) in restricted cash		**9,465**	(62,176)
Net cash flows used in investing activities		**(370,620)**	(1,773,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		**(126,280)**	(179,427)
(Decrease)/increase in amounts due to directors		**(12,173)**	198,857
Increase in amounts due to related parties		**38,757**	772,711
New bank and other borrowings		**759,320**	1,076,133
Repayment of bank and other borrowings		**(1,183,670)**	(401,930)
Loans from related parties		**581,150**	483,050
Repayment of loans from related parties		**(191,700)**	(538,950)
Principal portion of lease payments		**(7,119)**	(4,680)
Net cash flows (used in)/from financing activities		**(141,715)**	1,405,764
NET INCREASE IN CASH AND CASH EQUIVALENTS		**293,802**	60,726
Cash and cash equivalents at beginning of year		**158,662**	97,936
CASH AND CASH EQUIVALENTS AT END OF YEAR	*23*	**452,464**	158,662

1. CORPORATE AND GROUP INFORMATION

Huijing Holdings Company Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 9 January 2019 under the Companies Law, Cap 22 of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2403–2408, 24/F, Shui On Centre 6–8 Harbour Road, Wanchai, Hong Kong.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2020.

During the year, the Company is an investment holding company. The Company's subsidiaries were principally engaged in property development and investment in the People's Republic of China (the "PRC"). In the opinion of the directors, the ultimate and immediate holding company of the Company is Wui Ying Holdings Limited ("Wui Ying") and the controlling shareholders of the Company are Mr. Lun Ruixiang ("Mr. Lun RX") and Ms. Chan Hau Wan ("Ms. Chan", spouse of Mr. Lun RX) (collectively, the "Controlling Shareholders").

Pursuant to the reorganization of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganization"), the Company became the holding company of the companies now comprising the Group on 25 March 2019. Details of Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Group Structure" in the prospectus of the Company dated 31 December 2019 (the "Prospectus").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of indirect equity interest attributable to the Company	Principal activities
Hai Feng Holdings Limited 海豐控股有限公司	Hong Kong	HK$1,000,000	100%	Investment holding
Dongguan Huijing Kailun Bay Property Development Limited 東莞市滙景凱倫灣房地產開發有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development
Huijing Group Limited 滙景集團有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development and investment and investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of indirect equity interest attributable to the Company	Principal activities
Dongguan Daxi Property Development Limited 東莞市大喜房地產開發有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development
Hengyang Huijing Property Development Limited 衡陽滙景房地產開發有限公司*#	PRC/Mainland China	RMB10,000,000	100%	Property development
Dongguan Huijing Property Development Company Limited 東莞市滙景房地產發展有限公司*#	PRC/Mainland China	RMB1,000,000	100%	Property development
Dongguan Huijing East Automobile Development Limited 東莞市滙景東部汽車產業發展有限公司*#	PRC/Mainland China	RMB30,000,000	80%	Property development
Dongguan Huijing Shuoer Property Development Limited 東莞市滙景朔而房地產開發有限公司*#	PRC/Mainland China	RMB10,000,000	70%	Property development
Dongguan Jade Peninsula Property Development Limited 東莞市翡翠半島房地產開發有限公司*#	PRC/Mainland China	RMB1,000,000	100%	Property development
Heyuan Huijing Property Development Limited 河源市滙景房地產發展有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development
Hefei Fuhua Properties Limited 合肥富華置業有限公司@#	PRC/Mainland China	RMB150,000,000	100%	Property development and investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of indirect equity interest attributable to the Company	Principal activities
Dongyuan Dongjiang River Village Long He Investment Development Limited 東源縣東江水鄉隆和投資發展有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development
Dongyuan Yayuan Property Investment Limited 東源縣雅園實業投資有限公司*#	PRC/Mainland China	RMB1,000,000	80%	Property development
Dongguan Haiya Trading Limited 東莞市海亞貿易有限公司*#	PRC/Mainland China	RMB500,000	100%	Property development
Dongguan Humen Wanfang Properties Limited ("Dongguan Wanfang") 東莞市虎門萬方實業有限公司*#	PRC/Mainland China	RMB100,000,000	98%	Property development
Dongguan Wansheng Property Development Limited 東莞市萬升房地產開發有限公司*#	PRC/Mainland China	RMB10,000,000	98%	Property development
Hefei Changheng Property Development Limited 合肥昌恒房地產開發有限公司*#	PRC/Mainland China	RMB200,000,000	100%	Property development
Dongyuan Dongjiang River Village Properties Limited ("Dongjiang Village Properties") 東源縣東江水鄉實業有限公司*#	PRC/Mainland China	RMB5,000,000	98%	Property development
Hengyang Yanhu Eco-tourism Limited 衡陽雁湖生態旅遊有限公司*#	PRC/Mainland China	RMB5,000,000	100%	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of indirect equity interest attributable to the Company	Principal activities
Songsen Furniture (Dongguan) Company Limited ("Songsen Furniture") 松森傢俱(東莞)有限公司^#	PRC/Mainland China	HK$11,000,000	100%	Property development
Dongguan Jiayishi Investment Limited 東莞市嘉益仕實業投資有限公司*#	PRC/Mainland China	RMB50,000,000	100%	Property development

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* Registered as domestic limited liability companies under PRC law.

^ Registered as wholly-foreign-owned enterprises under PRC law.

@ Registered as a sino-foreign equity entity under PRC law.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English name.

All the principal subsidiaries disclosed above are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 25 March 2019. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, these financial statements have been presented by applying the principles of merger accounting.

The consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2019 and 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.1 BASIS OF PRESENTATION *(Continued)*

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The accounting policies used in the preparation of the financial statements are consistent with those used in the Prospects.

All HKFRSs effective for the accounting period commencing from 1 January 2019 have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2018.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material of omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

Investments in an associate and a joint venture

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and a joint venture *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment as its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

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

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

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

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

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20–33.33%
Motor vehicles	25%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period.

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

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

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time when fair value can be determined or construction is completed.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	Over the lease terms

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Land held for development for sale

The land held for development for sale represents parcels of land owned by the Group for the purpose of development of properties for sale. The land is initially stated at cost less any impairment losses and not depreciated. It is transferred to properties under development upon commencement of the construction work of the related property development project.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost, comprising land costs, construction costs, borrowing costs, professional fees and other costs incurred directly attributable to such properties during the development period, and net realisable value.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets represent computer software, which acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years. The useful life of software is determined mainly with reference to (i) maintenance expenditure required to obtain the expected future economic benefits from the software for continuous operations, (ii) expected usage required from the operations of the Group and the infrequent change of the software, (iii) product life cycles for the similar software used in the past, and (iv) the period of control over the software.

Financial assets

Initial recognition and measurement

Financial assets are all classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

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

The Group's financial liabilities include trade and other payables, lease liabilities, amounts due to directors and related parties, loans from related parties and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the expected credit loss ("ECL") allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of properties

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession and the Group has a present right to payment and the collection of the consideration is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs to fulfil a contract

Other than the costs which are capitalised as properties under development, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the related asset is recognised. Other contract costs are expensed as incurred.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Incremental costs of obtaining a contract are charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the related asset is recognised. Other costs of obtaining a contract are expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors of the Company) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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

Foreign currencies

These financial statements are presented in RMB while the Company's functional currency is the Hong Kong dollar. In the opinion of the directors, as the Group's operations are mainly in Mainland China, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the financial periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain subsidiaries operating outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and completed properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a completed property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties developed for sale are transferred to completed properties held for sale and are stated at cost, while the properties developed to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

Deferred tax on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the directors have determined that the presumption set out in HKAS 12 *Income Taxes* that investment properties measured using the fair value model are recovered through sale is rebutted.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2019 was RMB154,076,000 (2018: RMB111,425,000). Further details are included in note 30 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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 disclosed below:

Impairment review for properties under development, completed properties held for sale and land held for development for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information. The land held for development for sale is initially stated at cost less any impairment losses and is not depreciated.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment review for properties under development, completed properties held for sale and land held for development for sale *(Continued)*

The Group has engaged an external valuer to perform a valuation of the Group's properties under development, completed properties held for sale and land held for development for sale as at the end of the reporting period to assess if the net realisable values of these assets are lower than their carrying amounts.

The carrying amounts of properties under development, completed properties held for sale and land held for development for sale at 31 December 2019 were RMB2,875,681,000 (2018: RMB2,312,033,000), RMB1,075,239,000 (2018: RMB805,669,000) and RMB1,044,817,000 (2018: RMB1,409,068,000), respectively.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As certain matters relating to the income taxes have not yet been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of corporate income tax payables at 31 December 2019 was RMB564,036,000 (2018: RMB317,516,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise. The carrying amount of provision for land appreciation tax at 31 December 2019 was RMB595,145,000 (2018: RMB361,522,000).

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, are revalued at the end of the reporting period based on the appraised market value provided by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate rental growth rates, discount rates, long term vacancy rates, occupancy rates and capitalisation rates.

The carrying amount of investment properties at 31 December 2019 was RMB1,002,900,000 (2018: RMB932,300,000). Further details are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in one single operating segment, i.e., the property development and investment business. Accordingly, no operating segment information is presented.

Geographical information

No geographical information about the Group's operating segment is presented as the Group's revenue from the external customers is derived solely from its operations in Mainland China and more than 90% of the non-current assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the years ended 31 December 2019 and 2018, no revenue from a single external customer contributed 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of the Group's revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue		
Revenue from contracts with customers		
Sale of properties in the PRC	**3,601,049**	2,238,462
Revenue from another source		
Gross rental income from investment property operating leases	**4,557**	–
	3,605,606	2,238,462

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(a) An analysis of the Group's revenue is as follows: (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

All revenue from contracts with customers are recognised at a point in time.

The following table shows the amount of revenue recognised in the current year that were included in the contract liabilities at the beginning of the year:

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of properties	**1,570,921**	1,951,354

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the customer.

The contracted sales amounts allocated to the remaining performance obligations as at the end of the year:

	2019 **RMB'000**	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,735,375**	1,182,635
After one year	**52,396**	813,816
	1,787,771	1,996,451

The contracted sales amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within two years. All the other contracted sales amounts allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(b) An analysis of the Group's other income and gains is as follows:

	2019 RMB'000	2018 RMB'000
Bank interest income	**7,883**	874
Interest income of a loan to a joint venture	**13,587**	14,405
Forfeiture of deposits	**2,997**	415
Others	**2,936**	415
	27,403	16,109

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2019 RMB'000**	2018 RMB'000
Cost of properties sold		**1,958,259**	1,045,469
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,400**	–
Depreciation of property, plant and equipment	*13*	**4,848**	5,420
Depreciation of right-of-use assets	*15(c)*	**7,073**	4,518
Amortisation of intangible assets#	*16*	**1,390**	870
Lease payments not included in the measurement of lease liabilities		**1,262**	1,104
Auditor's remuneration		**4,752**	3,048
Employee benefit expense (including directors' remuneration *(note 8)*):			
Salaries, bonuses and benefits in kind		**97,125**	100,364
Equity-settled share option expense		**46,519**	–
Pension scheme contributions		**6,252**	4,376
		149,896	104,740
Foreign exchange differences, net#		**1,183**	6,917

Included in "Administrative expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 **RMB'000**	2018 RMB'000
Interest on lease liabilities	**463**	445
Interest on bank and other borrowings	**277,982**	206,872
Interest expense arising from revenue contracts	**30,879**	34,645
Less: Interest capitalised	**(226,903)**	(164,423)
	82,421	77,539

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

Certain directors received remuneration from the subsidiaries now comprising the Group for their capacity as directors and/or employees of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	2019 **RMB'000**	2018 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**4,941**	4,097
Discretionary bonuses	**365**	11
Equity-settled share option expense	**17,057**	–
Pension scheme contributions	**148**	43
	22,511	4,151

During the current year, certain directors and the chief executive officer were granted options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme (as defined in note 32) of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Ms. Chiu Lai Kuen Susanna	–	–
Mr. Hung Wan Shun Stephen	–	–
Ms. Lin Yanna	–	–
	–	–

Ms. Chiu Lai Kuen Susanna, Mr. Hung Wan Shun Stephen and Ms. Lin Yanna were appointed as independent non-executive directors of the Company on 11 December 2019.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors, a non-executive director and the chief executive officer

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019						
Executive directors:						
Mr. Lun Zhao Ming *(notes (a) and (c))*	–	1,518	–	4,529	16	6,063
Mr. Lau Kam Kwok Dickson *(note (a))*	–	1,350	–	1,200	16	2,566
Mr. Lu Peijun *(note (a))*	–	833	365	4,529	50	5,777
	–	3,701	365	10,258	82	14,406
Non-executive director:						
Mr. Lun RX *(note (b))*	–	1,240	–	6,799	66	8,105
	–	4,941	365	17,057	148	22,511

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director and the chief executive officer *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018						
Executive directors:						
Mr. Lun Zhao Ming	–	1,207	–	–	–	1,207
Mr. Lau Kam Kwok Dickson	–	1,215	–	–	15	1,230
Mr. Lu Peijun	–	550	11	–	6	567
	–	2,972	11	–	21	3,004
Non-executive director:						
Mr. Lun RX	–	1,125	–	–	22	1,147
	–	4,097	11	–	43	4,151

Notes:

(a) Mr. Lun Zhao Ming, Mr. Lau Kam Kwok Dickson and Mr. Lu Peijun were appointed as directors of the Company and redesignated as executive directors of the Company on 25 March 2019.

(b) Mr. Lun RX was appointed as a director of the Company on 9 January 2019 and was appointed as the chairman and redesignated as a non-executive director of the Company on 25 March 2019.

(c) Mr. Lun Zhao Ming was appointed as the chief executive officer of the Company on 25 March 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: three) directors, details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration of the remaining highest paid non-director employees for the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**1,624**	1,968
Discretionary bonuses	**842**	271
Equity-settled share option expense	**7,548**	–
Pension scheme contributions	**100**	6
	10,114	2,245

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

	2019 RMB'000	2018 RMB'000
HK$1,000,001 to HK$1,500,000	**–**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	–
	2	2

During the year, share options were granted to certain non-directors and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above non-director and non highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil). Subsidiaries of the Group operating in Mainland China are subject to the CIT at a rate of 25% (2018: 25%).

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2019 **RMB'000**	2018 RMB'000
Current:		
PRC CIT	**303,842**	202,350
PRC LAT *(note 29)*	**339,929**	328,410
	643,771	530,760
Deferred *(note 30)*	**(36,973)**	5,622
Total tax charge for the year	**606,798**	536,382

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and most of its subsidiaries are domiciled to the tax expense at the effective tax rate for the year are as follows:

	2019 **RMB'000**	**%**	2018 RMB'000	%
Profit before tax	**1,226,809**		937,350	
Tax charge at the PRC statutory income tax rate	**306,702**	**25.0**	234,338	25.0
Share of loss attributable to a joint venture	**3,617**	**0.4**	2,578	0.3
Income not subject to tax	**(385)**	**(0.1)**	(218)	(0.1)
Expenses not deductible for tax	**11,010**	**0.9**	3,018	0.3
Tax losses not recognised	**30,907**	**2.5**	50,359	5.4
Provision for LAT	**339,929**	**27.7**	328,410	35.0
Tax effect on LAT	**(84,982)**	**(6.9)**	(82,103)	(8.7)
Tax charge at the Group's effective tax rate	**606,798**	**49.5**	536,382	57.2

No share of tax attributable to a joint venture is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss (2018: Nil).

11. DIVIDENDS

On 26 March 2020, the board of directors recommended a special dividend of HK$4.5 cents per ordinary share.

The proposed special dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the parent of RMB615,390,000 (2018: RMB403,188,000), and the weighted average number of ordinary shares of 4,465,899,977 (2018: 4,465,899,900) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2019 represented 1 ordinary share of the Company issued on the date of incorporation, 99 ordinary shares of the Company issued by allotment on 27 March 2019, as well as 4,465,899,900 ordinary shares issued pursuant to the Capitalisation Issue (as defined in note 31(c)) as if these shares had been in issue throughout the year ended 31 December 2019.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 represented 4,465,899,900 ordinary shares issued pursuant to the Capitalisation Issue as if these shares had been in issue throughout the year ended 31 December 2018.

The calculations of the basic and diluted earnings per share are based on:

	2019 **RMB'000**	2018 RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculation	**615,390**	403,188
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,465,899,977**	4,465,899,900
Effect of dilution — weighted average number of ordinary shares:		
Share options	**38,946**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**4,465,938,923**	4,465,899,900

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019:				
Cost	**8,572**	**15,445**	**27,627**	**51,644**
Accumulated depreciation	**(1,859)**	**(8,554)**	**(21,205)**	**(31,618)**
Net carrying amount	**6,713**	**6,891**	**6,422**	**20,026**
At 1 January 2019, net of accumulated depreciation	**6,713**	**6,891**	**6,422**	**20,026**
Additions	**1,138**	**1,464**	**1,423**	**4,025**
Disposals	**(619)**	**(78)**	**(899)**	**(1,596)**
Depreciation provided during the year	**(348)**	**(1,860)**	**(2,640)**	**(4,848)**
At 31 December 2019, net of accumulated depreciation	**6,884**	**6,417**	**4,306**	**17,607**
At 31 December 2019:				
Cost	**9,159**	**15,211**	**23,119**	**47,489**
Accumulated depreciation	**(2,275)**	**(8,794)**	**(18,813)**	**(29,882)**
Net carrying amount	**6,884**	**6,417**	**4,306**	**17,607**
31 December 2018				
At 1 January 2018:				
Cost	2,673	9,399	25,388	37,460
Accumulated depreciation	(1,713)	(7,111)	(17,374)	(26,198)
Net carrying amount	960	2,288	8,014	11,262
At 1 January 2018, net of accumulated depreciation	960	2,288	8,014	11,262
Acquisition of subsidiaries (note 35)	–	5,360	–	5,360
Additions	5,899	686	2,239	8,824
Depreciation provided during the year	(146)	(1,443)	(3,831)	(5,420)
At 31 December 2018, net of accumulated depreciation	6,713	6,891	6,422	20,026
At 31 December 2018:				
Cost	8,572	15,445	27,627	51,644
Accumulated depreciation	(1,859)	(8,554)	(21,205)	(31,618)
Net carrying amount	6,713	6,891	6,422	20,026

14. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2018	–	732,100	732,100
Additions	–	109,370	109,370
Transfers upon completion of construction	309,080	(309,080)	–
Net gains from fair value adjustments	30,520	60,310	90,830
Carrying amount at 31 December 2018 and 1 January 2019	339,600	592,700	932,300
Additions	–	59,573	59,573
Net gains from fair value adjustments	(8,600)	19,627	11,027
Carrying amount at 31 December 2019	331,000	671,900	1,002,900

The Group's investment properties are situated in Mainland China and were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), independent professionally qualified valuers, at RMB1,002,900,000 (2018: RMB932,300,000).

Fair value hierarchy

For the years ended 31 December 2019 and 2018, the fair value measurements of the Group's investment properties used significant unobservable inputs (Level 3).

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used in their highest and best use.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Weighted average 2019	2018
Investment properties under construction				
Retail	Income approach	Estimated rental value (per sq.m. and per month)	**RMB102**	RMB104
		Long term vacancy rate (%)	**5**	5
		Capitalisation rate (%)	**5.5**	5.5
Hotel	Discounted cash flow approach	Average daily room rate in the first year of completion	**RMB950**	RMB950
		Stabilised rental growth rate (%)	**3**	3
		Stabilised occupancy rate (%)	**70**	70
		Discount rate (%)	**8**	8
Completed investment properties				
Retail	Discounted cash flow approach	Estimated rental value (per sq.m. and per month)	**RMB108**	RMB109
		Stabilised rental growth rate (%)	**3**	3
		Discount rate (%)	**8**	8

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Under the income approach, valuations are based on the capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties or made with reference to comparable market transactions and consider adjustments to reflect differences in transaction timing, location and tenure.

A significant increase/decrease in the estimated rental value and the rent growth per annum in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the long term vacancy rate, the discount rate and the capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations, which have lease terms between 2 to 5 years.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises	
	2019	2018
	RMB'000	RMB'000
At 1 January	**4,897**	8,968
Additions	**12,453**	447
Depreciation charged during the year	**(7,073)**	(4,518)
Exchange realignment	**(143)**	–
At 31 December	**10,134**	4,897

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2019	2018
	RMB'000	RMB'000
Carrying amount at 1 January	**4,793**	9,121
New leases	**12,453**	447
Accretion of interest recognised during the year	**463**	445
Payment	**(7,119)**	(4,680)
Exchange realignment	**(218)**	(540)
Carrying amount at 31 December	**10,372**	4,793
Analysed into:		
Current portion	**5,709**	3,645
Non-current portion	**4,663**	1,148

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 **RMB'000**	2018 RMB'000
Interest on lease liabilities	**463**	445
Depreciation charge of right-of-use assets	**7,073**	4,518
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**1,262**	1,104
Total amount recognised in profit or loss	**8,798**	6,067

(d) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

16. INTANGIBLE ASSETS

	Software	
	2019 **RMB'000**	2018 RMB'000
At the beginning of the year:		
Cost	**7,824**	6,157
Accumulated amortisation	**(3,280)**	(2,410)
Net carrying amount	**4,544**	3,747
At the beginning of the year, net of accumulated amortisation	**4,544**	3,747
Additions	**2,306**	1,667
Amortisation provided during the year	**(1,390)**	(870)
At the end of the year, net of accumulated amortisation	**5,460**	4,544
At the end of the year:		
Cost	**10,130**	7,824
Accumulated amortisation	**(4,670)**	(3,280)
Net carrying amount	**5,460**	4,544

17. INVESTMENT IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Share of net assets	**28,958**	56,479

The Group's receivable due from a joint venture is disclosed in note 22 to the financial statements.

Particulars of the Group's joint venture are as follows:

Name	Registered and paid-up capital	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activity
Human Development Gaoxin Properties Limited 湖南發展高新置業有限公司*#	RMB196,078,400	PRC/ Mainland China	49%	49%	49%	Property development

The above joint venture is indirectly held by the Company and its financial statements are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* Registered as a domestic limited liability company under PRC law.

\# The English name of this company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint venture's loss for the year	**14,468**	10,311
Share of the joint venture's total comprehensive loss	**14,468**	10,311
Carrying amount of the Group's investment in a joint venture	**28,958**	56,479

18. LAND HELD FOR DEVELOPMENT FOR SALE

	2019 **RMB'000**	2018 RMB'000
Carrying amount at the beginning of the year	**1,409,068**	1,025,966
Acquisition of subsidiaries *(note 35)*	**–**	1,040,715
Additions	**269,860**	–
Transfer to properties under development	**(634,111)**	(657,613)
Carrying amount at the end of the year	**1,044,817**	1,409,068
Current portion expected to be recovered within normal operating cycle after one year	**(757,842)**	(1,385,367)
Non-current portion	**286,975**	23,701

At 31 December 2019, certain of the Group's land held for development for sale with an aggregate carrying amount of RMB776,122,000 (2018: RMB1,008,029,000) was pledged to secure certain bank and other borrowings granted to the Group (note 28).

19. PROPERTIES UNDER DEVELOPMENT

	2019 **RMB'000**	2018 RMB'000
Properties under development expected to be recovered within normal operating cycle:		
Within one year	**2,598,441**	1,149,502
After one year	**277,240**	1,162,531
	2,875,681	2,312,033

At 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of RMB1,369,428,000 (2018: RMB871,469,000) was pledged to secure certain bank and other borrowings granted to the Group (note 28).

20. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2019, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB965,655,000 (2018: RMB145,087,000) was pledged to secure certain bank and other borrowings granted to the Group (note 28).

21. TRADE RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Trade receivables	**112,806**	3,368

Trade receivables represent receivable arising from the sale of properties. Consideration in respect of properties is payable by the customers in accordance with the terms of the related sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the revenue recognition date or invoice date, is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 1 year	**112,806**	975
Over 1 year	**–**	2,393
	112,806	3,368

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on the evaluation on the expected credit loss rate and gross carrying amount, the directors of the Company are of the opinion that the financial impact of ECLs in respect of these balances is considered immaterial. As at 31 December 2019 and 2018, the loss allowance for trade receivables was assessed to be minimal.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	**961,333**	859,088
Receivable from a joint venture	**492,149**	458,841
Cost of obtaining contracts	**14,358**	17,448
Other receivables and deposits	**70,636**	68,318
Total carrying amount	**1,538,476**	1,403,695
Current portion	**(1,046,327)**	(944,854)
Non-current portion	**492,149**	458,841

As at 31 December 2019, included in the Group's other receivables and deposits was a receivable from a joint venture of RMB492,149,000 (2018: RMB458,841,000), which is unsecured, bear interest at the rate of 6.18% (2018: 6.18%) per annum and is repayable upon the commencement of the pre-sale of the project, which is not expected to be within 12 months from the end of the reporting period.

Except for the receivable from a joint venture as mentioned above, other receivables and deposits mainly represent rental deposits and deposits with contractors and are unsecured, non-interest-bearing and repayable on demand. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and the amount payable to the relevant contractors for the Group's property development projects. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. There was no recent history of default and past due amounts for the receivable from a joint venture and other receivables. As at 31 December 2019 and 2018, the directors of the Company are of the opinion that the loss allowance was assessed to be minimal.

23. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**728,768**	444,431
Less: Restricted cash *(notes (a), (b) and (c))*	**(276,304)**	(285,769)
Cash and cash equivalents	**452,464**	158,662

Notes:

(a) According to relevant loan facility agreements signed by certain subsidiaries of the Group with the banks, these subsidiaries are required to place the pre-sale proceeds of their properties at designated bank accounts. The deposits can only be used for the payment of property development costs incurred by the subsidiaries and the repayment of the relevant loans. At 31 December 2019, such restricted deposits amounted to RMB247,178,000 (2018: RMB151,112,000).

(b) According to relevant loan facility agreements signed by certain subsidiaries of the Group, the subsidiaries are required to place deposits at designated bank accounts as a guarantee. At 31 December 2019, such restricted deposits amounted to RMB29,126,000 (2018: RMB24,657,000).

23. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS *(Continued)*

Notes: (Continued)

(c) At 31 December 2018, the Group placed a deposit of RMB110,000,000 at a designated bank account as security in relation to a litigation between the former shareholder of Dongguan Wanfang (further detailed in note 35 to the financial statements) as the defendant and an independent third party as the plaintiff.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB726,182,000 (2018: RMB437,941,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

24. TRADE PAYABLES

	2019 **RMB'000**	2018 RMB'000
Trade payables to third parties	**1,556,470**	868,093
Trade payables to related companies controlled by Mr. Lun RX	**26,166**	49,120
Trade payables to related companies controlled by a close family member of Mr. Lun RX	**–**	501
	1,582,636	917,714

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 1 year	**1,433,818**	727,260
1 to 2 years	**128,009**	158,786
3 to 5 years	**20,809**	31,668
	1,582,636	917,714

The trade payables are unsecured and interest-free and are normally settled based on the progress of the construction of the Group's properties under development.

25. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Other payables	**183,660**	628,382
Deposits received	**13,625**	13,923
Accruals	**116,317**	49,770
	313,602	692,075

Other payables, deposits received and accruals are unsecured, non-interest-bearing and repayable within one year.

26. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2019 RMB'000	2018 RMB'000
Receipts in advance for sale of properties	**1,724,907**	1,618,240

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance under the contracts which are from the sale of properties.

27. BALANCES WITH DIRECTORS AND RELATED PARTIES

An analysis of the balances with directors and related parties is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Amounts due from directors			
Mr. Lun RX	*(a), (d)*	–	151,989
Mr. Lu Peijun	*(a), (d)*	–	6,000
		–	157,989
Amounts due from related parties			
Ms. Chan	*(a), (d)*	–	96,223
Related companies controlled by Mr. Lun RX	*(a), (d)*	–	1,992,537
Related companies controlled by a close family member of Mr. Lun RX	*(a), (d)*	–	198,834
Relevant individuals who are close family members of Mr. Lun RX	*(a), (d)*	–	15,733
		–	2,303,327

27. BALANCES WITH DIRECTORS AND RELATED PARTIES *(Continued)*

	Notes	2019 RMB'000	2018 RMB'000
Amounts due to directors			
Mr. Lun RX	*(e)*	**62,442**	382,935
Mr. Lu Peijun	*(f)*	**–**	1,000
		62,442	383,935
Amounts due to related parties			
Ms. Chan	*(f)*	**–**	64,680
Related companies controlled by Mr. Lun RX	*(f)*	**–**	1,322,605
Relevant individuals who are close family members of Mr. Lun RX	*(f)*	**–**	16,312
Senior management of the Group	*(f)*	**–**	23,600
		–	1,427,197
Loans from related parties			
Ms. Chan	*(b)*	**–**	10,000
Related companies controlled by Mr. Lun RX	*(c)*	**–**	591,700
		–	601,700

Notes:

(a) At 31 December 2018, the balances with directors and related parties were non-trade in nature, unsecured, non-interest-bearing and repayable on demand, for which there was no recent history of default and past due amounts.

(b) At 31 December 2018, the loan was unsecured, bore interest at 7.2% per annum and had a maturity period of 12 months.

(c) At 31 December 2018, the loan was unsecured, bore interest at 4.4% to 7.0% per annum and had a maturity period of 12 months.

(d) The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and the amount payable by the relevant related parties. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2018, the directors of the Company were of the opinion that the loss allowance for these receivables was assessed to be minimal.

(e) The balance with a director was non-trade in nature, unsecured, non-interest-bearing and repayable on demand. The balance at 31 December 2019 has been settled after the end of the reporting period.

(f) The balance with directors and related parties were non-trade in nature, unsecured, non-interest-bearing and repayable on demand.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate	**Maturity**	**RMB'000**	Effective interest rate	Maturity	RMB'000
Current						
Bank loans — secured	**4.75%–9%**	**2020**	**1,214,350**	2.75%–9%	2019	422,545
Bank loans — unsecured	**–**	**–**	**–**	6.53%	2019	24,000
Other loans — secured	**9%–13.5%**	**2020**	**62,800**	7.6%–15%	2019	433,650
Other loans — unsecured	**–**	**–**	**–**	9.07%	2019	16,900
			1,277,150			897,095
Non-current						
Bank loans — secured	**4.75%–8.08%**	**2021–2022**	**610,660**	6.17%–10%	2020–2022	966,265
Other loans — secured	**9%–13.5%**	**2021–2022**	**171,200**	10.0%	2022	620,000
			781,860			1,586,265
			2,059,010			2,483,360

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable		
Within one year	**1,214,350**	446,545
In the second year	**410,880**	706,658
In the third to fifth years, inclusive	**199,780**	259,607
	1,825,010	1,412,810
Other borrowings repayable		
Within one year	**62,800**	450,550
In the second year	**131,200**	–
In the third to fifth years, inclusive	**40,000**	620,000
	234,000	1,070,550
	2,059,010	2,483,360

28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank and other borrowings are secured or guaranteed by:

(i) pledges over the Group's land held for development for sale with an aggregate carrying amount at the end of the reporting period of RMB776,122,000 (2018: RMB1,008,029,000) (note 18);

(ii) pledges over the Group's properties under development with an aggregate carrying amount of RMB1,369,428,000 (2018: RMB871,469,000) (note 19);

(iii) pledges over the Group's completed properties held for sale with an aggregate carrying amount of RMB965,655,000 (2018: RMB145,087,000) (note 20);

(iv) pledges over the Group's equity interests in certain subsidiaries;

(v) pledges over certain properties owned by the Controlling Shareholders and a related company, which have been released after the end of the reporting period; and

(vi) personal guarantees provided by the Controlling Shareholders, which have been released after the end of the reporting period.

(b) As at 31 December 2018, other than certain bank borrowings with carrying amounts of RMB82,545,000 denominated in HK$, all bank and other borrowings were denominated in RMB.

29. PROVISION FOR LAND APPRECIATION TAX

	2019 **RMB'000**	2018 RMB'000
At 1 January	**361,522**	237,826
Charged to the statement of profit or loss during the year *(note 10)*	**339,929**	328,410
Payment during the year	**(106,306)**	(204,714)
At 31 December	**595,145**	361,522

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Arising from revaluation of investment properties RMB'000	Arising from prepayment of land appreciation tax RMB'000	Total RMB'000
At 1 January 2018	54,098	–	54,098
Charged to the statement of profit or loss during the year *(note 10)*	22,708	–	22,708
At 31 December 2018 and 1 January 2019	76,806	–	76,806
Charged to the statement of profit or loss during the year *(note 10)*	2,756	2,922	5,678
At 31 December 2019	79,562	2,922	82,484

Deferred tax assets

	Arising from losses available for offsetting against future taxable profits RMB'000	Arising from provision of land appreciation tax RMB'000	Total RMB'000
At 1 January 2018	31,640	62,699	94,339
(Charged)/credited to the statement of profit or loss during the year *(note 10)*	(8,517)	25,603	17,086
At 31 December 2018 and 1 January 2019	23,123	88,302	111,425
Credited to the statement of profit or loss during the year *(note 10)*	(11,144)	53,795	42,651
At 31 December 2019	11,979	142,097	154,076

The Group had unutilised tax losses arising in Mainland China of RMB110,483,000 as at 31 December 2019 (2018: RMB190,666,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as it was not considered probable that taxable profit will be available against which the tax losses could be utilised.

30. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,826,898,000 as at 31 December 2019 (2018: RMB1,114,706,000).

31. SHARE CAPITAL

Shares

	2019 RMB'000
Authorised:	
10,000,000,000 ordinary shares of HK$0.01 each	90,141
Issued and fully paid:	
100 ordinary shares of HK$0.01 each	–*

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** RMB'000
Authorised:			
At 9 January 2019 (date of incorporation)	*(a)*	38,000,000	331
Increase in authorised share capital on 11 December 2019	*(b)*	9,962,000,000	89,810
At 31 December 2019		10,000,000,000	90,141

31. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

	Notes	Number of ordinary shares in issue	Issued capital RMB'000
Issued and fully paid:			
At 9 January 2019 (date of incorporation)	*(a)*	1	–
Shares issued on 27 March 2019	*(c)*	99	–*
At 31 December 2019		100	–*

* The amount is less than RMB500.

Notes:

(a) The Company was incorporated in the Cayman Islands on 9 January 2019 with authorised share capital of HK$380,000 at par value of HK$0.01. On its date of incorporation, 1 ordinary share was allotted and issued by the Company.

(b) Pursuant to the shareholders' resolution passed on 11 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares of HK$0.01 each.

(c) On 27 March 2019, pursuant to the Reorganisation, 98 ordinary shares and 1 ordinary share of HK$0.01 each were allotted and issued to Wui Ying (a company wholly-owned by Mr. Lun RX) and Wui Shing Holdings Limited ("Wui Shing", a company wholly-owned by Ms. Chan), respectively.

(d) Pursuant to the shareholders' resolution passed on 11 December 2019, the Company shall allot and issue a total of 4,465,899,900 ordinary shares, credited as fully paid at par, to Wui Ying and Wui Shing by way of capitalisation of the sum of HK$44,658,999 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue became unconditional on 16 January 2020.

(e) In connection with the listing of the shares of the Company on the Stock Exchange (the "Share Offer"), 788,100,000 new ordinary shares of HK$0.01 each were issued at a price of HK$1.93 per share for a total cash consideration, before expenses, of HK$1,521,033,000 (equivalent to RMB1,359,878,000). Dealings in the shares of the Company on the Stock Exchange commenced on 16 January 2020.

Share options

Details of the Company's share option scheme and the share options granted under the share option scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The Company adopted a share option scheme in 2019 (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participates of the Pre-IPO Share Option Scheme include the Company's directors and other employees of the Group.

The Pre-IPO Share Option Scheme became effective on 6 April 2019 and expired on 16 January 2020.

The offer of a grant of share options may be accepted within 10 days from the date of offer, upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the granted options commences from the respective first vesting date (the "First Vesting Date") up to the fifth anniversary date of it. The exercise price of each option granted under the Pre-IPO Share Option Scheme shall be 50% to 70% of the final offer price (i.e. HK$1.93 on 16 January 2020).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	2019		2018	
	Weighted average exercise price HK$	**Number of share options '000**	Weighted average exercise price HK$	Number of share options '000
At 1 January	**–**	**–**	–	–
Granted during the year	**1.1486**	**87,900**	–	–
Forfeited during the year	**1.3510**	**(8,400)**	–	–
At 31 December	**1.1486**	**79,500**	–	–

No share options were exercised during the years ended 31 December 2019 and 2018.

32. SHARE OPTION SCHEME *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of share options 2019	2018	Exercise price HK$ per share	Exercise period
39,100,000	–	0.9650	16-01-2020 to 15-01-2025
10,350,000	–	1.2545	16-01-2020 to 15-01-2025
12,900,000	–	1.3510	16-01-2020 to 15-01-2025
1,200,000	–	1.3510	19-06-2020 to 18-06-2025
1,000,000	–	1.3510	10-07-2020 to 09-07-2025
1,100,000	–	1.3510	15-07-2020 to 14-07-2025
1,400,000	–	1.3510	17-07-2020 to 16-07-2025
1,200,000	–	1.3510	07-10-2020 to 06-10-2025
1,150,000	–	1.3510	31-10-2020 to 30-10-2025
1,200,000	–	1.3510	18-11-2020 to 17-11-2025
1,100,000	–	1.3510	09-01-2021 to 08-01-2026
3,000,000	–	1.3510	04-03-2021 to 03-03-2026
1,600,000	–	1.3510	04-05-2021 to 03-05-2026
1,600,000	–	1.3510	01-07-2021 to 30-06-2026
1,600,000	–	1.3510	14-08-2021 to 13-08-2026
79,500,000	–		

The fair value of the share options granted during the year was RMB114,346,000 (from RMB0.85 to RMB1.67 each), of which the Group recognised a share option expense of RMB46,519,000 during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	2019
Dividend yield (%)	3.59–4.27
Expected volatility (%)	38.90–40.34
Risk-free interest rate (%)	1.50–1.57
Forfeiture rate (%)	5

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

32. SHARE OPTION SCHEME *(Continued)*

The share option vesting method is as follows:

Vesting date	Maximum percentage of underlying shares in respect of the options may be vested
At any time on or after the relevant vesting date (the "Relevant Vesting Date") to the date immediately before the first anniversary of the Relevant Vesting Date	20%
At any time on or after the date falling on the first anniversary of the Relevant Vesting Date to the date immediately before the second anniversary of the Relevant Vesting Date	20%
At any time on or after the date falling on the second anniversary of the Relevant Vesting Date to the date immediately before the third anniversary of the Relevant Vesting Date	20%
At any time on or after the date falling on the third anniversary of the Relevant Vesting Date to the date immediately before the fourth anniversary of the Relevant Vesting Date	20%
At any time on or after the date falling on the fourth anniversary of the Relevant Vesting Date to the date immediately before the fifth anniversary of the Relevant Vesting Date	20%

At the end of the reporting period, the Company had 79,500,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 79,500,000 additional ordinary shares of the Company and additional share capital of RMB81,939,000 (equivalent to HK$91,313,000) (before issue expense).

At the date of approval of these financial statements, the Company had 76,700,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.46% of the Company's shares in issue as at the date of this annual report.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of the relevant subsidiaries is required to appropriate 10% of its net profits after tax, as determined under the PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the relevant subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital provided that the balance after such conversion is not less than 25% of the registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Merger reserve

The merger reserve represents reserve arising pursuant to the Reorganisation.

(c) Distribution to then equity owners of subsidiaries upon the Reorganisation

Distribution to the then equity owners of subsidiaries represents the consideration paid by the Group to the equity owners in respect of the acquisition of subsidiaries pursuant to the Reorganisation.

(d) Capital reserve

The Group's capital reserve represents the gain or loss arising from the acquisition of non-controlling interests.

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Dongjiang Village Properties	**2%**	20%

	2019 **RMB'000**	2018 RMB'000
Loss for the year allocated to non-controlling interests:		
Dongjiang Village Properties	**(94)**	(64)
Accumulated balances of non-controlling interests at reporting date:		
Dongjiang Village Properties	**10,852**	108,616

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Dongjiang Village Properties

	Year ended/as at 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**–**	–
Total expenses	**(468)**	(322)
Loss for the year	**(468)**	(322)
Total comprehensive loss for the year	**(468)**	(322)
Current assets	**773,708**	632,670
Current liabilities	**(231,098)**	(89,592)
Net cash flows from operating activities	**259**	85
Net cash flows used in investing activities	**–**	–
Net cash flows used in financing activities	**–**	–
Net increase in cash and cash equivalents	**259**	85

35. ACQUISITION OF SUBSIDIARIES THAT DO NOT CONSTITUTE A BUSINESS

For the year ended 31 December 2018

The net assets acquired by the Group during the year are as follows:

	Notes	**Dongjiang Village Properties** RMB'000 *(note a)*	**Dongguan Wanfang** RMB'000 *(note b)*	**Songsen Furniture** RMB'000 *(note c)*	**Total** RMB'000
Property, plant and equipment	*13*	–	–	5,360	5,360
Land held for development for sale	*18*	480,347	373,401	186,967	1,040,715
Prepayments and other receivables		219,045	4,014	–	223,059
Cash and cash equivalents		5	140	–	145
Other payables		(96,697)	(4)	(6,027)	(102,728)
Bank and other borrowings		(59,300)	–	–	(59,300)
		543,400	377,551	186,300	1,107,251
Non-controlling interests		(108,680)	(7,551)	–	(116,231)
Net assets acquired		434,720	370,000	186,300	991,020
Satisfied by cash		434,720	370,000	186,300	991,020
An analysis of cash flows in respect of the acquisitions is as follows:					
Cash consideration		434,720	370,000	186,300	991,020
Outstanding cash consideration as at 31 December 2018		(234,720)	(191,750)	(6,600)	(433,070)
Cash and cash equivalents acquired		(5)	(140)	–	(145)
Net outflow of cash and cash equivalents included in cash flows from investing activities		199,995	178,110	179,700	557,805

Notes:

(a) On 11 July 2017, the Group entered into share transfer agreements with independent third parties to acquire 80% equity interests in Dongjiang Village Properties at an aggregate consideration of RMB434,720,000. Dongjiang Village Properties is engaged in property development in the PRC. The acquisition was completed on 31 January 2018. As at the date of acquisition, Dongjiang Village Properties has not carried out any significant business transactions except holding certain land parcels and having prepaid RMB219,045,000 for certain land parcels in the PRC. Accordingly, the acquisition has been accounted for by the Group as an acquisition of assets.

(b) On 11 January 2018, the Group entered into share transfer agreements with independent third parties to acquire 98% equity interests in Dongguan Wanfang at an aggregate consideration of RMB370,000,000. The acquisition was completed on 31 May 2018. As at the date of acquisition, Dongguan Wanfang has not carried out any business transactions except holding certain land parcels in the PRC. Accordingly, the acquisition has been accounted for by the Group as an acquisition of assets.

(c) On 14 April 2018, the Group entered into share transfer agreements with independent third parties to acquire the entire equity interests in Songsen Furniture at an aggregate consideration of RMB186,300,000. The acquisition was completed on 28 December 2018. As at the date of acquisition, Songsen Furniture has not carried out any business transactions except holding certain land parcels in the PRC. Accordingly, the acquisition has been accounted for by the Group as an acquisition of assets.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB12,453,000 and RMB12,453,000, respectively, in respect of lease arrangements for office premises.

(ii) On 31 December 2019, the Group settled the amounts due to directors and related parties in an aggregate amount of RMB1,875,344,000 by offsetting against the Group's amounts due from directors and related parties pursuant to the deed of assignments entered into between the directors and the related parties.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Amounts due to directors RMB'000	Amounts due to related parties RMB'000	Loans from related parties RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2018	9,121	185,078	654,486	657,600	1,748,333
Accretion of interest recognised	445	–	–	–	–
Additions of lease liabilities	447	–	–	–	–
Changes from financing cash flows	(4,680)	198,857	772,711	(55,900)	674,203
Acquisition of subsidiaries *(note 35)*	–	–	–	–	59,300
Exchange realignment	(540)	–	–	–	1,524
At 31 December 2018 and 1 January 2019	4,793	383,935	1,427,197	601,700	2,483,360
Accretion of interest recognised	463	–	–	–	–
Additions of lease liabilities	12,453	–	–	–	–
Changes from financing cash flows	(7,119)	(12,173)	38,757	389,450	(424,350)
Distribution to the then equity owners of subsidiaries	–	4,001	–	–	–
Reclassification of the balances to amounts due to directors	–	(313,321)	(1,465,954)	(991,150)	–
Exchange realignment	(218)	–	–	–	–
At 31 December 2019	10,372	62,442	–	–	2,059,010

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000	2018 RMB'000
Within operating activities	**–**	–
Within investing activities	**–**	–
Within financing activities	**7,119**	4,680
	7,119	4,680

37. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	Notes	**2019** **RMB'000**	2018 RMB'000
Guarantees given to banks in connection with mortgage facilities provided to customers of the Group's properties	*(a)*	**5,468,152**	4,085,827
Guarantees given to banks in connection with facilities granted to related companies controlled by Mr. Lun RX	*(b)*	**113,600**	1,849,200
		5,581,752	5,935,027

Notes:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the customers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted customers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the start of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to customers of the Group's completed properties held for sale. In the opinion of the directors of the Company, in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans principals together with any accrued interest and penalties and accordingly, no financial liability has been made in connection with these guarantees.

(b) The Group provided guarantees in respect of bank loans granted to certain related companies controlled by Mr. Lun RX. The respective bank loans were also secured by pledges of certain properties owned by Mr. Lun RX or by the Group and were guaranteed by Mr. Lun RX.

In determining whether financial liabilities should be recognised in respect of the relevant financial guarantee contracts, the directors of the Company exercise judgement in the evaluation of the probability of a resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no financial liability has been recognised in the financial statements. The guarantees have been released after the end of the reporting period.

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in notes 18, 19, 20 and 28 to the financial statements.

39. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
Properties under development	**1,371,239**	1,945,198
Investment properties under construction	**119,832**	131,273
Purchase of land through acquisition of subsidiaries	**840,108**	941,206
	2,331,179	3,017,677

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2019 **RMB'000**	2018 RMB'000
Companies controlled by Mr. Lun RX:		
Construction costs	**49,489**	31,101
Office rental expenses	**2,248**	1,871
Motor vehicle rental expenses	**–**	132
Management fee expense	**9,774**	3,610
Interest expense	**53,741**	35,206
Management fee income	**430**	421
Companies controlled by a family member of Mr. Lun RX:		
Construction costs	**323**	306
Sale of a car parking space to Ms. Chan	**–**	95
Joint venture:		
Interest income	**26,642**	28,245

These transactions were carried out in accordance with terms and conditions similar to those offered by the major suppliers of the Group.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Salaries, allowances, bonuses and benefits in kind	**17,209**	5,630
Discretionary bonuses	**3,179**	23
Equity-settled share option expense	**29,382**	–
Pension scheme contributions	**547**	62
Total compensation paid to key management personnel	**50,317**	5,715

Further details of directors' emoluments are included in note 8 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2019 and 2018 were financial assets and financial liabilities at amortised cost, respectively.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of a receivable from a joint venture, trade receivables, financial assets included in prepayments, other receivables and other assets, cash and cash equivalents, trade payables, financial liabilities included in other payables, deposits received and accruals, loans from related parties, amounts due from/to related parties, the current portion of interest-bearing bank and other borrowings and amounts due from/to directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 and 2018 was assessed to be insignificant and the fair values of the non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2019 and 2018.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, balances with related parties and directors, loans from related parties and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 28 to the financial statements. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

At 31 December 2019, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group (assuming no capitalisation of interest expenses), through the impact on floating rate borrowings, would have decreased/increased by approximately RMB18,109,000.

Credit risk

The Group has established a policy to perform the assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Receivable from a joint venture	**492,149**	–	–	–	**492,149**
Trade receivables	–	–	–	**112,806**	**112,806**
Financial assets included in prepayments, other receivables and other assets	**40,565**	–	–	–	**40,565**
Restricted cash	**276,304**	–	–	–	**276,304**
Cash and cash equivalents	**452,464**	–	–	–	**452,464**
	1,261,482	–	–	**112,806**	**1,374,288**

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Receivable from a joint venture	458,841	–	–	–	458,841
Trade receivables	–	–	–	3,368	3,368
Financial assets included in prepayments, other receivables and other assets	38,547	–	–	–	38,547
Amounts due from directors	157,989	–	–	–	157,989
Amounts due from related parties	2,303,327	–	–	–	2,303,327
Restricted cash	285,769	–	–	–	285,769
Cash and cash equivalents	158,662	–	–	–	158,662
	3,403,135	–	–	3,368	3,406,503

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experience. The Group recognises an allowance for financial assets included in prepayments, other receivables and other assets based on 12-month ECLs and adjusts for forward-looking macroeconomic data, if any.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates, based on rates current at the end of the reporting period) and the earliest date that the Group could be required to repay, is as follows:

	2019			
	Within one year or on demand RMB'000	**In the second year RMB'000**	**In the third to fifth years RMB'000**	**Total RMB'000**
Trade payables	**1,433,818**	**128,009**	**20,809**	**1,582,636**
Other payables, deposits received and accruals	**197,282**	**–**	**–**	**197,282**
Lease liabilities	**5,709**	**4,663**	**–**	**10,372**
Amounts due to directors	**62,442**	**–**	**–**	**62,442**
Interest-bearing bank and other borrowings	**1,400,024**	**565,035**	**294,877**	**2,259,936**
	3,099,275	**697,707**	**315,686**	**4,112,668**
Financial guarantees issued:				
Maximum amount guaranteed *(note 37)*	**5,581,752**	**–**	**–**	**5,581,752**

	2018			
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years RMB'000	Total RMB'000
Trade payables	727,260	158,786	31,668	917,714
Other payables, deposits received and accruals	655,422	–	–	655,422
Lease liabilities	3,810	1,182	–	4,992
Amounts due to directors	383,935	–	–	383,935
Amounts due to related parties	1,427,197	–	–	1,427,197
Loans from related parties	625,808	–	–	625,808
Interest-bearing bank and other borrowings	925,758	742,882	1,222,112	2,890,752
	4,749,190	902,850	1,253,780	6,905,820
Financial guarantees issued:				
Maximum amount guaranteed *(note 37)*	5,935,027	–	–	5,935,027

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity of the Group. Net debt includes interest-bearing bank and other borrowings, loans from related parties and lease liabilities less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

	2019 **RMB'000**	2018 RMB'000
Interest-bearing bank and other borrowings *(note 28)*	**2,059,010**	2,483,360
Loans from related parties	**–**	601,700
Lease liabilities	**10,372**	4,793
Less: Cash and cash equivalents	**(452,464)**	(158,662)
Less: Restricted cash	**(276,304)**	(285,769)
Net debt	**1,340,614**	2,645,422
Total equity	**1,622,624**	1,087,970
Net gearing ratio	**83%**	243%

44. EVENT AFTER THE REPORTING PERIOD

On 16 January 2020, the Company completed a share offer of 788,100,000 new shares at the price of HK$1.93 per share and raised aggregate gross proceeds of HK$1,521,033,000 (equivalent to RMB1,359,878,000). The shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2020.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary	19
EQUITY	
Issued capital	–*
Share premium	19
Total equity	19

* The amount is less than RMB500.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.