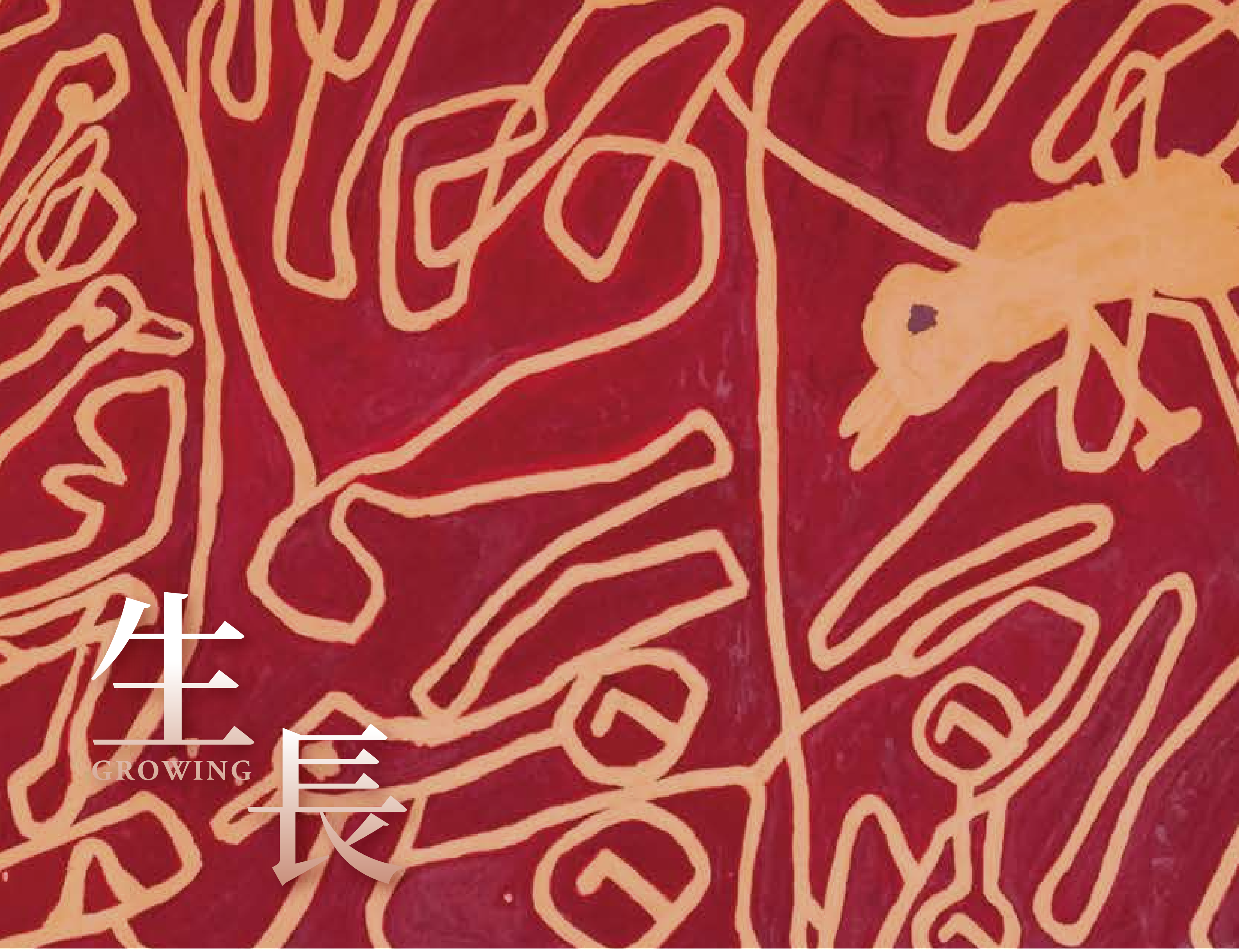


2019 Annual Report

Stock Code: 01777.HK

花样年
FANTASIA

花樣年控股集團有限公司
FANTASIA HOLDINGS GROUP CO., LIMITED

A Leader in Providing Joyful, Colorful and Meaningful Living Space and Experience.

目錄 CONTENTS

DIRECTORS

Executive Directors

Mr. Pan Jun (Chairman and Chief Executive Officer)
Ms. Zeng Jie, Baby
Mr. Ke Kasheng
Mr. Zhang Huiming
Mr. Chen Xinyu

Non-Executive Directors

Mr. Li Dong Sheng
Mr. Liao Qian

Independent Non-Executive Directors

Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

COMPANY SECRETARY

Ms. Luo Shuyu

AUTHORIZED REPRESENTATIVES

Mr. Pan Jun
Ms. Luo Shuyu

AUDIT COMMITTEE

Mr. Ho Man (Committee Chairman)
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

REMUNERATION COMMITTEE

Mr. Guo Shaomu (Committee Chairman)
Mr. Ho Man
Mr. Pan Jun
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP

NOMINATION COMMITTEE

Mr. Pan Jun (Committee Chairman)
Mr. Ho Man
Ms. Zeng Jie, Baby
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

China Minsheng Bank Corp., Ltd.
Industrial and Commercial Bank of China Limited
Ping An Bank Co., Ltd.
China Everbright Bank Co., Ltd.

LEGAL ADVISORS

As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

Room 1202–03
New World Tower 1
16-18 Queen's Road Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

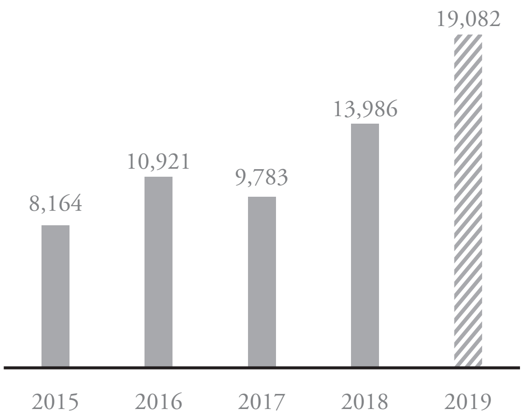
LISTING INFORMATION

The Company's Share Listing
Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1777

WEBSITE

http://www.cnfantasia.com

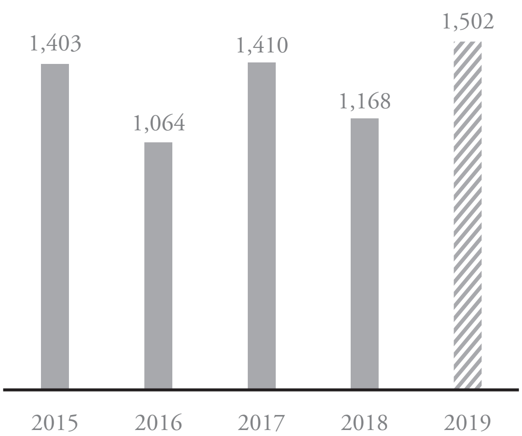
Revenue (in RMB' million)



36.4%

YOY Increase over 2018

Net Profit (in RMB' million)



28.6%

YOY Increase over 2018

	2015	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	44,551,288	49,752,263	68,956,740	94,446,071	95,599,959
Gross profit	2,518,743	3,528,482	2,897,604	4,183,966	5,337,361
Profit attributable to owners of the Company	1,210,610	805,736	1,154,316	728,339	873,644
Basic earnings per share (RMB cents)	21.02	13.98	20.03	12.64	15.15
Revenue	8,164,297	10,920,638	9,782,568	13,986,133	19,081,577
Total liabilities	32,311,251	36,631,528	51,258,709	74,991,562	75,007,971

On 16 January 2019, Colour Life was awarded the "Golden Hong Kong Stocks 2018 – Best Listed Company in Investor Relations Management" in the Annual Golden Hong Kong Stocks Awards Ceremony 2018 held in Shenzhen.

The investor relations team of Colour Life has long been acclaimed by the capital market for its professional and compliant information disclosure as well as sincere and transparent investor relations management. On 9 January, the team won the "Best Innovation Award in the Second China's Excellent IR" in the Investor Relations Innovation Summit of Listed Companies 2019 and the Second China's Excellent IR Awards Ceremony. Meanwhile, the investor relations team of Colour Life won three individual awards, namely the "Best Leader Award", "Best Director Award" and "Highest Potential Award", respectively.

Annual Guandian Forum commenced in Shenzhen on 19 March 2019. Guandian Index Academy of Guandian Property & Co. released the list of Top 100 Real Estate Companies of China in 2019, and selected and gave awards to outstanding real estate and other relevant enterprises in the industrial chain by evaluating the performance of the most representative property enterprises in China in collaboration with the mainstream media, research institutions, real estate developers, investment institutions, financial investment banks and professional bodies. Fantasia Group (China) Co., Ltd. was honoured to be selected as one of the Top 100 Real Estate Companies.

On 19 March 2019, China's Top 10 Real Estate Enterprises Research Team, jointly formed by three research institutes, namely the Enterprise Research Institute of Development Research Centre of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy, published the Research Report on China's Top 100 Real Estate Enterprises in 2019. Fantasia Group (China) Co., Ltd. was granted three accolades, namely "China Top 100 Real Estate Enterprises for 11 Consecutive Years from 2009 to 2019", "2019 China Top 100 Real Estate Enterprises – Top 10 in Resilience" and "2019 China Top 100 Real Estate Enterprises – Top 10 in Financing Capacity".

China Real Estate Association and China Real Estate Evaluation Centre under Shanghai E-house Real Estate Research Institute jointly convened the Press Conference on Evaluation Results of China's Top 500 Real Estate Developers 2019 in Beijing on 20 March 2019. Fantasia Group was selected as one of "China's Top 500 Real Estate Developers 2019" by China Real Estate Association and China Real Estate Evaluation Centre under Shanghai E-house Real Estate Research Institute, ranking 72nd on the list.

On 23 May 2019, China Real Estate Association and China Real Estate Evaluation Centre under Shanghai E-house Real Estate Research Institute jointly convened the Press Conference on Evaluation Results of China's Listed Real Estate Companies 2019 and the First Press Conference on Evaluation Results of China's Listed Property Services Companies in Hong Kong, China. By virtue of its outstanding comprehensive strength, Fantasia Holdings Group Co., Limited (01777.HK) obtained the title of "2019 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths (ranked 66th)". Colour Life Services Group (01778.HK), a subsidiary of Fantasia, was awarded as the "2019 Top 10 Listed Company of Property Management Service in China (ranked 4th)" in the First Press Conference on Evaluation Results of Listed Property Services Companies held on the same day.

Fantasia was granted the 2019 China Top 100 Real Estate Enterprises award series

China Index Academy and China's Top 10 Real Estate Enterprises Research Team hosted the Press Conference on Research Results of 2019 Top 100 Property Management Companies in China and the Twelfth Summit for Top 100 Property Management Entrepreneurs in China in Beijing on 24 May 2019. Colour Life Group, a subsidiary of Fantasia, won No. 1 in the "2019 Internet Community Operation Leading Companies" and was granted the title of "2019 China Leading Property Management Companies in terms of Characteristic Service - Intelligent Community" in recognition of its innovative "Internet + Property" business model and leading industry position in community service platform construction. Wanxiangmei Property Management Co., Ltd., Colour Life Group's subsidiary, received the titles of "2019 Top 100 Property Management Companies in China", "2019 China Top 10 Property Management Companies in terms of Growth Potential" and "2019 China Leading Property Management Companies in terms of Service Quality" in recognition of its outstanding comprehensive strength and professional service standards.

Quality Chinese Real Estate Enterprises Awards Ceremony 2019 took place in Kowloon Shangri-La, Hong Kong on 28 May 2019. Fantasia Holdings Group Co., Limited (01777.HK) won "Quality Chinese Real Estate Enterprises Award" for the fourth consecutive year, showing that Fantasia's consistent business resilience and robust performance growth were once again recognised by the Hong Kong capital market. The "Quality Chinese Real Estate Enterprises Award" is aimed to recognise the elite real estate enterprises for their outstanding performance and contribution to economic prosperity of Hong Kong and Mainland China, and provide investors with an opportunity to conduct an annual review of quality real estate enterprises in Mainland China. The awards are determined by a panel of judges comprising The Hong Kong Institute of Financial Analysts and Professional Commentators Limited and experienced stock commentators, and the relevant information is reviewed by He Jinrong, Managing Partner of National Real Estate Industry of Deloitte China. The judges review the overall performance of each real estate enterprise covering company results, business prospects, governance norms, project execution, brand image and social responsibility to select quality Chinese real estate enterprises for the year of 2019.

Colour Life Services Group was accredited as the "Innovative Pioneer in Property Service of Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區物業服務創新先鋒)" at the Press Conference on 2019 Guangdong-Hong Kong-Macao Greater Bay Area Investment White Paper and Greater Bay Area Diversified Investment Summit Forum (2019粵港澳大灣區投資白皮書發佈會暨灣區多元化投資高峰論壇) jointly hosted by CRIC Shenzhen Branch under E-house China and Dixinyinli on 30 May 2019.

2019 Top 10 Listed Company of Property Management Service

Fantasia was awarded the title of 2019 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths

On 7 August 2019, the awarding ceremony of 2019 China Real Estate Fashion Award was held at Hainan, which is an important part of the Boao Real Estate Forum and has become one of the most highlighted annual event of the real estate industry. At the ceremony, Colour Life Services Group was granted the "2019 China Special Award of Social Responsibility (2019年度中國社會責任特別大獎)" and accredited as one of the "Top 10 Influential Property Service Brands in China of 2019 (2019中國年度影響力物業服務品牌TOP10)" by virtue of its remarkable comprehensive strength and huge development potential.

On 10 September 2019, Fantasia was accredited as one of the "Top 10 Valuable Brands in Guangdong-Hong Kong-Macau Greater Bay Area of China 2019" jointly by Enterprise Research Institute under the Enterprise Research Institute of Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy by virtue of its strategic business presence in the Guangdong-Hong Kong-Macau Greater Bay Area in China and its business strategy of emphasis on both property development and community services.

On 10 September 2019, the "Press Conference on Research Findings of China Real Estate Brand Value in 2019 and the 16th China Real Estate Brand Development Summit" organised by China Real Estate Top 10 Research was held in Beijing. As a credit to its endeavors in exploring the smart community service platform mode and the value-added services, Colour Life was awarded the "2019 Marketing Operational Leading Brand of China Property Service Companies" and the "2019 Platform Leading Brand of China Property Service Companies" with a brand value of RMB7.005 billion.

On 19 September 2019, the Press Conference on Appraisal Findings of China Real Estate Brand Value in 2019 and the Real Estate Brand Development Summit was held in Fuxian Lake, Yunnan Province. Fantasia Group (China) Company Limited was awarded the "2019 Best 10 of South China Real Estate Developers Brand Value" due to its strong competitiveness. Appraisal and Research Findings of "China Real Estate Brand Value" has been jointly hosted by China Real Estate Association and China Real Estate Brand Appraise Center under Shanghai E-house Real Estate Research Institute for nine consecutive years, and Fantasia has been granted this award for nine consecutive years.

On 26 November 2019, 36Kr Future City Summit under the theme of "Limited vs Unlimited Evolution (有限與無限進化)" was held in Beijing, at which Colour Life was granted the "Future City Operator" award. The award demonstrated the recognition by the society of Colour Life's continuous efforts in combining humanitarian care with innovations, and its practice in the exploration for the development of future urban communities.

On 12 December 2019, the 2019 Guru Club Real Estate Summit Forum (「高屋建瓴」房地產高峰論壇) organized by Gelonghui (格隆匯) was held in Shenzhen, where Fantasia was granted the "2019 Operational Capacity Award for Listed Real Estate Enterprises in China" for its outstanding operation, organisation and management capacity.

On 12 December 2019, the 2019 Guru Club Real Estate Summit Forum (「高屋建瓴」房地產高峰論壇) organized by Gelonghui (格隆匯) was held in Shenzhen, where Colour Life was granted the "2019 Business Innovation Award for Listed Real Estate Enterprises in China" for its remarkable achievements in the exploration of new business modes and paths by seizing the opportunities of the era under the fast-changing economic environment.

Fantasia was accredited as one of the "Top 10 Valuable Brands in Guangdong-Hong Kong-Macau Greater Bay Area of China 2019"

Fantasia Group (China) Company Limited was awarded the "2019 Best 10 of South China Real Estate Developers Brand Value"

On 12 December 2019, the 2019 (Third) China Real Estate New Era Grand Ceremony under the theme of Pursuing Chinese Dream (致敬追夢人•致遠中國夢)" was held in Beijing, where the results of the "2019 (Third) China Real Estate Managers Selection" were revealed. Pan Jun, chairman of the Board and the Chief Executive Officer of Fantasia Group, was accredited as one of the "2019 Best 30 of China Real Estate CEO (2019中國地產年度CEO30強)", while Zhu Guogang, regional president of Fantasia Real Estate Chengdu Branch, was awarded as one of the "2019 Best 100 of China Real Estate Managers (2019中國地產經理人100強)". Co-organized by Leju Finance (樂居財經), Sina Finance (新浪財經), China Entrepreneur, www.fangchan.com (中房網) and China Property Management Research Institute (CPMRI) (中物研協), and conducted under joint guidance of China Real Estate Association, China Property Management Institute and China Furniture & Decoration Chamber of Commerce, this selection was launched on 10 October 2019 and covered approximately 60 major cities in China, which attracted 1,726 candidates from three major industries and a total of 1,060 brands, with online effective votes accumulating to approximately 47 million.

On 27 December 2019, the "7th Annual Awarding Ceremony of Best Residences (第七屆最美人居年度頒獎典禮)" hosted by Shenzhen Media Group, the official media of Shenzhen, was grandly opened. By virtue of its forward-looking planning in the Greater Bay Area, Fantasia Real Estate was granted the "Annual Brand Development Award for Real Estate Enterprises (年度品牌發展房企獎)".

On 27 December 2019, Shenzhen Jiatianxia Garden, the first project of the latest "Jiatianxia product line" launched by Fantasia Real Estate, was awarded the "Benchmark Award of Best Residences in Greater Bay Area for the Year (年度灣區最美人居標桿獎)" by virtue of its latest concept of customer-oriented smart community, premium garden landscape and good construction quality, differentiating itself from many other well-known real estate developers and major quality projects in the Greater Bay Area.

In December 2019, O2PARK oxygen park under the Chengdu Jiangshan project won the 10th "Yuanye Cup International Competition Award (園冶杯國際競賽專業獎)" and the 2019 Yuanye Cup Gold Award of Outstanding Real Estate Landscape Design Category (2019園冶杯地產園林示範區類金獎).

In December 2019, Blossom School of Zhihui City in Chengdu won the following awards:

A&D China Awards-Best of Category granted by PERSPECTIVE magazine; British Dezeen Awards 2019 – Shortlist; US Architecture MasterPrize (AMP) 2019 – Winner; 2019 Golden Pin Design Award in Taiwan, China; Best of Year granted by the INTERIOR DESIGN magazine of the U.S.A. – Finalist; Honourable Awards under Kids' Zone and Art Exhibition Category and Gold Award of the 4th REARD Global Design Award.

On 7 January 2020, under the leadership of Huizhou Newspaper Media Group, the city-level influential companies were elected based on the corporate influence in Huizhou market and relevant property information in 2020. With its outstanding performance in the market in 2020, Huizhou Fantasia won the honor of "Urban Influence Development Enterprise".

On 7 January 2020, Shenzhen Association of Enterprises with Foreign Investment (SZAEFI) awarded Fantasia Group (China) Co., Ltd. with the honorary title of "National Excellent Enterprise with Foreign Investment – Excellent Tax Payment and Turnover" which was reviewed and approved by the Ministry of Commerce, Shenzhen Municipal Human Resources and Social Security Bureau, Emergency Management Bureau of Shenzhen Municipality, Shenzhen Municipal Ecology and Environment Bureau and other authorities as well as professional organizations such as TUV Rheinland.

On-site photo of Blossom School of Zhihui City in Chengdu

On 7 January 2020, SZAEFI celebrated its 30th anniversary, and awarded Fantasia Group (China) Co., Ltd. with the honorary title of "Excellent Member" in recognition of its outstanding achievements.

In January 2020, four projects of Fantasia Group were shortlisted in five categories in the 2019-2020 Aesthetics Vogue Award, which was co-founded by omni-media platforms such as XUNMEI-Media (全球設計生活美學平台), Real Estate Frontier and Xunmei Photography (尋美攝影), respectively, i.e. Chengdu Fantasia • Kunming Luhu International project was shortlisted for the "Extreme Architectural Aesthetics Award", Chengdu Fantasia • Zhihui City project for the "Innovative Experience Space Award", Beijing Fantasia • Xingfu Wanxiang Exhibition Center project for the "Architectural Design Award" and "Space Design Award" and Wuhan Fantasia • Xuhui • Hanzheng Street the First for the "Innovative Conceptual Design Award".

On 9 January 2020, at the fourth "Annual Golden Hong Kong Stocks Awards Ceremony" held in Shenzhen, Colour Life won two awards, namely the "Most Valuable Property Company" and the "Best Investor Relations Management". The "Most Valuable Property Company" aims to commend the Hong Kong listed property management companies that have a prominent industry position and can provide investors with sustainable and stable value returns.

On 10 January 2020, Colour Life won the "Best Investor Relations Frontier Award" and the "Best Investor Relations Case Award" in the third China Excellent IR Awards. A total of more than 500 listed companies submitted their materials for the current selection, focusing on the quality of information disclosure, corporate governance and IR practices of the listed companies, and combined with online voting to achieve the final results.

On-site photo of Fantasia • Kunming Luhu International Project Marketing Center

In January 2019, Fantasia Group (China) Co., Ltd. was awarded the "Outstanding Contribution Award" by the SEE Foundation.

In June 2019, Longnan County in Ganzhou, Jiangxi was hit by a severe flood disaster. Fantasia Group shouldered its responsibility without hesitation by holding a charitable donation activity themed Flood and Disaster Relief with Concerted Minds and Efforts, and donated RMB100,000 through Fantasia Charity Foundation for flood and disaster relief and post-disaster reconstruction work in Wudang Town, Longnan County. Fantasia Group was awarded the title of Advanced Social Institution by Longnan County for carrying out relief and emergency work during the 6.10 flood disaster.

The Charity Festival was first introduced in 2011 and is the first festival in China named after "charity" that was initiated by the mass media. The event aims to promote the spirit of public welfare, advocate charity behaviours and build a platform for in-depth dialogue, cooperation and communication among various parties. After nine years of exploration and practice, the Charity Festival has become the most influential annual event in the field of public welfare and charity in China. In view of Fantasia's outstanding performance in fulfilling corporate social responsibility and its good comprehensive public evaluation, the Fantasia Charity Foundation filed an application for the poverty alleviation and elderly care project, which, after being nominated, recommended and reviewed by the judge panel, won the 2019 Charity Innovation Award.

An exhibition entitled Open was staged at Fantasia's Zhi Art Museum in April 2018, the curator of which was selected in May 2019 as one of the curator nominee candidates of the year in the 13th Award of Art China for being most influential in the year. With a focus on the movements regarding the multi-facet concept of "open" in terms of experience and imagination, the exhibition Open displayed the well-contrasted media artwork of 9 artists from various countries in the exhibition hall that features the architectural elements of mountain, water, light and minimal art, fully demonstrating the organic integration of the tranquillity and vibrancy of Zhi Art Museum and its harmonious unity with nature, while implying the charting of a new chapter in innovative art through deeds. Dated back to 2006, Award of Art China is the most important contemporary art award in China, with the objectives of showcasing the progress made in China's contemporary art within a regional cultural context and promoting its wide-ranging influence across the globe by collating contemporary artwork in China and granting awards on an annual basis.

Organized by Chengdu Municipal People's Government and hosted by Chengdu Culture, Radio and TV, Press & Publication Bureau, the 6th Chengdu Creativity & Design Week themed by "To be Creative in Chengdu" was held from 8 to 11 November 2019 at Chengdu Century City International Convention and Exhibition Center. As one of the eight thematic activities of the current Creativity & Design Week, the "Finding 100 Most Popular Landmarks with Creative Greenpath Culture Tourism（尋找最潮玩的100個綠道文化旅遊創意地標）" event was launched on 2 November for online voting. A team of experts, after preliminary review and with reference to the online votes, eventually selected 100 landmarks with creative greenpath culture tourism, that is 100 landmarks in ten categories such as "Culture Chengdu（文博成都）", "Fashion Chengdu", "Art Chengdu" and "Books Chengdu（書香成都）" were introduced, and Zhi Art Museum is listed as one of the landmarks in the category of "Art Chengdu".

WEI Ligang: Universality FANTASIA • ZHI ART MUSEUM, April 27th – August 18th, 2019

Guided by the Publicity Department of the CPC Chengdu Municipal Committee and hosted by "YOU Chengdu – digital map for lifestyle aesthetics in Chengdu（天府成都生活美學數字地圖）", the "2019 Chengdu Lifestyle Aesthetics Exhibition" was held on 7 January 2020. Zhi Art Museum won two awards: "OPEN EAST: Asia Museum Forum" and "Everything" by Wei Ligang for the "Top Ten Sharing of the Year" and the "Top Ten Exhibitions of the Year" respectively.

In January 2020, Zhi Art Museum was ranked on the TOP 10 art museums 2019 on the "Hi Art" annual list. The annual list of "Hi Art" in 2019 was voted by the editorial department of Hi Art, column authors and previous winners. "Hi Art" magazine was founded in September 2006. It is a professional magazine focusing on contemporary art, offering the most advanced art information and the most professional market analysis and specialized in the contemporary art market. In addition to professionalization, it offers forward-looking and practical information, being the most influential contemporary art magazine in China.

"OPEN EAST" Asia Museum Forum FANTASIA • ZHI ART MUSEUM, May 23rd – May 25th, 2019

Dear Shareholders,

I am pleased to present to our shareholders the annual results review of Fantasia Holdings Group Co., Limited ("Fantasia" or the "Company", together with its subsidiaries the "Group") for the year ended 31 December 2019 as well as its prospects.

I. RESULTS AND DIVIDENDS

In 2019, the Group recorded revenue of approximately RMB19,082 million, representing an increase of 36.4% compared to last year. The Group's net profit for the year was approximately RMB1,502 million, representing an increase of 28.6% compared to last year. To reward the Company's shareholders for their support, the Board of Directors of the Company proposed a dividend of HK5.50 cents per share in respect of the year 2019, subject to shareholders' approval at the upcoming annual general meeting of the Company.

The Group recorded contracted sales of approximately RMB36,210 million and contracted sales area of 3,208,364 sq.m. in 2019, up by 20.0% and 18.9% YoY, respectively, successfully achieving the sales goal for the year.

II. REVIEW FOR 2019 – TRANSFORMATION

In 2019, global economic development and sentiment tended to decline, and the development of most countries showed varying degrees of slowdown. The economic growth in China was faced with significant increase in external risks and challenges and the domestic economy was under greater downward pressure. As the central government adhered to the general principle of "promoting progress while maintaining stability" and pushed forward the supply-side structural reform, the PRC economy maintained an overall stable and positive operation with a GDP growth rate of 6.1% over last year, remaining the major driving force for the growth of the global economy.

As for industry, the central government restated "houses are for living and not for speculation" and adhered to the control goal of "stabilizing land prices, housing prices and expectations", and local governments' "implementing policies by city" began to show its flexibility. In 2019, sales of commercial properties across the country recorded a year-on-year increase of 6.5%, among which sales of residential properties recorded an increase of 10.3% YoY, continuing to achieve steady growth and demonstrate its importance for the development of the domestic economy.

Year 2019 marked the 10th anniversary of the Group's listing. With the mentality of re-starting a business, the Group put forward the overall strategic layout of focusing on "property + community", under which the Group continuously deepened the dual business drivers of "property development" and "community service". Meanwhile, the Group proposed the operation policy of "focusing on investment, stabilizing finance and strengthening operation", achieving substantial progress in various businesses and realizing business transformation like butterfly metamorphosis.

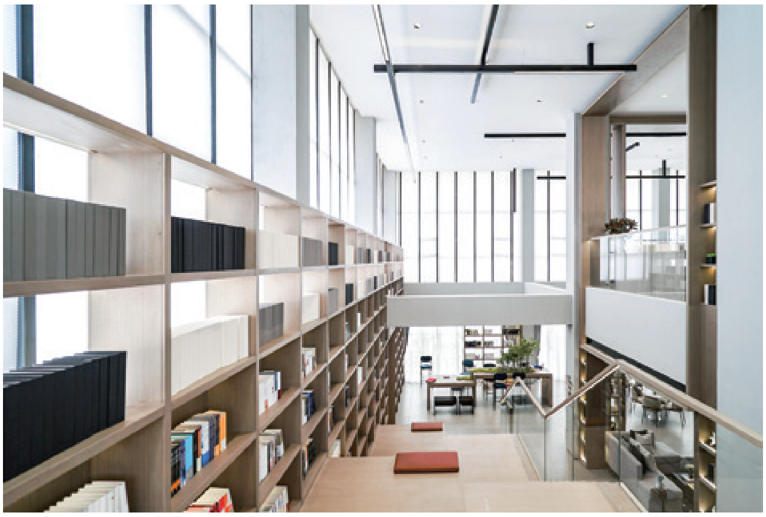


Photo of FANTASIA • ENDLESS BLUE Lifestyle Aesthetics Museum

Focusing on investment: extending business presence across the five major metropolitan areas with leading advantage in the Greater Bay Area

After more than 20 years' development, the Group has formulated 5 major "deep penetration" areas including Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area, and Bohai Rim Metropolitan Area. Based on this, the Group further focused on urban layout, specified "5+N" urban investment strategy, selected five strategic core cities including Shenzhen, Chengdu, Wuhan, Shanghai and Beijing, and selected 20+ quality cities after taking consideration of urban agglomeration and energy level, further consolidating and strengthening urban "deep penetration" strategy. Meanwhile, we will arrange the ratio between high-turnover and profit-oriented projects rationally during the investment and land-acquisition stage, realizing the balance between scale and profit and the balance between the present and the future, and promoting the stable development of the Group. In 2019, the Company seized opportunities at the land market to acquire seven parcels of quality land located in Zhangjiakou, Tianjin, Ningbo, Chengdu, Qingdao and Nanjing, with a total GFA of approximately 1.36 million sq.m., laying a solid foundation for future sales growth of the Group.

The Group grew in the Guangdong-Hong Kong-Macao Greater Bay Area, and actively responded to national strategic layout with its regional advantage and more than 20 years of "deep penetration" experience, seizing the opportunity arising from the promotion of a new-round land reform in the Greater Bay Area for urban renewal by Guangdong Province, and establishing Fantasia Urban Development Operation Co., Ltd.（花樣年城市發展運營有限公司）to focus on urban renewal business in the Greater Bay Area. So far, the Group had conducted urban renewal business in 6 core cities, including Shenzhen, Guangzhou, Foshan, Dongguan, Zhongshan and Huizhou, located in the Greater Bay Area. There are 46 urban renewal projects which are at various development stages. In particular, Shenzhen is the core city for the Group's renewal business, and the land conversion will gradually be realised recently. In the future, the Group will continue to expand urban renewal projects in the Greater Bay Area, increase land reservation acquisition channels and scale, facilitate the Group to secure land reservation edge and establish distinctive land acquisition channels in the Greater Bay Areas, supporting the Group's strategic layout and realizing sustainable development.

Unveiling ceremony of Fantasia Urban Development Company in May 2019

Stabilizing finance: optimizing financing structure with upgrading of credit ratings by international rating agencies

The Group is always committed to pursuing healthy development. In 2019, the Group took active measures to manage its debt level. As at the end of 2019, the net gearing ratio of the Group was 73.5%, maintaining at a healthy level of the industry. While maintaining a healthy debt level, the Group took initiative to optimise its financial structure. On the management of maturity profile of bonds, the Group effectively reduced its short-term debts and optimised debt structure through early redemption of the bonds with a principal amount of USD250 million due in January 2020 and early partial redemption of the USD bonds due in March 2021. While reducing the total amount of debts, Fantasia made good use of the domestic and overseas capital markets and proactively expanded financing channels such as the issuance of domestic corporate bonds, so as to gradually optimise its capital structure and reduce financing costs.

Due to its outstanding operation performance, the Group achieved continuous upgrading of its credit ratings. During the Reporting Period, Moody's and Standard & Poor's (both being international rating agencies) successively upgraded the Group's credit rating outlook to "Stable", and Fitch Ratings gave us "B+" for initial corporate rating and debt rating and "Stable" for rating outlook, demonstrating the recognition of and confidence in the Group's continuously improving financial conditions by the international capital market.

Strengthening operation: improving quality and efficiency of operation to achieve quality growth

As the real estate industry enters the silver age, and the Group continues to expand its scale, the Group has gradually established and improved the management system of big operation. By adopting a result-oriented approach and adjusting the organisational structure, optimizing the governance mechanism, and achieving the full-project, full-cycle, and full-professional efficient and coordinated operation, we have achieved fast and efficient operation, increased the profit margin, and promoted the Group's intrinsic and quality growth. In addition, the Group entered into strategic cooperation agreements with CIFI Group, Ping An Real Estate and other outstanding enterprises in the industry during the year, so as to achieve benefit from complementary advantages and efficiency improvement through such cooperation.

Product is an important competitive edge of the Group, and is also crucial for our future success in the real estate industry. In 2019, the Group continued to improve its product line to create a diversified and multi-functional product system and provide interesting, tasteful, resourceful living space and experience to customers who pursue value.

In order to ensure effective human resources management to drive business growth and enhance operation efficiency, the Group implemented a series of reform covering position, remuneration and performance in 2019 by emphasizing the result-oriented approach and sense of ownership, optimizing remuneration structure, adjusting the proportion of fixed and variable remuneration and implementing mandatory ranking of performance, so as to stimulate the enthusiasm of the employees. In 2019, the Group introduced several professional managers from the leading real estate enterprises in the industry to act as person-in-charge of our headoffice and regional companies, bringing the Group their extensive experiences to facilitate faster and better development of the Group.

Colour Life: consolidating basic services and cooperating with strategic partners

The year 2019 marked the 5th anniversary of the listing of Colour Life Services Group Co., Limited ("Colour Life"), a subsidiary of the Group. With its outstanding capability in business expansion and through a series of acquisitions and mergers, Colour Life achieved rapid business expansion since its listing and has become the largest community service operator in the country in terms of service scale with the service area of the platform reaching 1,210 million sq.m., directly and indirectly serving over 10 million middle-class families. In 2019, continuing to adhere to the concept of "service to your family", Colour Life made great effort to provide residents with outstanding basic property management services, and enhanced the community cohesion through the humanistic activities. On the Second East Blink Day held in 2019, various activities were successfully carried out in over 200 communities managed by Colour Life in more than 100 cities across the country, with over 6 million homeowners' participation, which won wide recognition from the homeowners, effectively promoting harmony in communities.

Since the establishment of the community service platform, namely Caizhiyun in 2013, Colour Life has continued to build a more open online ecosystem, enriched the products of the ecosystem and provided customers with more comprehensive and convenient services. In 2019, the introduction of JD.com and 360.com, two technology titans, as strategic shareholders by Colour Life marked a new milestone in the development of Colour Life. The "JX Business（京選業務）" co-launched by Colour Life and JD.com was successfully carried out in 2019, which gave full play to JD.com's advantages in e-commerce resources and operational capabilities and Colour Life's extensive offline community resources. In future, Colour Life will join hands with JD.com and 360.com to explore the innovative integrated business models of "community + commerce", "community + logistics", "community + security" and "community + technology", so as to explore the community scenarios and optimise the experience of property owners, with an aim to build a caring smart community.

III. PROSPECTS FOR 2020 – SUCCESS

In 2020, the economic growth in China will continue to face a complex and challenging external environment, and the domestic economy will be under greater downward pressure. However, there are also many optimistic and positive factors, such as continuous upgrade of key supply-side factors, the shift from demographic dividend to talent dividend, and the rapid advancement in technology innovation and digital economy. It is expected that the real estate industry will adhere to the policies of "houses are for living and not for speculation" and "implementing policies by city". As China currently remains at the middle stage of urbanisation, where core first- and second-tier cities continue to enjoy outstanding economic fundamentals, local demands for properties are huge due to net population inflow, and the purchase power of residents is increasing steadily owing to the development of the industrial economy, property sales are expected to maintain a stable growth momentum, providing great development support for markets in the first- and second-tier cities where the Group has invested heavily.

East Blink Day held in communities managed by Colour Life

In 2020, upholding the spirit of second startup and butterfly rebirth, the Group will focus on the dual business driver strategy of "real estate + community". In terms of operation strategy, we will enhance our operation efficiency to improve profit margin and cash flow, and make prompt adjustments in response to changes in policies and markets. In terms of investment strategy, we will focus on extending our business presence in cities with huge potential within the five major urban agglomerations and acquire lands through public auctions to accelerate project turnover, and also leverage on our advantage in acquiring lands at lower cost through urban renewal projects and industrial properties. As to financial strategy, we will focus on maintaining a stable and healthy financial position by proactively managing our debt level, continuing to optimise debt structure, expanding financing channels and reducing financing costs. In terms of community strategy, while consolidating our offline basic services to improve satisfaction of property owners, we will promote business development empowered with online value-added services. By focusing on the community scenario and providing the residents with various value-added services, the Group is committed to developing itself into the service provider that not only has the largest service area, but also owns the most diversified product portfolio and best service quality.

Looking back at the past 21 years since the establishment of Fantasia and the 10 years since its listing, we are gratified that Fantasia was born in such a great era where it witnessed the key course of China's reform and opening up, and has achieved rapid growth through continuous innovation and hardwork. Looking ahead, we will remain true to our original aspiration and work together to make progress. By continuously adhering to the vision of "becoming an interesting, tasteful, resourceful leader in living space and experience", we are committed to building a brighter future for Fantasia, providing customers with quality products and creating value for our shareholders and investors. Let's work together to achieve success in 2020!

IV. APPRECIATION

The development and sound performance of Fantasia cannot be achieved without the trust and support of shareholders, bondholders and business partners, and the unremitting efforts made by all employees. I would like to take this opportunity to extend my sincere gratitude to all of you on behalf of the Board of Directors!

Pan Jun
Chairman
30 March 2020

Funian Aviation Plane taking off

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from the (i) property development, (ii) lease of investment properties, (iii) provision of property operation and (iv) provision of hotel accommodation services. For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB19,082 million, representing an increase of 36.4% from approximately RMB13,986 million in 2018. Profit for the year attributable to the owners of the Company was approximately RMB874 million, representing an increase of 20.0% from approximately RMB728 million in 2018.

Property Development

The Company recognised revenue from property development when significant risks and rewards of ownership have been transferred to home buyers, i.e., when relevant property has been completed and the possession of the property delivered to home buyers. Revenue from property development represents proceeds from the sales of the Group's properties held for sale. Revenue derived from property development increased by 54.6% to approximately RMB13,226 million in 2019 from approximately RMB8,555 million in 2018, which was primarily due to the property projects located in Chengdu and the Yangtze River Delta Area were completed and delivered during the year.

	2019			2018		
	Total Revenue	**GFA sold**	**Average Selling Price**	Total Revenue	GFA sold	Average Selling Price
	RMB'000	**Square meters**	**RMB/Square meters**	RMB'000	Square meters	RMB/Square meters
Chengdu MIC Plaza (成都美年國際廣場)	**3,542,992**	**155,982**	**22,714**	696,084	29,821	23,342
Chengdu Jiatianxia (成都家天下)	**3,278,922**	**344,504**	**9,518**	–	–	–
Chengdu Zhihui City (成都智薈城)	**1,545,070**	**202,304**	**7,637**	–	–	–
Yuechange No.9 Garden (悦城九號花園)	**929,527**	**66,133**	**14,055**	972,226	69,929	13,903
Nanjing Fantasia Town (南京花樣城)	**747,248**	**100,126**	**7,463**	877,337	121,217	7,238
Guilin Lakeside Eden Community (桂林麓湖國際社區)	**725,059**	**109,175**	**6,641**	658,857	123,862	5,319
Kunming Luhu International (昆明麓湖國際)	**457,373**	**62,023**	**7,374**	–	–	–
Huizhou Zijin Huafu (惠州紫金華府)	**348,043**	**28,788**	**12,090**	–	–	–
Chengdu Grande Valley (成都大溪谷)	**311,722**	**32,785**	**9,508**	218,419	18,756	11,645
Chengdu Longwu Project (成都龍吾項目)	**289,872**	**42,541**	**6,814**	–	–	–
Nanjing Xinian Center (南京喜年中心)	**111,874**	**5,827**	**19,198**	424,171	22,031	19,254
Shenzhen Lenian Plaza (深圳樂年廣場)	**57,837**	**2,502**	**23,116**	56,483	2,174	25,984
Suzhou Xinian Plaza (蘇州喜年廣場)	**50,945**	**2,393**	**21,293**	105,871	5,227	20,255
Suzhou Taihu Tiancheng (蘇州太湖天城)	**13,441**	**922**	**14,576**	178,163	18,761	9,496
Huizhou TCL Project	**13,210**	**1,459**	**9,052**	1,204,108	141,368	8,518
Chengdu Xiangmendi (成都香門第)	**12,940**	**1,202**	**10,763**	1,587,003	220,268	7,205
Chengdu Longnian Plaza (成都龍年廣場)	**9,581**	**2,785**	**3,440**	62,361	14,093	4,425
Huizhou Fantasia Special Town (惠州別樣城)	**8,361**	**1,386**	**6,032**	28,202	4,760	5,925
Huizhou Love Forever (惠州花郡)	**8,091**	**1,369**	**5,909**	5,245	984	5,331
Wuhan Fantasia Town (武漢花樣城)	**7,513**	**1,868**	**4,022**	87,767	9,566	9,175
Wuhan Love Forever (武漢花郡)	**5,048**	**1,060**	**4,761**	110,758	15,366	7,208
Chengdu Fantasia Town (成都花樣城)	**3,632**	**364**	**9,969**	51,549	16,883	3,053
Guilin Fantasia Town (桂林花樣城)	**3,417**	**403**	**8,477**	18,416	1,072	17,172
Tianjin Huaxiang (天津花鄉)	–	–	–	121,589	10,248	11,865
Dali Human Art Wisdom (大理藝墅花鄉)	–	–	–	90,775	7,246	12,528
Novena Love Forever (新加坡花郡)	–	–	–	37,088	231	160,556
Ningbo Love Forever (寧波花郡)	–	–	–	18,410	2,020	9,114
Dongguan Wonderland (東莞江山)	–	–	–	16,520	2,648	6,239
Shenzhen Longnian Building (深圳龍年大厦)	–	–	–	14,633	1,021	14,327
Chengdu Mont Conquerant (成都君山)	–	–	–	12,028	1,678	7,168
Dongguan Mont Conquerant (東莞君山)	–	–	–	5,897	500	11,805
Chengdu Flower Garden (成都花好圓)	–	–	–	2,105	681	3,090
Others	**744,628**			892,443		
	13,226,346			8,554,508		

Wuhan FANTASIA • ENDLESS BLUE Experience Centre

Property Investment

Revenue generated from property investment decreased by 20.9% to approximately RMB200 million in 2019 from approximately RMB253 million in 2018. Such decrease was primarily due to less area of investment properties leased externally.

Property Operation Services

Revenue derived from property operation services increased by 12.2% to approximately RMB4,666 million in 2019 from approximately RMB4,158 million in 2018. The increase was primarily due to the increase in both the managed GFA by the Group and the expansion of value-added services provided in 2019.

Hotel Operations

Revenue derived from hotel accommodation services decreased by 9.0% to approximately RMB123 million in 2019 from approximately RMB136 million in 2018.

Gross Profit and Margin

Gross profit increased by 27.6% to approximately RMB5,337 million in 2019 from approximately RMB4,184 million in 2018, while the Group's gross profit margin was 28.0% in 2019, representing a slight decrease as compared with last year.

Other Income, Gain and Losses

In 2019, the Group recorded other net gain of RMB1,329 million (2018: RMB712 million). Such a difference was mainly attributable to the remeasurement gains of the interests in joint ventures arising from disposal of partial equity interests in subsidiaries resulting in loss of control.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 6.9% to approximately RMB470 million in 2019 from approximately RMB439 million in 2018. The increase was mainly due to the increase in advertising expenses for the property projects under pre-sale stage.

Administrative Expenses

The Group's administrative expenses decreased by 2.0% to approximately RMB1,362 million in 2019 from approximately RMB1,389 million in 2018. This decrease was mainly due to the Group's efforts at cost control.

Finance Costs

The Group's finance costs increased by 25.1% to approximately RMB1,832 million in 2019 from approximately RMB1,465 million in 2018. The increase in finance costs was mainly due to the increase in average financing costs.

Income Tax Expenses

The Group's income tax expenses increased by 22.0% to approximately RMB2,281 million in 2019 from approximately RMB1,869 million in 2018. The increase was in line with the increase in profit before taxation.

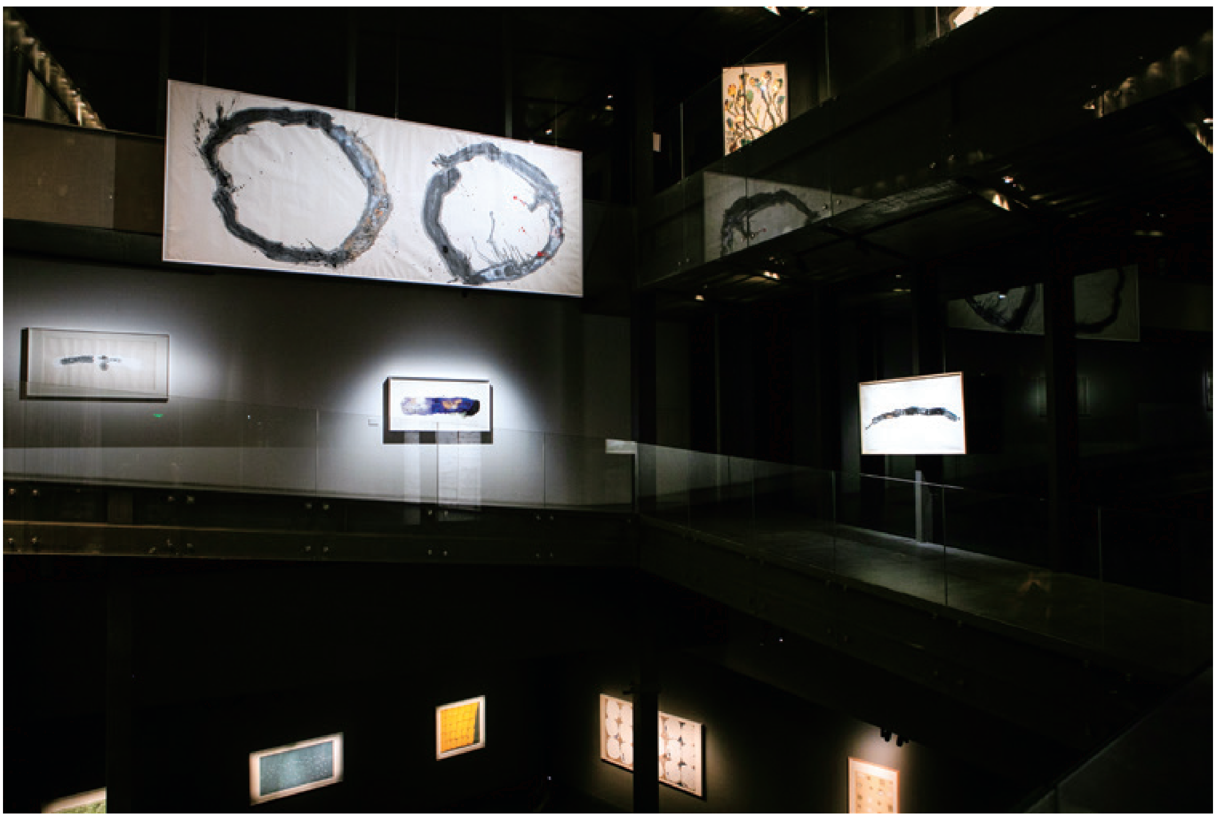
Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 20.0% from approximately RMB728 million in 2018 to approximately RMB874 million in 2019.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2019, the Group's bank balances and cash were approximately RMB23,044 million (2018: approximately RMB28,570 million), representing a decrease of 19.3% as compared to that as at 31 December 2018. A portion of the Group's cash is restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits are related to.



WEI Ligang: Universality FANTASIA • ZHI ART MUSEUM, April 27th – August 18th, 2019

Net Gearing Ratio

The net gearing ratio was 73.5% as at 31 December 2019 as compared to 77.4% as at 31 December 2018, representing a decrease of 3.9 percentage points. The net gearing ratio was measured by net debt (total of borrowings, senior notes and bonds and asset-backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over total equity.

Borrowings and Charges on the Group's Assets

As at 31 December 2019, the Group had an aggregate borrowings, senior notes and bonds and asset-backed securities issued of approximately RMB13,985 million (31 December 2018: approximately RMB19,156 million), approximately RMB24,083 million (31 December 2018: approximately RMB24,208 million) and approximately RMB105 million (31 December 2018: RMB260 million), respectively. Amongst the borrowings, approximately RMB6,430 million (31 December 2018: approximately RMB7,960 million) will be repayable within one year, approximately RMB7,555 million (31 December 2018: approximately RMB11,196 million) will be repayable after one year. Amongst the senior notes and bonds, approximately RMB4,964 million (31 December 2018: approximately RMB6,398 million) will be repayable within one year and approximately RMB19,120 million (31 December 2018: approximately RMB17,810 million) will be repayable after one year.

"OPEN EAST" Asia Museum Forum FANTASIA • ZHI ART MUSEUM, May 23rd – May 25th, 2019

As at 31 December 2019, a substantial part of the borrowings was secured by land use rights, properties, bank deposits and interest in a joint venture of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank balances, borrowings, lease liabilities/obligations under finance leases and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During 2019, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange effect to its operation.

Commitments

As at 31 December 2019, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB13,792 million (2018: RMB10,921 million).

Contingent Liabilities

As at 31 December 2019, the Group had provided guarantees amounting to approximately RMB12,167 million (2018: approximately RMB9,790 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, the possibility of the default of the purchasers is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting date.

Employees and Remuneration Policies

As at 31 December 2019, excluding the employees of communities managed on a commission basis, the Group had approximately 33,431 employees (31 December 2018: approximately 38,007 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2019 amounted to approximately RMB2,390 million (2018: approximately RMB1,812 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. As at 31 December 2019, a total of 142,660,000 share options were granted and 4,204,000 (2018: 151,000) share options had lapsed while 4,726,000 (2018: 922,000) share options had been exercised during the year. As at 31 December 2019, the number of outstanding share options was 75,098,000.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB5.00 cents per share, equivalent to HK5.50 cents payable on Friday, 24 July 2020, to all persons registered as holders of shares of the Company on Tuesday, 9 June 2020, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.1006 as announced by the People's Bank of China on 30 March 2020.

Chengdu JR • FANTASIA

BUSINESS REVIEW

Property Development

Contracted Sales

In 2019, China's real estate market adhered to the strategic direction guidelines of "houses are for living in, not for speculation" and implemented city-specific policies on "stabilising housing prices, land prices and expectations". The real estate market has witnessed an overall stable trend.

Facing such complicated domestic and overseas situation and increasingly reinforced control policies, the Group returned satisfactory results by proactively adjusting its strategies, firmly seizing the property market adjustment window period, adapting to the situation and accelerated destocking.

During the Reporting Period, the Group achieved total contracted sales of approximately RMB36.210 billion and contracted sales area of 3,208,364 sq.m., of which, approximately RMB22.674 billion was derived from the contracted sales of boutique upscale residences with contracted sales area of 1,976,468 sq.m., accounting for approximately 62.6% and 61.6% of the total contracted sales and total contracted sales area of properties of the Group in 2019, respectively; approximately RMB8.868 billion was derived from contracted sales of mid-to-high end residences with contracted sales area of 954,343 sq.m., representing approximately 24.5% and 29.7% of total contracted sales and total contracted sales area of properties of the Group in 2019, respectively; approximately RMB4.668 billion was derived from contracted sales of urban complexes with contracted sales area of 277,553 sq.m., representing approximately 12.9% and 8.7% of total contracted sales and total contracted sales area of properties of the Group in 2019, respectively.

Chengdu FANTASIA • WONDERLAND

Contracted sales amount and area attributable to different product categories in 2019

Categories	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Boutique Upscale Residences	22,674	62.6	1,976,468	61.6
Mid-to-high End Residences	8,868	24.5	954,343	29.7
Urban Complexes	4,668	12.9	277,553	8.7
Total	36,210	100.0	3,208,364	100.0

During the Reporting Period, the contracted sales contribution to the Group was mainly derived from sales in 17 cities, including Chengdu, Suzhou, Nanjing, Tianjin, Wuhan, Huizhou and Guilin, and also from approximately 40 projects, including Chengdu Jiatianxia, Huayang Jinjiang at Chengdu, Nanjing Jiatianxia, Suzhou Oriental Bay, Nanjing Xinian Center, Tianjin Jiatianxia and Guilin Lakeside Eden. The Group continued to extend its presence across the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Metropolitan Area, Central China Metropolitan Area, Yangtze River Delta Metropolitan Area and Bohai Rim Metropolitan Area in order to continuously expand its vertical strategic move in each metropolitan area and focus on key cities to achieve sustainable development.

Show house of Xiangmendi, a project jointly developed by Fantasia and Dowell

Contracted sales amount and area in each region in 2019

Categories	Amount		Area	
	(RMB million)	%	(sq.m.)	%
Guangdong-Hong Kong-Macao Greater Bay Area	5,524	15.3	250,458	7.8
Chengdu-Chongqing Metropolitan Area	14,327	39.6	1,596,554	49.7
Central China Metropolitan Area	1,457	4.0	111,740	3.5
Yangtze River Delta Metropolitan Area	8,156	22.5	676,499	21.1
Bohai Rim Metropolitan Area	6,700	18.5	571,817	17.8
Overseas	46	0.1	1,295	0.1
Total	36,210	100.0	3,208,363	100.0

Chengdu FANTASIA • ZHI ART MUSEUM

Guangdong-Hong Kong-Macao Greater Bay Area

As one of the most open and economically dynamic regions in China, Guangdong-Hong Kong-Macao Greater Bay Area has an important strategic position in China's overall development. In 2019, the Group closely followed the national strategy, sparing no effort to promote the project development in the Greater Bay Area at the critical moment when the construction of Guangdong-Hong Kong-Macao Greater Bay Area was fully launched. Seizing on the opportunity of urban renewal, the Group will extensively participate in the construction and development of the cities within the Greater Bay Area.

During the Reporting Period, the Group recorded total contracted sales of RMB5.524 billion and total contracted sales area of 250,458 sq.m. in Shenzhen, Huizhou and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area, attributing to approximately 15.3% and 7.8% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2019.

On-site photo of Fantasia Huizhou Jiatianxia Project

Chengdu-Chongqing Metropolitan Area

As an important economic hub in South-western China, the Chengdu-Chongqing Metropolitan Area shows its robust market demand for real estate and is one of the earliest important strategic markets of the Group. The Group has become one of the most influential brand developers in the region. In 2019, the Group continued to extend its presence in the Chengdu-Chongqing Metropolitan Area, and focused on building innovated prominent products, with Chengdu Jiatianxia, Chengdu Zhihui City, Huayang Jinjiang at Chengdu and other projects being well acclaimed in the local markets, thus achieving good sales performance.

During the Reporting Period, the Group recorded total contracted sales of RMB14.327 billion and total contracted sales area of 1,596,554 sq.m. in Chengdu, Ziyang, Kunming, Guilin and other cities in the Chengdu-Chongqing Metropolitan Area, attributing to approximately 39.6% and 49.7% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2019.

Central China Metropolitan Area

As the geographical center of the country, Central China Metropolitan Area is increasingly becoming an important force for the rise of Central China with its advantages of convenient transportation and developed economy. In 2019, the Group actively promoted the development of new projects in the region, focused on product building and continued to improve its brand recognition and customer word of mouth in the regional market, laying a solid foundation for the Group's further development in the region.

During the Reporting Period, the Group recorded total contracted sales of RMB1.457 billion and total contracted sales area of 111,740 sq.m. in cities such as Wuhan in the Central China Metropolitan Area, attributing to approximately 4.0% and 3.5% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2019.

On-site photo of Fantasia Chengdu Grande Valley

Yangtze River Delta Metropolitan Area

The Yangtze River Delta Metropolitan Area is one of the most economically dynamic hubs in China. The Group has paid close attention to the core cities with high growing potential in the region for a long time. In 2019, the Group emphasized the construction of residential scenes based on user needs, satisfied the owners' yearning for better living standards, and launched boutique projects that fully reflected the characteristics of Fantasia to the market, thus achieving remarkable market influence.

During the Reporting Period, the Group recorded total contracted sales of RMB8.156 billion and total contracted sales area of 676,499 sq.m. in Suzhou, Nanjing and other cities in the Yangtze River Delta Metropolitan Area, attributing to approximately 22.5% and 21.1% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2019.

Bohai Rim Metropolitan Area

Bohai Rim Metropolitan Area is the most important economic hub in Northern China, playing an agglomeration, radiation, service and mobilization role in the national and regional economy and possessing great development potential. In 2019, in line with the regional development trend, the Group rapidly promoted the project progress in the region, and achieved accelerated project turnover by commencing sales of the Tianjing Nanhu Jinshanghua Project within 6 months after acquisition of the land, therefore delivering good results.

During the Reporting Period, the Group recorded total contracted sales of RMB6.700 billion and total contracted sales area of 571,817 sq.m. in Tianjin, Shijiazhuang and other cities in the Bohai Rim Metropolitan Area, attributing to approximately 18.5% and 17.8% of the total contracted sales and total contracted sales area of properties of the Group respectively in 2019.

Newly Commenced Projects

During the Reporting Period, the Group commenced development of 14 projects or phases of projects with a total planned GFA of approximately 1,878,631 sq.m..

Art Exhibition Hall of Fantasia Wunan 396 Project

Breakdown of newly commenced projects in 2019

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA of newly commenced projects
						(sq.m.)
Chengdu-Chongqing Metropolitan Area						
1	Chengdu Zhihui City	Chongzhou, Chengdu	Residential land use	80%	2021	44,746
2	Chengdu Grande Valley	Pujiang County, Chengdu	Residential land use	70%	2021	231,796
3	Chengdu Jiatianxia	Shuangliu District, Chengdu	Residential land use	55%	Completion by phases between 2020 and 2023	196,213
4	Kunming Lakeside Eden	Taiping New Town, Kunming	Residential land use	63%	2021	285,771
5	Guilin Lakeside Eden	Lingui District, Guilin	Residential land use	70%	2022	135,493
Yangtze River Delta Metropolitan Area						
6	Shanghai Guobang Garden	Xuhui District, Shanghai	Commercial land use	100%	2020	6,627
Central China Metropolitan Area						
7	Wuhan Huahaoyuan	Jiang'an District, Wuhan	Residential and commercial land use	100%	2021	190,902
8	Wuhan Gedian Jianshan	Gedian Hi-tech District, Wuhan	Residential and commercial land use	100%	2022	268,668
9	Wuhan Hankou Xingfu Wanxiang	Jiang'an District, Wuhan	Commercial land use	30.6%	2020	52,152
10	Wuhan Blue Sky	Dongxihu District, Wuhan	Residential and commercial land use	55%	2021	184,809
Bohai Rim Metropolitan Area						
11	Baoding Mancheng	Mancheng District, Baoding	Residential land use	51%	2021	64,525
12	Tianjin Love Forever	Wuqing District, Tianjin	Residential land use	60%	2021	49,804
13	Tianjin Jinshanghua (originally known as Tianjin Nanhu Project)	Wuqing District, Tianjin	Residential land use	100%	2021	129,086
14	Zhangjiakou Xingfu Wanxiang (originally known as Zhangjiakou Huailai Project)	Huailai County, Zhangjiakou	Commercial service land use	55%	2021	38,039

Completed Projects

During the Reporting Period, the Group completed a total of 12 projects or phases of projects with a total GFA of approximately 2,048,843 sq.m..

Breakdown of completed projects in 2019

Economic Region	Completed GFA
	(sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area	235,716
Chengdu-Chongqing Metropolitan Area	1,487,422
Central China Metropolitan Area	235,746
Yangtze River Delta Metropolitan Area	89,960

Projects Under Construction

During the Reporting Period, the Group had 34 projects or phases of projects under construction with a total GFA of 7,329,300 sq.m..

Breakdown of projects under construction in 2019

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction
						(sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area						
1	Shenzhen Jiatianxia	Dapeng New District, Shenzhen	Residential and commercial land use	10%	Completion by phases between 2020 and 2021	262,930
2	Huizhou Huahaoyuan	Huiyang District, Huizhou	Residential and commercial land use	100%	2020	80,396
3	Huizhou Jiatianxia	Huiyang District, Huizhou	Residential and commercial land use	100%	2020	241,091
Chengdu-Chongqing Metropolitan Area						
4	Chengdu Grande Valley	Pujiang County, Chengdu	Residential land use	70%	Completion by phases between 2020 and 2021	341,246
5	Chengdu Dragon Era International Center	Pidu District, Chengdu	Commercial land use	100%	2020	63,449
6	Chengdu Xiangmendi (southern zone)	Pidu District, Chengdu	Residential and commercial land use	100%	2020	353,631
7	Chengdu Xiangmendi (western zone)	Pidu District, Chengdu	Residential and commercial land use	50%	2021	109,662
8	Chengdu Zhihui City	Chongzhou, Chengdu	Residential and commercial land use	80%	Completion by phases between 2020 and 2021	707,510
9	Chengdu Kanjinzhao	Xinjin County, Chengdu	Residential and commercial land use	100%	2021	134,060

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction
						(sq.m.)
10	Chengdu Jiatianxia	Shuangliu District, Chengdu	Residential and commercial land use	55%	Completion by phases between 2020 and 2021	724,672
11	Chengdu Qingbaijiang Jiangshan	Qingbaijiang District, Chengdu	Residential and commercial land use	100%	2021	251,486
12	Ziyang Love Forever	Yanjiang District, Ziyang	Residential and commercial land use	91%	2020	241,227
13	Kunming Lakeside Eden	Taiping New Town, Kunming	Residential land use	63%	Completion by phases between 2020 and 2021	285,771
14	Land I of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	Completion by phases between 2020 and 2022	392,930
15	Land H of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	100%	Completion by phases between 2021 and 2022	248,680
16	Land D2 of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	2022	135,493
17	Land F of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	70%	2020	121,770
Central China Metropolitan Area						
18	Wuhan Guanggu Love Forever	Gedian Development District, Wuhan	Residential and commercial land use	10%	2020	191,939
19	Wuhan Huahaoyuan	Jiang'an District, Wuhan	Residential and commercial land use	100%	2021	190,902
20	Wuhan Gedian Jianshan	Gedian Hi-tech District, Wuhan	Residential and commercial land use	100%	2022	268,668
21	Wuhan Hankou Xingfu Wanxiang	Jiang'an District, Wuhan	Commercial land use	30.6%	2020	52,152
22	Wuhan Blue Sky	Dongxihu District, Wuhan	Residential and commercial land use	55%	2021	184,809
Yangtze River Delta Metropolitan Area						
23	Lishui Jiatianxia	Lishui Economic Development District, Nanjing	Residential and commercial land use	100%	2020	316,507
24	Nanjing Gaochun Love Forever	Gaochun District, Nanjing	Residential and commercial land use	100%	2020	165,801
25	Hangzhou 360 Project	Gongshu District, Hangzhou	Industrial land use	49%	2021	233,911
26	Suzhou Oriental Bay (Taihu Tiancheng)	Taihu National Tourism Vacation Zone, Suzhou	Residential land use	43%	2020	137,381
27	Cixi Seasonal Mansion Project	Cixi, Ningbo	Residential land use	11%	2020	253,594
28	Shanghai Guobang Garden	Xuhui District, Shanghai	Commercial land use	100%	2020	6,627

Project serial number	Project name	Project location	Nature of land	Company's interest	Expected completion date	GFA under construction
						(sq.m.)
Bohai Rim Metropolitan Area						
29	Tianjin Jiatianxia	Wuqing District, Tianjin	Residential land use	60%	Completion by phases between 2020 and 2021	326,792
30	Tianjin Love Forever	Wuqing District, Tianjin	Residential land use	60%	2021	49,804
31	Tianjin Jinshanghua (originally known as Tianjin Nanhu Project)	Wuqing District, Tianjin	Residential land use	100%	2021	129,086
32	Baoding Mancheng	Mancheng District, Baoding	Residential land use	51%	2021	64,525
33	Zhangjiakou Xingfu Wanxiang (originally known as Zhangjiakou Huailai Project)	Huailai County, Zhangjiakou	Commercial service land use	55%	2021	38,039
Overseas						
34	Parkwood Collection	Singapore	Residential land use	40%	2021	22,759

Projects Held for Development

During the Reporting Period, the Group had 19 projects or phases of projects held for development with a total GFA of approximately 3,927,570 sq.m..

Breakdown of projects held for development in 2019

Project serial number	Project name	Project location	Nature of land	Company's interest	GFA of projects held for development
					(sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area					
1	Pingshan Good Time (Formerly known as Phase 1 of Pingshan World Plastic Plant Project)	Pingshan District, Shenzhen	Residential and commercial land use	50%	335,071
2	Huizhou Kangcheng Siji	Zhongkai District, Huizhou	Residential and commercial land use	100%	76,259
3	Huizhou Jiatianxia	Huiyang District, Huizhou	Residential and commercial land use	100%	33,317

Project serial number	Project name	Project location	Nature of land	Company's interest	GFA of projects held for development
					(sq.m.)
Chengdu-Chongqing Metropolitan Area					
4	Chengdu Grande Valley	Pujiang County, Chengdu	Residential land use	70%	594,777
5	Chengdu Mont Conquerant	Xinjin County, Chengdu	Residential and commercial land use	100%	130,642
6	Chengdu Qingbaijiang Jiangshan	Qingbaijiang District, Chengdu	Residential and commercial land use	100%	213,152
7	Ziyang Love Forever	Yanjiang District, Ziyang	Residential and commercial land use	91%	283,468
8	Kunming Lakeside Eden	Taiping New Town, Kunming	Residential land use	63%	677,202
9	Lands G and A2 of Guilin Lakeside Eden	Lingui District, Guilin	Residential and commercial land use	100%	189,337
Central China Metropolitan Area					
10	Wuhan Hanzheng Street	Qiaokou District, Wuhan	Residential and commercial land use	34.5%	329,914
11	Wuhan Jinshanghua	Jiang'an District, Wuhan	Residential and commercial land use	100%	60,368
12	Phase II of Jin Xiu Town	Hongshan District, Wuhan	Residential and commercial land use	50.1%	111,883
Yangtze River Delta Metropolitan Area					
13	Suzhou Taihu Tiancheng	Taihu National Tourism Vacation Zone, Suzhou	Hotel land use	100%	73,691
14	Hangzhou Bay Jingcheng Mingshi	Hangzhou Bay New District, Ningbo	Residential land use	90%	76,769
Bohai Rim Metropolitan Area					
15	Tianjin Love Forever	Wuqing District, Tianjin	Residential land use	60%	13,027
16	Tianjin Jinshanghua (originally known as Tianjin Nanhu Project)	Wuqing District, Tianjin	Residential land use	100%	7,031
17	Tianjin Yingcheng Lake Project	Hangu District, Tianjin	Residential, tourism and commercial land use	100%	168,339
18	Zhangjiakou Xingfu Wanxiang (originally known as Zhangjiakou Huailai Project)	Huailai County, Zhangjiakou	Commercial service land use	55%	489,583
19	Shijiazhuang Linghang Guoji	Yuhua District, Shijiazhuang	Commercial land use	51%	63,740

Land Bank

During the Reporting Period, the GFA of land bank for the Group's projects under construction and projects held for development amounted to approximately 11,256,870 sq.m..

DETAILS OF LAND BANK

Region	Projects under construction	Projects held for development	Aggregate GFA of land bank
	(sq.m.)	(sq.m.)	(sq.m.)
Guangdong-Hong Kong-Macao Greater Bay Area	**584,417**	**444,647**	**1,029,064**
Shenzhen	262,930	335,071	598,001
Huizhou	321,487	109,576	431,063
Chengdu-Chongqing Metropolitan Area	**4,111,587**	**2,088,578**	**6,200,165**
Chengdu	2,685,716	938,571	3,624,286
Ziyang	241,227	283,468	524,695
Kunming	285,771	677,202	962,973
Guilin	898,873	189,337	1,088,210
Central China Metropolitan Area	**888,470**	**502,165**	**1,390,635**
Wuhan	888,470	502,165	1,390,635
Yangtze River Delta Metropolitan Area	**1,113,821**	**150,460**	**1,264,281**
Nanjing	482,308	–	482,308
Hangzhou	233,911	–	233,911
Suzhou	137,381	73,691	211,072
Ningbo	253,594	76,769	330,363
Shanghai	6,627	–	6,627
Bohai Rim Metropolitan Area	**608,246**	**741,720**	**1,349,966**
Tianjin	505,682	188,397	694,079
Baoding	64,525	–	64,525
Shijiazhuang	–	63,740	63,740
Zhangjiakou	38,039	489,583	527,622
Overseas	**22,759**	**–**	**22,759**
Singapore	22,759	–	22,759
Total	**7,329,300**	**3,927,570**	**11,256,870**

Wuhan FANTASIA • ENDLESS BLUE Experience Centre

COMMUNITY SERVICE

Colour Life, a subsidiary of the Group specialized in residential and community services, focused on driving its organic growth through reputation and branding. Meanwhile, with its outstanding property management experience, the newly engaged management area of Colour Life reached 22.6 million sq.m. during the Reporting Period, demonstrating the Group's core competitive strengths on service quality and market expansion. As at 31 December 2019, GFA under management contracts and consultancy service arrangements of Colour Life (hereafter referred to as the "Contracted GFA") reached 562.0 million sq.m. and the number of communities under the Colour Life's management and consultancy services contracts reached 2,863. In particular, as at 31 December 2019, the number of the Colour Life's revenue-bearing Contracted GFA reached 359.7 million sq.m. and the number of communities reached 2,321.

At the same time, Colour Life was actively building up an online platform for community services, and made the service coverage of Colour Life's online platform reaching more communities and families not yet able to enjoy the management services of Colour Life, by exporting its platform to its partners. As at 31 December 2019, the service area under Colour Life's platform reached 1,210.7 million sq.m., which includes 562.0 million sq.m. for Contracted GFA, 648.7 million sq.m. for cooperated and allianced GFA, fully demonstrating the technological strengths of the online platform of Colour Life.

Shoe box gift activity held in communities managed by Colour Life

In 2019, while continuing to adhere to the concept of "providing home-resembled community service", Colour Life made great effort to provide residents with outstanding basic property management services, and enhanced the community cohesion through the humanistic activities. On the Second East Blink Day held in 2019, various activities were successfully carried out in over 200 communities managed by Colour Life in more than 100 cities across the country, with over 6 million homeowners' participation, which won wide recognition from the homeowners, effectively promoting harmony in communities.

Since the establishment of the community service platform, namely Caizhiyun, in 2013, Colour Life has continued to build a more open online ecosystem, enriched the products of the ecosystem and provided customers with more comprehensive and convenient services. In 2019, the introduction of JD.com and 360.com, two technology titans, as strategic shareholders of Colour Life marked a new milestone in the development of Colour Life. The "JX Business（京選業務）" co-launched by Colour Life and JD.com was successfully carried out in 2019, which gave full play to JD.com's advantages in e-commerce resources and operational capabilities and Colour Life's extensive offline community resources. In future, Colour Life will join hands with JD.com and 360.com to explore the innovative integrated business models of "community + commerce", "community + logistics", "community + security" and "community + technology", so as to explore the community scenarios and optimize the experience of property owners, with an aim to build a smart caring community.

Children from East Scout of communities managed by Colour Life

EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍)("Mr. Pan"), aged 49, is the chairman of the Board, an executive director, the Chief Executive Officer, chairman of the nomination committee and a member of the remuneration committee of the Company respectively. He joined the Group in 1999 and is responsible for the overall operation of the Group's projects, formulation of our development strategies, as well as supervising the project planning, business and operation management of the Group. He is also currently the president of Fantasia Group (China) Company Limited ("Fantasia China Group"), chairman of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Group's subsidiaries including re-designating as an executive director from a non-executive director of Colour Life Services Group Co., Limited (whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1778)) ("Colour Life") on 19 September 2019. Prior to joining the Group, Mr. Pan was the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學), now known as Sichuan University (四川大學), in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (曾寶寶)("Ms. Zeng"), is an executive director of the Company. She is also a member of the Company's nomination committee. Ms. Zeng is one of the controlling shareholders and the largest shareholder of the Company.

Mr. KE Kasheng (柯卡生) ("Mr. Ke"), aged 56, is the executive director of the Company. Mr. Ke is currently the executive director of Fantasia China Group, and is responsible for the coordination and development of the investment business, financing business, capital operation-related businesses of the company.

Prior to joining the Company, Mr. Ke started his career at the Currency Issue Department of Guangdong Branch of People's Bank of China in July 1984 and held various positions in People's Bank of China and China Banking Regulatory Commission, including deputy chief and chief of the Currency Issue Department of Guangdong Branch of People's Bank of China from June 1989 to April 1992, deputy director of the General Office of Guangdong Branch of People's Bank of China from April 1992 to April 1996, director of the Comprehensive Planning Division of Guangdong Branch of People's Bank Of China from April 1996 to November 1996, president of Shantou Branch of People's Bank of China from November 1996 to April 2000, director of the Internal Audit Division and vice president of Guangzhou Branch of People's Bank of China from April 2000 to July 2003, member of the preparation team and deputy director of the Guangdong Office of China Banking Regulatory Commission from July 2003 to May 2006, and director of the Non-banking Financial Institution Regulatory Department of China Banking Regulatory Commission from May 2006 to October 2012, an executive director and the president of China Huarong Asset Management Co. Ltd. from October 2012 to September 2017. Mr. Ke i) has been serving as an independent non-executive director of Yunnan Energy International Co. Limited (whose shares are listed on the Stock Exchange (stock code: 1298) and the Singapore Exchange Limited (stock code: T43)) since 30 November 2018; ii) currently serves as an independent non-executive director of COFCO Trust Co., Ltd.; iii) serves as the director of the Education Foundation of Central University of Finance and Economics; and iv) serves as the president of Beijing Shengbao Tongda Electrical Engineering Co., Ltd. (北京盛寶通達電氣工程有限公司). Mr. Ke obtained a bachelor degree from the Central Institute of Finance and Economics (now known as the Central University of Finance & Economics) in July 1984, a master degree in business operation from the Aichi University of Japan in March 1995, and obtained a MBA degree for senior management from Cheung Kong Graduate School of Business in September 2007.

Mr. ZHANG Huiming (張惠明) ("Mr. Zhang"), aged 41, is the executive director of the Company. Mr. Zhang is currently the executive director, vice president and chief financial officer of Fantasia China Group. He is responsible for the overall financial management, capital management, investment and operation management of the Company.

Prior to joining the Company, Mr. Zhang worked in CITIC Group from July 1999 to January 2014, successively served as deputy general manager of the Planning and Headquarters Finance Department of CITIC Real Estate, assistant general manager of Guangzhou Company, and project general manager; he worked in Agile Group Holdings Limited from February 2014 to February 2019, successively served as assistant to chairman and president, director of the finance center of the real estate group, vice president of the real estate group and general manager of the financial center and strategic investment center, in charge of the finance, strategy, investment, and urban renewal businesses. Mr. Zhang obtained a bachelor's degree in economics from University of International Business and Economics in 2002.

Mr. CHEN Xinyu (陳新禹) ("Mr. Chen"), aged 51, the executive director and chief financial officer of the Company, responsible for capital operation and planning management, listed company's investor relations and information disclosure management-related business. Mr. Chen was also re-designated from a non-executive director of Colour Life to an executive director of Colour Life on 19 September 2019. Mr. Chen is also the executive director, and is concurrently the general managers, and in charge of the finance and capital center and the investment management department of Fantasia China Group.

Prior to joining the Group, Mr. Chen was the deputy general manager of the Finance Department of Country Garden Holdings Company Limited form 2015 to 2019. Before this, Mr. Chen was the investment director of China Overseas Qingyi Care Services Co., Ltd.（中海親頤養老服務有限公司）; and later served as an analyst of Seagate Global Advisors LLC., Redondon Beach and as the manager of bond trading portfolio of Godesk LLC., Elsegando in USA. Mr. Chen once served as the director of the Finance Department of China State Construction Engineering Corporation Limited. Mr. Chen graduated from Shijiazhuang Tiedao Institute in financial accounting and holds a master's degree in corporate finance from Xi'an Jiaotong University and a master's degree in business administration from the University of Illinois in Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing related activities.

NON-EXECUTIVE DIRECTORS

Mr. LI Dong Sheng (李東生) ("Mr. Li"), aged 62, is a non-executive director of the Company. He graduated from South China University of Technology in 1982 with a Bachelor's degree in Radio Technology and has more than 20 years of experience in the information technology sector. Mr. Li resigned as the Chairman and executive director of TCL Multimedia Technology Holdings Limited, a company listed on the Stock Exchange from September 2017, and resigned as the independent director of Legrand, a company listed on NYSE Euronext from May 2018. He is currently an independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange.

Mr. LIAO Qian (廖騫)("Mr. Liao"), aged 39, is the secretary of the board of directors and vice chairman of the investment management committee of TCL Corporation ("TCL Corporation"), the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000100). He joined TCL Corporation in March 2014 as the officer of the board of directors. Mr. Liao was subsequently appointed as the secretary of the board of directors of TCL Corporation in April 2014, and a member of the executive committee of TCL Corporation in December 2014. Mr. Liao is also the chairman, non-executive director, chairman of the nomination committee and a member of the remuneration committee of China Display Optoelectronics Technology Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 334); and chairman and non-executive director of Tonly Electronics Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 1249).

He served as a director of TCL Communication Technology Holdings Limited (whose shares were listed on the Stock Exchange during the period from 27 September 2004 up to 30 September 2016 (former stock code: 2618) and this company is currently a wholly-owned subsidiary of TCL Corporation) since May 2015, director of TCL Financial Holding (Shenzhen) Co. Ltd. (TCL金融控股(深圳)有限公司) in September 2015, director of TCL Smart Home Technologies Co., Limited in November 2015, director of Highly Information Industry Co. Ltd (a subsidiary of TCL Corporation) and Huizhou Kuyou Network and Technology Co. Ltd. (惠州酷友網絡科技有限公司) respectively in March 2016, director of Speedex Logistics Co. Ltd. (速必達希傑物流有限公司, a non-wholly owned subsidiary of TCL Corporation) in July 2016, director of Shenzhen Hawk Internet Co. Ltd. (深圳豪客互聯網有限公司, a non-wholly owned subsidiary of TCL Corporation) and TCL Culture and Media (Shenzhen) Co. Ltd* (TCL文化傳媒(深圳)有限公司, a non-wholly owned subsidiary of TCL Corporation) in August 2016 and independent director of Shenzhen Jiawei Photovoltaic Lighting Co., Ltd. in November 2016.

Prior to joining TCL Corporation, from August 2006 to February 2014, Mr. Liao had worked for Guotai Junan Securities Co. Ltd. as senior manager and general manager of its financial advisory department and the director of corporate accounts department of Guotai Junan Securities Co. Ltd. (Shenzhen headquarters), responsible for the investment banking business of capital markets between Hong Kong and the People's Republic of China.

Mr. Liao graduated from Fuzhou University with a bachelor degree in economics in 2002, and obtained a master degree of laws from Yunnan University in 2006. Mr. Liao also holds a Chinese legal professional qualification certificate.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Man (何敏) ("Mr. Ho"), aged 50, is an independent non-executive director of the Company. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company respectively. Mr. Ho has over 20 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009. Mr. Ho was the non-executive director of SCUD Group Limited (stock code: 1399) from December 2006 to October 2009 and Shanghai Tonva Petrochemical Co., Ltd. (stock code: 1103, previous stock code: 8251, currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) from September 2008 to October 2009, both being companies listed on the Main Board of the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd (stock code: 300468. SZ), a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018. Mr. Ho was an independent non-executive director of Momentum Financial Holdings Limited (stock code: 1152) from November 2016 to July 2019.

Mr. Ho has been an independent non-executive director of Fu Shou Yuan International Group Limited (stock code: 1448), since December 2013; an independent non-executive director of CIMC-TianDa Holdings Company Limited, (stock code: 445) since July 2015; an independent non-executive director of Midas International Holdings Limited (Magnus Concordia Group Ltd) (stock code: 1172) since January 2018; and an independent non-executive director of Wanjia Group Holdings Limited (stock code: 401) since February 2018; and an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65) since January 2020, all being companies listed on the Main Board of the Stock Exchange.

Mr. Ho has been a director of Shenzhen Daixiang Space Construction Co., Ltd., (stock code: 836604), a company listed on the National Equities Exchange and Quotations, since September 2015.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst and a certified public accountant (CPA).

Dr. LIAO Jianwen (廖建文) ("Dr. Liao"), aged 52, is an independent non-executive director of the Company. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Dr. Liao has extensive business research and teaching experience in United States, Hong Kong and the People's Republic of China (the "PRC"). He is well-known for his cross-discipline research, teaching and consultancy in relation to the strategy, innovation and entrepreneurship disciplines, extensive working experience encompassing North American and Asian regions, and has pioneering experience in biotechnology industry during his early years. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, he was also a visiting professor at Hong Kong University of Science and Technology. He received a Doctorate degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Dr. Liao served as an independent non-executive director of Qihoo 360 whose shares are traded at New York Stock Exchange and an independent non-executive director of China Mengniu Dairy Company Limited whose shares are traded on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Fantasia Holdings Group Co., Limited, Colour Life and 361 Degrees International Limited, 3 companies are listed on the Main Board of the Stock Exchange; an independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange; and chief strategy officer of JD Group, a company listed on NASDAQ Stock Exchange.

Ms. WONG Pui Sze, Priscilla, JP **(王沛詩)** ("Ms. Wong"), aged 59, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Ms. Wong was appointed Justice of the Peace in 2005. She is a member of Chinese People's Political Consultative Conference, Shanghai Committee in the People's Republic of China. In Hong Kong, Ms. Wong serves as the chairperson of the Employee Compensation Assistance Fund Board, Chairperson of the Minimum Wage Commission, a member of the Council and the Court of the University of Hong Kong, the convenor to the Financial Reporting Review Panel, a trustee of the Board of Trustees of the Hospital Authority Charitable Foundation, a member of the Hospital Authority Board, a member of the Hospital Governing Committee of the Prince of Wales Hospital, a member of Hong Kong Bar Association Special Committee on Overseas Admissions (Civil) and an independent non-executive director of Sinopec Kantons Holdings Limited. She graduated from the University of Hong Kong with a Bachelor of Law (Hons) degree and a Master of Laws degree from the London School of Economics and Political Science of the University of London. Ms. Wong was called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. She is a mediator of Centre for Effective Dispute Resolution and an arbitrator of China International Economic and Trade Arbitration Commission. Ms. Wong is also an advocate and solicitor admitted in Singapore.

Mr. GUO Shaomu (郭少牧) ("Mr. Guo"), aged 53, is an independent non-executive director of the Company. He was appointed as the chairman of the remuneration committee on 30 May 2019. He is also a member of each of the audit committee and nomination committee of the Company respectively. He has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barne, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution works of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for the marketing works covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Since January 2014, Mr. Guo has been an independent non-executive director of Galaxycore Inc., a leading China-based fabless image sensor company targeting the global mobile device and consumer electronics market. Since June 2014, Mr. Guo has been an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board the Stock Exchange), a real estate developer based in Dalian, China. Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Ms. ZHANG Xiaofang (張曉芳), aged 51, is the deputy chief executive and the chief human resource officer, and the general manager of human resources of Fantasia China Group, in charge of the human resources department of the China Group and FuNian Jet Aviation. Ms. Zhang joined the Group in December 2016. Prior to joining the Group, she was the deputy chief executive of Qianhai Fosun Ruizhe Asset Management Co., Ltd. (前海復星瑞哲資產管理有限公司) from 2014 to 2016, senior management consultant (高級管理顧問) of Jin Tong Asset Management Company Limited (金通資產管理有限責任公司) from 2013 to 2014; deputy chief executive and acting CEO of Chinalin Securities Co., Ltd. (華林證券有限責任公司) from 2011 to 2013, assistant general manager (administrative planning) of Ping An Life Insurance, Harbin Branch, general manager of human resources centre (staff service) of Ping An Insurance, general manager of human resources department of Ping An Securities from 1999 to 2011, deputy librarian (副館長) of the Heilongjiang University Yichun Campus Library (黑龍江大學分校圖書館) from 1993 to 1999 and staff member of Yichun Municipal Archives Bureau (伊春市檔案局) from 1990 to 1993. Ms. Zhang obtained her Bachelor's degree in Library Science (圖書情報) from Heilongjiang University in 1990.

Mr. LIU Zongbao (劉宗保), aged 51, is the deputy chief executive of Fantasia China Group and the respective head of the preparatory teams of the Industry & City Development Company and the Supply Chain Company. Mr. Liu joined the Group in March 2005 and served as the sales director of our Company and deputy general manager and general manager of the Chengdu branch of Fantasia Real Estate Group, and also vice president and president of Shenzhen Fantasia Real Estate Group Company Limited. Prior to joining our Group, he was deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and manager of the sales and marketing department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991 and is currently studying in China Europe International Business School for EMBA.

Mr. DENG Bo (鄧波), aged 51, the chairman of the supervisory committee of Fantasia China Group, responsible for the management of the audit department and the monitoring team. Mr. Deng resigned as executive director of the Company on 30 May 2019. Mr. Deng graduated from Hunan University in June 1989 with a Bachelor's degree in Architectural Studies. He also earned a Master's degree in Architectural Studies from the same university in July 1995. Prior to joining the Company, Mr. Deng held the position of investment development director of Oceanwide Real Estate Group from December 1998 to April 2010; from May 1997 to November 1998, he served as a design director of Shenzhen Grand Field Real Estate Development Co., Limited (深圳市鈞濠房地產開發有限公司); from July 1995 to May 1997, he served as an architectural designer of Shenzhen Nanyou Engineering Design Limited Company; and from August 1990 to March 1992, he served as an architectural designer of Changsha Institute of Architectural Design.

Mr. HUANG Wei (黃瑋), aged 49, was appointed as the chief executive officer of Colour Life on 19 September 2019, and appointed as an executive director of Colour Life on 20 July 2018. He joined the Group in 2015 and successively served as the general manager of Kaiyuan International Property, the president of Wanxiangmei Property, the general manager of Wan Community (萬社區), and the senior vice president and the executive president of Colour Life Services Group. Mr. Huang has over 22 years of experience in property management. Prior to joining the Group, he served in Shenzhen Kaiyuan International Property Management Co., Ltd., (深圳市開元國際物業管理有限公司) (which is principally engaged in property management), successively as a director, deputy general manager and general manager from 2002 to 2015. He served in China Overseas Property Management Limited (which is principally engaged in property development), successively as a director, chief engineer and management representative from 1997 to 2002. He served in China Overseas Building Development (Shenzhen) Co., Ltd., successively as an engineer and manager from 1992 to 1997. Mr. Huang obtained a Bachelor's degree in civil engineering from Tongji University in July 1992, and obtained a MBA certificate from the School of Economics and Management at Tsinghua University in July 2018.

Mr. CHEN Xiangming (陳湘明), aged 50, is the president of Shenzhen Home E&E Commercial Services Group Co. Ltd. (深圳市美易家商務服務集團有限公司). He joined the Group in July 2012 and is responsible for the overall management of Shenzhen Home E&E Commercial Services Group Co. Ltd. Prior to joining the Group, he was the general manager of Shenzhen Baopu Property Service Co., Ltd. (深圳市抱樸物業服務有限公司) from 2011 to 2012, general manager of Shenzhen Terra Property Management Service Co., Ltd. (深圳市泰然物業管理 服務有限公司) from 2007 to 2011, general manager of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) from 2006 to 2007, and vice-general manager of Shenzhen Fantasia Property Management Co., Ltd. (深圳市花樣年物業管理有限公司) from 2002 to 2006. Mr. Chen completed his tertiary education in Safety Engineering from Hunan University Hengyang Campus in 1992.

Mr. QIU Zhidong (邱志東), aged 53, is the president of Shenzhen Fantasia Business Management Company Limited (深圳花樣年商業管理有限公司). Mr. Qiu joined the Group in June 2013 and is wholly responsible for the daily operation and management of Shenzhen Fantasia Business Management Company Limited. Prior to joining the Group, he was the vice president of Shenzhen Jinguanghua Shiye Group (深圳金光華實業集團) from 2005 to 2013, managing director of Shenzhen Jinguanghua Business Company Limited (深圳市金光華商業有限公司) from 2003 to 2005, general manager of Shenzhen Modern Friendship Co., Ltd (深圳市現代友誼股份有限公司)/ Shenzhen Friendship Department Store Company Limited (深圳友誼城百貨有限公司) from 1997 to 2003, deputy director of Cadres Division of Organization Department (組織部 幹部處) and Managerial Division of Corporate Leading Officers (企業領導人員管理處) of Shenzhen Municipal Committee of CPC (中共深圳市委) from 1992 to 1997, officer of Cadre Department of Organization Department of Chaozhou Municipal Committee of CPC (中共潮州市委組織部幹部科) from 1988 to 1992 and teacher of Chaozhou High School (潮州高級中學) in Guangdong Province in 1988. Mr. Qiu received a Master's degree in Business Administration from Hong Kong Baptist University in 2003 and a Bachelor's degree in Computer Science from Hanshan Normal University (韓山師範學院) in Guangdong Province in 1988.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 60 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 87.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 11 to 16, 17 to 22 and 23 to 38 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman' s Statement from pages 11 to 16 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

ESG REPORT

As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Company and the Stock Exchange as close as possible to, and in any event no later than three months after, the publication of this annual report.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB5.00 cents per share, equivalent to HK5.50 cents payable on Friday, 24 July 2020, to all persons registered as holders of shares of the Company on Tuesday, 9 June 2020, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.1006 as announced by the People's Bank of China on 30 March 2020.

CLOSURE OF REGISTER OF MEMBERS

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

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 29 May 2020, the register of members of the Company will be closed on Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 4 June 2020 to Tuesday, 9 June 2020, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 3 June 2020.

SHARE CAPITAL

Details of change in the share capital of the Company during the year are set out in note 46 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in note 61 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Ke Kasheng (appointed on 30 May 2019)
Mr. Zhang Huiming (appointed on 30 May 2019)
Mr. Chen Xinyu (appointed on 30 May 2019)
Mr. Deng Bo (resigned on 30 May 2019)

Non-executive Directors:
Mr. Li Dong Sheng
Mr. Liao Qian
Mr. Lam Kam Tong (resigned on 30 May 2019)

Independent Non-executive Directors:
Mr. Ho Man
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu
Mr. Huang Ming (resigned on 30 May 2019)

In accordance with Article 84 of the Articles of Association, Mr. Pan Jun, Mr. Ke Kasheng, Mr. Zhang Huiming, Mr. Chen Xinyu, Mr. Li Dong Sheng, Mr. Liao Qian and Dr. Liao Jianwen shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. A circular containing the biographical details of the Director candidates, the explanatory statement on buyback of the shares of the Company and the notice of the AGM will be sent to shareholders of the Company.

Each of Mr. Pan Jun and Ms. Zeng Jie, Baby entered into a service contract with the Company for an initial term of three years commencing from 25 November 2009. Their appointments had been renewed on 25 November 2018 for another term of three years. Each of Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu were appointed as executive director for an initial term of three years commencing on 30 May 2019. Their appointments will be renewed on 30 May 2022 for another three years respectively. The above service contracts may only be terminated in accordance with the provisions of such service contract or by either party giving to the other not less than three months prior notice in writing.

Mr. Li Dong Sheng was appointed as non-executive director for an initial term of three years commencing on 6 January 2014. His appointment has been renewed on 6 January 2020 for another term of three years. Mr. Liao Qian was appointed as non-executive director for a term of three years commencing on 31 March 2017. His service contract has been renewed on 31 March 2020 for another three years.

Mr. Ho Man was appointed as independent non-executive directors for an initial term of three years commencing from 25 November 2009. His appointment had been renewed on 25 November 2018 for another term of three years. Each of Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu were appointed as independent non-executive directors for an initial term of three years commencing from 17 February 2015. Their appointments had been renewed on 17 February 2018 for another term of three years respectively.

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

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2019 is set out below:

	Number of individuals
Nil to HK$1,000,000	64
HK$1,000,001 to HK$2,000,000	29
HK$2,000,001 to HK$3,000,000	5
HK$3,000,001 to HK$4,000,000	2
Above HK$4,000,000	3
	103

Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

Chengdu FANTASIA • FAMILY IS ALL

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, which will have 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 he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in the shares and underlying shares of the Company:

Director	**Nature of interest**	**Interest in ordinary shares of the Company**	**Interest in underlying Shares of the Company**	**Approximate percentage of interest in the Company as at 31 December 2019**
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,314,090,500 (1)	–	57.46%
	Beneficial owner	–	9,980,000 (2)	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000 (2)	0.17%
Mr. Lam Kam Tong	Beneficial owner	–	2,630,800 (2)(3)	0.05%
Mr. Ho Man	Beneficial owner	–	1,600,000 (2)	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000 (2)(3)	0.03%

Notes:
(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
(2) The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed "Share Option Scheme" in the "Corporate Governance and Other Information" section below) on 29 August 2011.
(3) Mr. Lam Kam Tong ("Mr. Lam") exercised 166,200 share options on 30 May 2019, and Mr. Lam and Mr. Huang Ming resigned as non-executive director and independent non-executive director on 30 May 2019, respectively.
(4) As at 31 December 2019, the number of issued shares of the Company was 5,767,670,304.

(ii) Long positions in the debentures of the Company:

– USD300,000,000 aggregate principal amount of its 7.95% senior notes due 2022 ("2020 USD Notes")

Director	Nature of interest	Amount of debentures of the Company held	Approximate percentage of the interest in the 2022 USD Notes as at 31 December 2019[1]
Mr. Guo Shaomu	Beneficial owner	USD200,000	0.067%

Note:
(1) The percentage of the interest in the USD Notes is based on the aggregate principal amount of USD300,000,000.

(iii) Long positions in association corporations:

A. Fantasy Pearl

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2019
Ms. Zeng Jie, Baby	Interest of controlled corporation	80[1]	Ordinary	80%
Mr. Pan Jun	Interest of controlled corporation	20[2]	Ordinary	20%

Notes:
(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.
(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

B. Colour Life

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2019
Ms. Zeng Jie, Baby	Interest of controlled corporation (1)(2)(3)	954,659,259	Ordinary	67.10%
Mr. Pan Jun	Beneficial owner	1,255,440 (4)	Ordinary	0.13%
Dr. Liao Jianwen	Beneficial owner	510,000 (4)	Ordinary	0.05%

Note:

(1) The interests are held as to 735,456,782 shares by Fantasia Holdings, as to 218,001,477 shares by Splendid Fortune and as to 2,171,000 shares by Fantasy Pearl.

(2) Fantasia Holdings is owned as to 57.46% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings for the purpose of Part XV of the SFO.

(3) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Colour Life held by Splendid Fortune for the purpose of Part XV of the SFO.

(4) These represent share options granted by Colour Life subject to vesting schedules.

C. Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network")

Director	Nature of interest	Amount of debentures held	Approximate percentage of interest in the associated corporation as at 31 December 2019
Mr. Pan Jun	Beneficial owner	7,000,000 (1)	70%

Note:

(1) Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed "History, Reorganization and the Group Structure" in Colour Life's prospectus dated 17 June 2014.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Colourful cat sculpture in Fantasia • Nanjing Hailrun OMG Mall

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors. Where any option granted to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Share Option Scheme is 75,097,720, representing 1.3% of the total number of shares of the Company in issue.

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

On-site photo of outdoor small garden of Fantasia Wonderland

The summary below sets out the details of movement of options granted as at 31 December 2019 pursuant to the Share Option Scheme:

				Number of share option						
Name	Date of grant	Exercise price	Closing price of the shares on the date of grant	Balance as at 1 January 2019	Granted during the year	Exercisable/ exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2019	Weighted average closing price immediately before exercise	Note
		HK$	HK$						HK$	
Mr. Pan Jun	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	–	(3)
Ms. Zeng Jie, Baby	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	–	(3)
Mr. Deng Bo	29 August 2011	0.836	0.82	770,000	–	–	–	770,000	–	(1)
	16 October 2012	0.8	0.77	1,540,000	–	–	–	1,540,000	–	(3)(4)
Mr. Lam Kam Tong	16 October 2012	0.8	0.77	2,770,000	–	(166,200)	(2,603,800)	–	0.8	(3)(4)(5)
Mr. Ho Man	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	–	(2)
	16 October 2012	0.8	0.77	800,000	–	–	–	800,000	–	(3)
Mr. Huang Ming	29 August 2011	0.836	0.82	800,000	–	–	(800,000)	–	–	(2)
	16 October 2012	0.8	0.77	800,000	–	–	(800,000)	–	–	(3)(4)(5)
Other employees	29 August 2011	0.836	0.82	18,105,820	–	(4,142,600)	–	13,963,200	0.836	(1)
	29 August 2011	0.836	0.82	8,520,200	–	–	–	8,520,200	–	(2)
	16 October 2012	0.8	0.77	29,161,900	–	(417,600)	–	28,744,300	0.8	(3)
Total				84,027,920	–	(4,726,400)	(4,203,800)	75,097,720		

Notes:

(1) The share options are exercisable during the following periods:
  (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the grantee has satisfied the vesting conditions specified by the Board;
  (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board; and
  (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.

(2) The share options are exercisable during the following periods:
  (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021;
  (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021; and
  (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

(3) The share options are exercisable during the following periods:
  (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board;
  (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board; and
  (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

(4) Mr. Deng Bo resigned as executive director on 30 May 2019 but continued to act as a member of senior management of Fantasia China Group.

(5) Mr. Lam Kam Tong and Mr. Huang Ming resigned as non-executive director and Independent non-executive director respectively on 30 May 2019, and the share options held by each of them have lapsed as of 31 December 2019.

Colour Life adopted a share option scheme ("Colour Life Share Option Scheme") by the written resolutions of the Shareholders passed on 11 June 2014. The terms of the Colour Life Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The Colour Life Share Option Scheme is a share incentive scheme and is established to recognize, acknowledge and reward eligible participants who have contributed to the Colour Life Group and to encourage eligible participants to work towards enhancing the value of Colour Life. Eligible participants of the Colour Life Share Option Scheme include directors of Colour Life and employees of the Colour Life Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Colour Life Group who the board of directors of Colour Life (the "Colour Life Board") considers, in its sole discretion, have contributed or will contribute to the Colour Life Group. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme is not permitted to exceed 10% in nominal amount of the aggregate of shares of Colour Life in issue, unless with the prior approval from Colour Life's shareholders. The maximum number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of shares of Colour Life issue, unless with the prior approval from Colour Life's shareholders and with such participants and his associates abstaining from voting. Options granted to any director, chief executive or substantial shareholder of Colour Life, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors of Colour Life. Where any option granted to a substantial shareholder or an independent non-executive director of Colour Life, or any of their respective associates, would result in the shares of Colour Life issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares of Colour Life in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares of Colour Life, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders of Colour Life (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Colour Life Share Option Scheme is 84,473,072, representing 5.9% of the total number of shares of Colour Life in issue.

An offer of the grant of an option under the Colour Life Share Option Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to Colour Life as consideration. Options may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Colour Life Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the shares of Colour Life on the date of grant, (ii) the average closing price of the shares of Colour Life for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of Colour Life. An option may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Colour Life Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Colour Life Share Option Scheme. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The summary below sets out the details of movement of options granted as at 31 December 2019 pursuant to the Colour Life Share Option Scheme:

				Number of share options						
Name	Date of grant	Exercise price	Closing price of the shares on the date of grant	Balance as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2019	Weighted average closing price immediately before exercise	Notes
		HK$	HK$						HK$	
Mr. Pan Jun	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Huang Wei	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	103,500	–	–	–	103,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Zhou Hongyi	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	200,000	–	–	–	200,000	–	(6)
Mr. Tam Chun Hung, Anthony	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	200,000	–	–	–	200,000	–	(6)
Dr. Liao Jianwen	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	200,000	–	–	–	200,000	–	(6)
Mr. Xu Xinmin	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	200,000	–	–	–	200,000	–	(6)
Mr. Dong Dong	29 September 2014	6.66	6.66	455,150	–	–	–	455,150	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	123,500	–	–	–	123,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Employees of the Group	29 September 2014	6.66	6.66	10,513,148	–	–	(167,800)	10,345,348	–	(1)
	30 April 2015	11.00	10.88	14,973,353	–	–	(135,753)	14,837,600	–	(2)&(5)
	18 March 2016	5.764	5.76	17,267,005	–	(3,000)	(616,319)	16,647,686	–	(3)
				18,240,972	–	–	–	17,907,038	5.76	(4)
	27 November 2018	4.11	4.11	16,664,720	–	–	–	16,664,720	–	(6)
Total				85,729,878	–	(3,000)	(262,200)	84,473,072		

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date on which the share options were granted; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) and the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive director of Colour Life on 21 April 2015, has been extended at the discretion of the board of Colour Life.

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Issuance of Shares

On 29 July 2019, Colour Life Services Group Co., Limited (the "Colour Life"), a subsidiary of the Company, the shares of which are listed on the main board of the Stock Exchange, issued 71,149,000 new ordinary shares at the subscription price of HKD5.22 per share to JD.com, with total consideration of HKD371,397,780. The subscription price represented a discount of approximately 4.22% to the closing price of HKD5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcement of the Company dated 19 July 2019.

On 28 August 2019, Colour Life issued 22,956,000 new ordinary shares at the subscription price of HKD5.22 per share to 360.com at a total consideration of HKD119,830,320. The subscription price represented a discount of approximately 4.22% to the closing price of HKD5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcements of the Company dated 19 July 2019 and 23 August 2019 and the circular of the Company dated 8 August 2019.

Repurchase of shares under the Share Award Scheme

During the year ended 31 December 2019, total of 2,038,000 (2018: 1,597,000) Colour Life's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB7,647,000 (2018: RMB5,585,000).

Senior Notes

On 31 January 2019, the Company issued additional 15% senior notes due 2021 with principal amount of USD100,000,000 (the "15% Additional Notes due 2021"), which is consolidated and form a single series with the 15% senior notes due 2021, for the purpose of refinancing certain of its existing indebtedness. Further details relating to the issue of the senior notes due 2021 are disclosed in the announcements dated 20 December 2018, 7 January 2019 and 8 February 2019 respectively.

On 11 March 2019, the Company issued senior notes due 2020 with principal amount of CNY1,000,000,000 at a coupon rate of 11.875% per annum (the "11.875% Original Notes due 2020") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 11.875% Original Notes due 2020 are disclosed in the announcements of the Company dated 13 March 2019.

On 17 April 2019, the Company issued senior notes due 2022 with principal amount of USD200,000,000 at a coupon rate of 11.75% per annum (the "11.75% Senior Notes due 2022") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Issuance of 11.75% Senior Notes due 2022 is disclosed in the announcement of the Company dated 23 April 2019.

On 3 July 2019, Fantasia Group (China) Company Limited ("Fantasia China Group"), a wholly-owned subsidiary of the Company established in the People's Republic of China, issued the first tranche of domestic corporate bonds (the "Corporate Bonds") for a term of three years with an issuance size of RMB800,000,000 and a coupon rate of 8.2% per annum. Further details relating to the result of issuance of the domestic corporate bonds is disclosed in the announcements dated 20 November 2018 and 4 July 2019.

On 15 July 2019, the Company redeemed in full the total outstanding principal amount and accrued interest of the US$140,000,000 12% senior notes due 15 July 2019. The 2019 Notes were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

On 15 July 2019, the Company intended to use the proceeds from its recent bonds issue to redeem the 10.75% senior notes due 2020. Further information is disclosed in the announcement of the Company dated 15 July 2019.

On 18 July 2019, the Company issued senior notes due 2022 with principal amount of USD200,000,000 (the "12.25% Notes due 2022") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 12.25% Notes due 2022 are disclosed in the announcement dated 23 July 2019.

On 5 August 2019, the Company issued additional 11.75% senior notes due 2022 with principal amount of USD100,000,000 (the "11.75% Additional Notes due 2022"), which is consolidated and form a single series with the 11.75% Notes due 2022, for the purpose of refinancing certain of its existing indebtedness. Further details relating to the issue of the Notes due 2022 are disclosed in the announcements dated 17 April 2019 and 8 August 2019 respectively.

On 27 November 2019, the Company redeemed in full 10.75% senior notes due 2020.

On 18 November 2019, the Company issued additional 12.25% senior notes due 2022 with principal amount of USD150,000,000 (the "12.25% Additional Notes due 2022"), which is consolidated and form a single series with the 12.25% Original Notes due 2022, for the purpose of refinancing certain of its existing indebtedness. Further details relating to the issue of the Original Notes due 2022 are disclosed in the announcements dated 18 July 2019 and 19 November 2019 respectively.

On 27 November 2019, Fantasia China Group issued the second tranche of the Corporate Bonds for a term of three years, with an issuance size of RMB730,000,000 and a coupon rate of 7.8% per annum. Detailed information is disclosed in the announcements dated 20 November 2018, 4 July 2019 and 28 November 2019.

During the year ended 31 December 2019, the Company purchased in the open market (i) part of the outstanding US$300,000,000 7.95% senior notes due 2022 (the "July 2022 Notes") in an aggregate principal amount of approximately US$1,500,000 (the "Repurchased July 2022 Notes"). The Repurchased July 2022 Notes represent approximately 0.5% of the initial principal amount of the July 2022 Notes; and (ii) part of the outstanding US$200,000,000 11.75% senior notes due 2022 (the "April 2022 Notes") in a principal amount of approximately US$1,000,000 (the "Repurchased April 2022 Notes"). The Repurchased April 2022 Notes represent approximately 0.5% of the initial principal amount of the April 2022 Notes. Further details relating to the Repurchased July 2022 Notes and Repurchased April 2022 Notes are disclosed in the announcements dated 28 June 2017, 29 June 2017, 7 July 2017, 23 April 2019 and 28 June 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS

On 7 November 2019, Shenzhen Fantasia Property Group Co., Limited ("Shenzhen Fantasia"), a wholly-owned subsidiary of the Company, entered into an agreement with 深圳市盛遠企業管理有限公司 (Shenzhen Shengyuan Enterprise Management Co., Ltd.) ("Shengyuan") and 深圳市玉石房地產開發有限公司 (Shenzhen Yushi Property Development Co., Ltd.) (the "Project Company"), pursuant to which Shengyuan agreed to subscribe for new capital in the Project Company and provide a shareholder's loan at the aggregate consideration of RMB1,380.9 million. The Project Company holds the development right to a piece of land in Shenzhen with an area of approximately 211,820 square meters. Upon completion of the subscription, Shenzhen Fantasia's interest in the Project Company was diluted from 70% to 35.7%. For details of the transaction, please refer to the announcement of the Company dated 7 November 2019. Save as disclosed, for the year ended 31 December 2019, the Group did not have any other material acquisition or disposal of subsidiaries, associates or assets. The Company confirms that it has complied with all the disclosure requirements under Chapter 14 and Chapter 14A of the Listing Rules.

SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed Material Acquisitions and Disposals, the Company had no other significant investments held during the year under review.

BORROWINGS

Details of the borrowings of the Group are set out in note 39 of the consolidated financial statements.

DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 55 to the consolidated financial statements, no significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Director	**Nature of interest**	**Number of shares**	**Approximate percentage of interest in our Company as at 31 December 2019**
Fantasy Pearl	Beneficial owner	3,314,090,500 (L)	57.46%
Ice Apex	Interest of controlled corporation	3,314,090,500 (L)[(1)]	57.46%
T. C. L. Industries Holdings (H.K.) Limited	Beneficial owner	1,156,995,574 (L)[(2)]	20.06%
TCL Corporation	Interest of controlled corporation	1,156,995,574 (L)[(2)]	20.06%
CITIC Securities Company Limited	Interest of controlled corporation Interest of controlled corporation	286,572,300 (L)[(3)] 465,679,500 (S)[(3)]	4.97% 8.08%

(L) denotes long position
(S) denotes short position

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) As at 31 December 2019. T.C.L. Industries Holdings (H.K.) Limited held 1,156,995,574 shares of the Company representing 20.06% interest in the Company. T.C.L. Industries Holdings (H.K.) Limited is wholly owned by TCL Corporation. TCL Corporation is deemed to be interested in the shares held by T.C.L. Industries Holdings (H.K.) Limited for the purpose of Part XV of the SFO.

(3) Total of 286,572,300 shares in long position and 465,679,500 shares in short position held by CSI Capital Management Limited directly. CSI Capital Management Limited is wholly owned by CITIC CLSA Global Markets Holdings Limited. CITIC CLSA Global Markets Holdings Limited is wholly owned by CLSA B.V. CLSA B.V. is wholly owned by CITIC Securities International Company Limited. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. CITIC Securities Company Limited is deemed to be interested in the shares held by CSI Capital Management Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2019, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers. The Company does not consider that the Company is in reliance or dependent on any major customers or suppliers for its success.

CONTINUING CONNECTED TRANSACTION

The Company has entered into the following continuing connected transaction during the year ended 31 December 2019:

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC.

Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Colour Life's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Color Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Colour Life Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Colour Life Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan and Mr. Tang entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Colour Life Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. Colour Life is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure – The Structured Contracts" in Colour Life's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of Colour Life and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan, being the chairman of the Company, an executive director and a substantial shareholder of the Company, the chairman and an executive director of Colour Life, and as to 30% by Mr. Tang, being a non-executive director and a substantial shareholder of Colour Life, Mr. Pan and Mr. Tang are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, through the Colour Life Group, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it 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.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company, through Colour Life, to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by Colour Life's People's Republic of China (the "PRC") legal advisor. Colour Life Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that Colour Life manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, through Colour Life, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB97.6 million for the year ended 31 December 2019 and approximately RMB3.2 million as of 31 December 2019, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the SEHK had granted a waiver that the Structured Contracts are exempt from the annual cap and independent shareholders' approval requirements under Rules 14A.36 and 14A.53 of the Listing Rules.

Mr. Pan and Mr. Tang may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, Colour Life also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Colour Life Board on a regular basis which will be no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Colour Life Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of Colour Life on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of Colour Life monitored the proper implementation and Mr. Pan's and Mr. Tang's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the compliance department.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the issuer group.

The board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company, namely Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu have reviewed the Structured Contracts and confirmed that the Structured Contracts have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has confirmed in its a letter to the Board that nothing has come to their attention that causes them to believe that the continuing connected transaction abovementioned:

(i) has not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, certain Directors and companies controlled by certain Directors entered into transactions with the Group which are disclosed in note 57 "Related Party Transactions" to the consolidated financial statements of the Group. Save for those transactions disclosed in the section headed "Continuing Connected Transaction", the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under chapter 14A of the Listing Rules.

INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement 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. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2019.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state–managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company noted that TCL Corporation ("TCL") holds 20.06% of the issued share capital of the Company.

Fantasy Pearl International Limited ("Fantasy Pearl"), the controlling shareholder of the Company, holds approximately 57.46% interest in the Company.

The interest of Fantasy Pearl, when aggregated with the interest of TCL, is approximately 77.52% of the Company's total issued share capital. Accordingly, the Company's public float has fallen below the required 25% as stipulated under Rule 8.08 of the Listing Rules.

TCL is independent of and is not connected with Fantasy Pearl.

The Company is considering steps to restore the public float of the Company. Further announcement will be made by the Company in compliance with the Listing Rules on the restoration of public float as and when appropriate.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 62 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Pan Jun
Chairman

Hong Kong, 30 March 2020

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules. For the period throughout the year ended 31 December 2019, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save and except for code provisions A.2.1 which will be explained below.

In respect of the code provision A.2.1 of the Corporate Governance Code, Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

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THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Composition and qualification requirements

The Board currently comprises of five executive directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu, two non-executive directors, being Mr. Li Dong Sheng and Mr. Liao Qian and four independent non-executive directors, being Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu. Biographical details of each Director are set out on pages 39 to 43.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board.

Save as disclosed herein, throughout the year ended 31 December 2019 and up to the date of this 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 with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Board meetings and annual general meeting

The Board meets on a regular basis and four Board meetings and one annual general meeting for the year ended 31 December 2019 were held during the year. The individual attendance record is as follows:

Directors	No. of Board meetings attended/ No. of Board meetings held	AGM
Executive Directors		
Mr. Pan Jun	4/4	1/1
Ms. Zeng Jie, Baby	4/4	1/1
Mr. Ke Kasheng (appointed on 30 May 2019)	2/2	0/0
Mr. Zhang Huiming (appointed on 30 May 2019)	2/2	0/0
Mr. Chen Xinyu (appointed on 30 May 2019)	2/2	0/0
Mr. Deng Bo (resigned on 30 May 2019)	2/2	1/1
Non-executive Directors		
Mr. Li Dong Sheng	0/4	0/1
Mr. Liao Qian	1/4	0/1
Mr. Lam Kam Tong (resigned on 30 May 2019)	2/2	1/1
Independent Non-executive Directors		
Mr. Ho Man	4/4	1/1
Dr. Liao Jianwen	4/4	1/1
Ms. Wong Pui Sze, Priscilla, JP	4/4	1/1
Mr. Guo Shaomu	4/4	1/1
Mr. Huang Ming (resigned on 30 May 2019)	2/2	1/1

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

Appointment and re-election of Directors

All executive directors have entered into service contracts with the Company for a specific term of three years, all non–executive directors have entered into letters of appointment with the Company for a specific term of three years, and all independent non-executive directors have entered into letters of appointment with the Company for a specific term of three years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with our Company's Articles of Association. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

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Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group twice per annum.

Directors' Training and professional development

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

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During the year of 2019, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year of 2019.

Indemnification of Directors and officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of our Company is Mr. Pan Jun. The reasons for the two roles are being performed by the same individual are set out on the section "Corporate Governance Code" of this report.

BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely the audit committee, the nomination committee and the remuneration committee to monitor corresponding aspects of the Company's affairs. The composition and the roles and functions of each committee are summarised as follows.

Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015 and 27 March 2019. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results and the half-yearly results of the Company have been reviewed by the Audit Committee.

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

The Audit Committee currently comprises four independent non-executive directors, including Mr. Ho Man,, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Ho Man is the chairman of the Audit Committee. During the year of 2019, the Audit Committee held two meetings. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Ho Man (Committee chairman)	2/2
Dr. Liao Jianwen	2/2
Ms. Wong Pui Sze, Priscilla, JP	2/2
Mr. Guo Shaomu	2/2
Mr. Huang Ming (resigned on 30 May 2019)	1/1

The major roles and functions of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The Audit Committee also performs the Company's corporate governance functions including:

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

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

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

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

(e) to review the Company's compliance with the Corporate Governance Code and disclosures in this corporate governance report.

During the reporting period, the Audit Committee had been provided with the Group's financial statements, internal controls reports and other necessary financial information to consider, review and access significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises an executive director, Mr. Pan Jun, and four independent non-executive directors, Mr. Guo Shaomu, Mr. Ho Man, Dr. Liao Jianwen and Ms. Wong Pui Sze, Priscilla, JP, while Mr. Guo Shaomu is the chairman of the Remuneration Committee. During the year of 2019, the Remuneration Committee held one meeting. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Guo Shaomu (Committee chairman)	1/1
Mr. Pan Jun	1/1
Mr. Ho Man	1/1
Dr. Liao Jianwen	1/1
Ms. Wong Pui Sze, Priscilla, JP	1/1
Mr. Huang Ming (resigned on 30 May 2019)	1/1

The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time.

During the year ended 31 December 2019, the Remuneration Committee reviewed, and determined the remuneration package of the Directors and senior management. The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument policy of the Report of the Directors" and note 12 to the financial statements.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules to fulfill the functions of reviewing the structure of and nominating suitable candidates to the Board. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Nomination Committee on 30 August 2013 and 27 March 2019. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises two executive directors, Mr. Pan Jun and Ms. Zeng Jie, Baby and four independent non-executive directors, Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, with Mr. Pan Jun as the chairman of the committee. During the year of 2019, the Nomination Committee held one meeting. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Pan Jun (Committee chairman)	1/1
Ms. Zeng Jie, Baby	1/1
Mr. Ho Man	1/1
Dr. Liao Jianwen	1/1
Ms. Wong Pui Sze, Priscilla, JP	1/1
Mr. Guo Shaomu	1/1
Mr. Huang Ming (resigned on 30 May 2019)	1/1

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

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

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of INEDs to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

 (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

 (ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

 (iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non–executive directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge with reference to the "Board Diversity Policy" adopted by the Board on 29 August 2013 and the requirements under the Listing Rules. The Board has adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy.

The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

Based on the above criteria, members of the Nomination Committee have also reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

During the year ended 31 December 2019, the Nomination Committee accessed the independence of the independent non-executive directors and the Directors to be re-elected at the 2018 annual general meeting of the Company before putting forth for discussion and approval by the Board, and also reviewed the composition of the Board.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditors' Report" in this annual report.

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs. Touche Tohmatsu amounted to approximately RMB5,600,000.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group.

During the year ended 31 December 2019, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2019, the Board considered the internal control and risk management system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 78 of the "Independent Auditors' Report" in this annual report.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. She is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 58 of the articles of association of the Company, 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 21 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 by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the company secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

INVESTOR RELATIONS

Constitutional Documents

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

Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.cnfantasia.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com) immediately after the relevant general meetings.

Deloitte. 德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 262, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties for sale	
We identified the valuation of properties for sale as a key audit matter due to the significant estimates involved in the determination of net realisable value (the "NRV") of the properties for sale. As disclosed in note 31 to the consolidated financial statements, the Group had properties under development for sale of RMB24,983,074,000 and completed properties for sale of RMB10,490,488,000 (collectively referred to as the "properties for sale") as at 31 December 2019, which are situated in the People's Republic of China (the "PRC"). Certain residential properties and carparks of the Group are not located in the downtown with the slim profit margins which indicate possible potential impairment loss on the properties for sale. As disclosed in note 4 to the consolidated financial statements, the properties for sale are stated at the lower of cost and the NRV. The NRV is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion. The management assessed the NRV of the properties with possible potential impairment indication with reference to the valuations carried out by an independent qualified professional valuer not connected with the Group ("the Valuer"). Based on the management's analysis of the property for sale, no write-downs were considered to be necessary in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.	Our procedures in relation to assessing management's assessment of the valuation of properties for sale included: • Assessing the management's process of reviewing the budgeted cost of the properties for sales and the determination of the NRV of properties for sales; • Evaluating the reasonableness of the estimated cost to completion of the properties under development for sale, on a sample basis, by comparing it to the actual development cost of similar completed properties and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the estimated selling prices of the properties for sale used by the management with reference to the latest market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by the management of the Group based on our knowledge of the Group's business and the PRC real estate industry; • Obtaining the valuation reports provided by the Valuer for the residential properties and carparks with possible potential impairment indication and comparing the carrying amounts of the aforesaid residential properties and carparks to the corresponding valuation amounts; • Assessing the competence, capabilities and objectivity of the Valuer; and • Obtaining the detailed work of the Valuer on the residential properties and carparks with possible potential impairment indication to evaluate the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on debtors' aging and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 34 to the consolidated financial statements, the carrying amount of trade receivables is RMB2,503,553,000 as at 31 December 2019, after net off the allowance for impairment losses of RMB83,767,000, and the allowance for impairment losses of RMB22,603,000 was recognised in profit or loss for the year end 31 December 2019.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by apply the ECL model; • Testing the integrity of information used by management about the trade receivables which are assessed for ECL individually, on a sample basis, to the source documents, including the terms set out in the sales and purchase agreements, mortgage approval documents from the banks to substantiate the unconditional approval of mortgage facilities granted by the banks to the property buyers regarding the sale by mortgage, bank statements and bank slips regarding the sale by instalments; • Testing the integrity of information used by management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information; and • Evaluating the disclosures regarding the impairment assessment of the trade receivables in note 51 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value. As disclosed in note 17 to the consolidated financial statements, the investment properties of the Group mainly represent commercial buildings, offices and carparks located in the PRC and carried at RMB11,924,404,000 as at 31 December 2019, including completed investment properties of RMB10,072,304,000 and investment properties under construction of RMB1,852,100,000, which represent 12.5% of the Group's total assets. Loss from change in fair value of investment properties of RMB6,165,000 were recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are stated at fair value based on valuations performed by the Valuer. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 17 to the consolidated financial statements. The valuations of the completed investment properties are dependent on certain key inputs, including term yield, reversionary yield, vacancy ratio and adjustment made to account for differences in location. The valuations of investment properties under construction are dependent on gross development values, developer's profit, marketing costs, construction costs to completion, and market unit sales price.	Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation on completed investment properties including but not limited to the comparable market prices of properties, term yield, reversionary yield of rental income and vacancy ratio; and the key inputs to the valuation on investment properties under construction including but not limited to the gross development values, developer's profit, marketing cots, construction costs to completion; • Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC; • Obtaining the latest budget for construction and other costs of investment properties under construction and checking to the information obtained by the Valuer for the valuation; and • Evaluating the sensitivity analysis prepared by the management on the key inputs to evaluate the magnitude of their impacts on the fair values and assessing the appropriateness of the disclosures relating to these sensitivity analysis.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of property operation businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill has been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value-in-use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in note 22 to the consolidated financial statements, the carrying amount of goodwill of property operation business was RMB2,329,732,000 representing 2.4% of total assets of the Group, the balance of impairment was RMB870,000 as at 31 December 2019 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2019.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, based on the Group's historical financial performance; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data; and • Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of completed properties	
We identified revenue recognised from sales of completed properties as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income. The Group's revenue from sales of completed properties for the year ended 31 December 2019 amounted to RMB12,866,088,000, which is disclosed in note 5 to the consolidated financial statements, representing 68.1% of the Group's total revenue. As disclosed in note 5 to the consolidated financial statements, revenue from sales of properties is recognised when control of completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.	Our procedures in relation to revenue recognised from sales of completed properties included: • Obtaining an understanding of and assessing the effectiveness of the Group's internal control over the process of transferring the control of completed properties to the customers and determining the point of time at which revenue from sales of properties is recognised; • Inspecting, on a sample basis, the terms set out in the sale and purchase agreements to understand the point that the customers obtain the control of the completed properties and the Group has present right to payment and the collection of the consideration is probable; and • Evaluating whether the control of completed properties have been transferred to the customers by checking, on a sample basis, to the terms of the sale and purchase agreements, the relevant completion certificate for construction work, the delivery notice sent to the customers and the settlement status of the consideration.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue			
Contracts with customers	5	18,881,799	13,733,624
Leases		199,778	252,509
Total revenue		19,081,577	13,986,133
Cost of sales and services		(13,744,216)	(9,802,167)
Gross profit		5,337,361	4,183,966
Other income	7	139,944	149,649
Other gains and losses	7	1,189,403	561,873
Impairment losses under expected credit loss model, net of reversal	8	(139,628)	(82,424)
Change in fair value of investment properties	17	(6,165)	136,802
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	31	(1,110)	82,409
Selling and distribution expenses		(469,538)	(439,032)
Administrative expenses		(1,361,840)	(1,389,214)
Finance costs	9	(1,831,761)	(1,464,674)
Share of results of associates		10,738	34,880
Share of results of joint ventures		(29,626)	(11,140)
Gain on disposal of subsidiaries	48	944,903	1,273,824
Profit before tax	11	3,782,681	3,036,919
Income tax expense	10	(2,280,776)	(1,868,735)
Profit for the year		1,501,905	1,168,184
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value change on hedging instruments designated as cash flow hedges		439	–
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain on equity instruments designated at FVTOCI		5,483	–
Remeasurement of defined benefit obligations		–	(238)
Deferred taxation effect		(1,371)	60
		4,112	(178)
Other comprehensive income (expense) for the year, net of income tax		4,551	(178)
Total comprehensive income for the year		1,506,456	1,168,006
Profit for the year attributable to:			
Owners of the Company		873,644	728,339
Other non-controlling interests		628,261	439,845
		1,501,905	1,168,184
Total comprehensive income for the year attributable to:			
Owners of the Company		876,208	728,233
Other non-controlling interests		630,248	439,773
		1,506,456	1,168,006
Earnings per share – basic (RMB cents)	14	15.15	12.64
Earnings per share – diluted (RMB cents)	14	15.08	12.58

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,172,059	2,596,806
Right-of-use assets	16	1,049,134	–
Investment properties	17	11,924,404	10,515,977
Interests in associates	18	757,497	1,346,586
Interests in joint ventures	19	2,686,998	1,426,958
Equity instruments designated at fair value through other comprehensive income ("FVTOCI")	21	60,086	51,551
Goodwill	22	2,398,921	2,339,723
Intangible assets	23	1,129,725	1,188,896
Prepaid lease payments	24	–	206,743
Premium on prepaid lease payments	25	–	76,418
Other receivables	34	610,511	158,698
Contract assets	32	22,229	–
Amounts due from related parties	26	958,190	81,505
Pledged bank deposits	35	547,500	558,457
Deposits paid for potential acquisitions of subsidiaries and investments in associates and joint ventures	27	852,027	194,427
Deposit paid for acquisition of a property project	28	–	202,961
Deposits paid for acquisition of land use rights	29	–	228,703
Deferred tax assets	30	710,650	565,707
		25,879,931	21,740,116
CURRENT ASSETS			
Properties for sale	31	35,473,562	34,882,404
Inventories		117,177	544,407
Prepaid lease payments	24	–	6,750
Premium on prepaid lease payments	25	–	2,548
Contract assets	32	736,724	449,590
Contract costs	33	410,502	201,414
Trade and other receivables	34	7,864,902	5,938,028
Tax recoverable		337,503	105,212
Amounts due from related parties	26	832,459	436,411
Financial assets at fair value through profit or loss ("FVTPL")	20	1,449,051	2,127,196
Derivative financial instruments	45	1,241	–
Restricted/pledged bank deposits	35	2,117,174	1,789,411
Bank balances and cash	35	20,379,733	26,222,584
		69,720,028	72,705,955
		95,599,959	94,446,071

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	36	8,398,790	10,393,583
Contract liabilities	37	19,160,338	13,039,071
Derivative financial instruments	45	13,759	–
Amounts due to related parties	38	843,853	356,189
Tax liabilities		6,347,498	5,504,651
Borrowings due within one year	39	6,430,202	7,959,810
Lease liabilities	40	95,181	–
Obligations under finance leases	41	–	69,164
Senior notes and bonds	42	4,963,714	6,397,660
Asset-backed securities issued	43	87,483	208,636
Provisions	44	37,440	30,740
Other current liabilities		–	2,625
		46,378,258	43,962,129
NET CURRENT ASSETS		23,341,770	28,743,826
TOTAL ASSETS LESS CURRENT LIABILITIES		49,221,701	50,483,942
NON-CURRENT LIABILITIES			
Derivative financial instruments	45	18,945	–
Deferred tax liabilities	30	1,569,772	1,734,943
Borrowings due after one year	39	7,555,160	11,195,744
Lease liabilities	40	349,215	–
Obligations under finance leases	41	–	236,880
Senior notes and bonds	42	19,119,556	17,810,083
Asset-backed securities issued	43	17,065	51,783
		28,629,713	31,029,433
NET ASSETS		20,591,988	19,454,509
CAPITAL AND RESERVES			
Share capital	46	498,359	497,945
Reserves		13,237,883	12,465,583
Equity attributable to owners of the Company		13,736,242	12,963,528
Non-controlling interests		6,855,746	6,490,981
		20,591,988	19,454,509

The consolidated financial statements on pages 87 to 262 are approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

PAN JUN
EXECUTIVE DIRECTOR

ZHANG HUIMING
EXECUTIVE DIRECTOR

For the year ended 31 December 2019

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserve and discretionary reserve RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Hedging reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Share options reserve of Colour Life RMB'000 (note iii)	Share options reserve of Morning Star RMB'000 (note iii)	Other non-controlling interests RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2018	497,868	1,695,255	1,033,694	17,534	40,600	87,207	6,452	–	9,262,590	12,641,200	242,458	4,855	4,812,251	5,059,564	17,700,764
Profit for the year	–	–	–	–	–	–	–	–	728,339	728,339	–	–	439,845	439,845	1,168,184
Remeasurement of defined benefit obligations	–	–	–	–	–	–	(142)	–	–	(142)	–	–	(96)	(96)	(238)
Deferred taxation effect	–	–	–	–	–	–	36	–	–	36	–	–	24	24	60
Other comprehensive expense for the year	–	–	–	–	–	–	(106)	–	–	(106)	–	–	(72)	(72)	(178)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(106)	–	728,339	728,233	–	–	439,773	439,773	1,168,006
Issue of shares upon exercise of share options of the Company	77	802	–	(214)	–	–	–	–	–	665	–	–	–	–	665
Issue of shares upon exercise of share options of Colour Life (note vii)	–	–	90,480	–	–	–	–	–	(12,497)	77,983	(33,131)	–	31,018	(2,113)	75,870
Dividend distributed to shareholders of the Company (note 13)	–	(329,217)	–	–	–	–	–	–	–	(329,217)	–	–	–	–	(329,217)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(98,551)	(98,551)	(98,551)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	519,194	519,194	519,194
Dilution of interests in Colour Life (note viii)	–	–	65,612	–	–	–	–	–	(39,640)	25,972	–	–	326,324	326,324	352,296
Recognition of equity-settled share-based payments (note 54)	–	–	–	–	–	–	–	–	–	–	10,788	773	5,909	17,470	17,470
Acquisition of subsidiaries (note 47)	–	–	–	–	–	–	–	–	–	–	–	–	419,147	419,147	419,147
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note ix)	–	–	(73,842)	–	–	–	–	–	–	(73,842)	–	–	(69,625)	(69,625)	(143,467)
Disposal of subsidiaries (note 48(a))	–	–	–	–	–	–	–	–	–	–	–	–	(70,233)	(70,233)	(70,233)
Deemed disposal of partial interests in subsidiaries without loss of control (note 48(b))	–	–	(185,493)	–	–	–	–	–	78,027	(107,466)	–	–	107,466	107,466	–
Disposal of partial interest in a subsidiary resulting in loss of control (note 48(c))	–	–	–	–	–	–	–	–	–	–	–	–	(151,850)	(151,850)	(151,850)
Shares repurchased under the share award scheme of Colour Life (note 54(d))	–	–	–	–	–	–	–	–	–	–	–	–	(5,585)	(5,585)	(5,585)
Transfer	–	–	–	–	–	57,028	–	–	(57,028)	–	–	–	–	–	–
At 31 December 2018	497,945	1,366,840	930,451	17,320	40,600	144,235	6,346	–	9,959,791	12,963,528	220,115	5,628	6,265,238	6,490,981	19,454,509

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserve and discretionary reserve RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Hedging reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Share options reserve of Colour Life RMB'000 (note iii)	Share options reserve of Morning Star RMB'000 (note iii)	Other non-controlling interests RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2019	497,945	1,366,840	930,451	17,320	40,600	144,235	6,346	–	9,959,791	12,963,528	220,115	5,628	6,265,238	6,490,981	19,454,509
Profit for the year	–	–	–	–	–	–	–	–	873,644	873,644	–	–	628,261	628,261	1,501,905
Fair value change on hedging instruments designated as cash flow hedge	–	–	–	–	–	–	–	439	–	439	–	–	–	–	439
Fair value gain on equity instruments designated at FVTOCI	–	–	–	–	–	–	2,834	–	–	2,834	–	–	2,649	2,649	5,483
Deferred taxation effect	–	–	–	–	–	–	(709)	–	–	(709)	–	–	(662)	(662)	(1,371)
Other comprehensive income for the year	–	–	–	–	–	–	2,125	439	–	2,564	–	–	1,987	1,987	4,551
Total comprehensive income for the year	–	–	–	–	–	–	2,125	439	873,644	876,208	–	–	630,248	630,248	1,506,456
Issue of shares upon exercise of share options of the Company	414	4,050	–	(1,056)	–	–	–	–	–	3,408	–	–	–	–	3,408
Issue of shares upon exercise of share options of Colour Life (note vii)	–	–	17	–	–	–	–	–	(4)	13	(6)	–	8	2	15
Dividend distributed to shareholders of the Company (note 13)	–	(195,940)	–	–	–	–	–	–	–	(195,940)	–	–	–	–	(195,940)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(226,830)	(226,830)	(226,830)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	42,579	42,579	42,579
Recognition of equity-settled share-based payments (note 54)	–	–	–	–	–	–	–	–	–	–	13,567	116	6,567	20,250	20,250
Acquisition of subsidiaries (note 47)	–	–	–	–	–	–	–	–	–	–	–	–	30,825	30,825	30,825
Acquisition of additional interests in subsidiaries from non-controlling shareholders (note ix)	–	–	(9,882)	–	–	–	–	–	–	(9,882)	–	–	(453,813)	(453,813)	(463,695)
Disposal of subsidiaries (note 48(a))	–	–	–	–	–	–	–	–	–	–	–	–	(14,035)	(14,035)	(14,035)
Deemed disposal of partial interests in subsidiaries without loss of control (note 48(b))	–	–	169,610	–	–	–	–	–	(70,703)	98,907	–	–	343,186	343,186	442,093
Shares repurchased under the share award scheme of Colour Life (note 54(d))	–	–	–	–	–	–	–	–	–	–	–	–	(7,647)	(7,647)	(7,647)
Transfer	–	–	–	–	–	91,569	–	–	(91,569)	–	–	–	–	–	–
At 31 December 2019	498,359	1,174,950	1,090,196	16,264	40,600	235,804	8,471	439	10,671,159	13,736,242	233,676	5,744	6,616,326	6,855,746	20,591,988

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(iii) Share options reserve represented the share-based payment under share option schemes of the Company, Colour Life Services Group Co., Limited ("Colour Life") and Morning Star Group Limited ("Morning Star"), both of which are subsidiaries of the Company.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

For the year ended 31 December 2019

(v) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from the relevant authorities.

(vi) Revaluation reserve mainly represented surplus arose from (a) the transfer of owner-occupied property to investment properties at the date of change in use; and (b) the accumulated changes in fair value of the equity instruments designated at FVTOCI.

(vii) During the year ended 31 December 2019, 3,000 (2018: 14,151,000,000) shares of Colour Life were issued upon the exercise of share options of Colour Life. The aggregated net proceeds received by Colour Life from the holders of share options of Colour Life was RMB15,000 (2018: RMB75,870,000). The exercise of the share options of Colour Life resulted in the dilution of the Group's percentage of equity interests in Colour Life without loss of control. The difference of RMB17,000 (2018: RMB90,480,000) between the aggregated net proceeds received by Colour Life, together with the share-based payments previously recognised in share options reserve of Colour Life, and the change in share of net assets of Colour Life by non-controlling shareholders after taking into account of the relevant attributable accumulated profits of Colour Life, was credited to special reserve.

(viii) In January 2018, Colour Life, of which shares are listed on the main board of The Stock Exchange of Hong Kong Limited, issued 87,246,000 new ordinary shares to existing shareholders. The net proceeds received by Colour Life was RMB352,296,000. The Group's percentage of equity interest in Colour Life was diluted from 50.39% to 46.53% upon completion of the issuance of shares. Under a concert party agreement entered into between the Company and Splendid Fortune Enterprise Limited ("Splendid Fortune"), a non-controlling shareholder of Colour Life, Splendid Fortune would follow the decision of the Company and the Company had 66.57% effective voting rights over Colour Life upon completion of the issuance of shares, thus the Company is able to exercise control over Colour Life and Colour Life is accounted for as subsidiary of the Company. The difference of RMB65,612,000 between the additional share of net assets of Colour Life by non-controlling shareholders and the net proceeds received by Colour Life on placement of new shares after taking into account of the relevant attributable accumulated profits of Colour Life, was recognised in special reserve.

(ix) During the year ended 31 December 2019, the Group acquired additional interests in subsidiaries from the non-controlling shareholders at a total consideration of RMB463,695,000 (2018: RMB143,467,000). The difference of RMB9,882,000 (2018: RMB73,842,000) between the consideration paid by the Group and attributable equity interests in the subsidiaries was debited to special reserve.

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	3,782,681	3,036,919
Adjustments for:		
Change in fair value of investment properties	6,165	(136,802)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	1,110	(82,409)
Change in fair value of financial assets at FVTPL	(385,958)	(939,273)
Release of prepaid lease payments	–	14,374
Release of premium on prepaid lease payments	–	13,671
Amortisation of intangible assets	143,043	139,925
Depreciation of property, plant and equipment	250,500	237,973
Depreciation of right-of-use assets	72,830	–
Share-based payment expenses	20,250	17,470
Loss (gain) on disposal of property, plant and equipment	2,075	(1,660)
Gain on disposal of subsidiaries and associates	(1,056,478)	(1,273,824)
Gain on remeasurement of interests in associates and joint ventures	(989,748)	(384,487)
Impairment losses under expected credit loss model, net of reversal	139,628	82,424
Impairment of goodwill	10,000	–
Revaluation deficit of a property upon transfer to investment properties	24,899	–
Interest income	(121,816)	(140,257)
Finance costs	1,831,761	1,464,674
Loss on repurchase/early redemption of senior notes and bonds and asset-backed securities issued	4,337	975
Loss on modification of asset-backed securities issued	1,380	48,350
Net foreign exchange loss	225,681	770,222
Fair value change on hedging instruments	31,902	–
Share of results of associates	(10,738)	(34,880)
Share of results of joint ventures	29,626	11,140
Operating cash flows before movements in working capital	4,013,130	2,844,525
Increase in deposits paid for acquisitions of land use rights	228,703	(110,600)
Increase in properties for sale	(3,450,580)	(2,209,839)
Decrease (increase) in inventories	427,230	(349,752)
Increase in trade and other receivables	(365,978)	(4,458,370)
Increase in contract costs	(209,088)	(90,414)
Increase in contract assets	(309,941)	(324,330)
(Decrease) increase in trade and other payables	(1,331,316)	3,169,848
Increase in contract liabilities	5,304,530	5,526,208
Increase in provisions	(3,993)	(9,391)
Others	(2,625)	(448)
Cash generated from operations	4,300,072	3,987,437
Income tax paid	(2,002,673)	(619,501)
Interest paid	(3,614,332)	(2,868,521)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,316,933)	499,415

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Placement of restricted/pledged bank deposits		(3,823,986)	(3,533,941)
Withdrawal of restricted/pledged bank deposits		3,507,180	3,292,625
Settlement of consideration payables on acquisition of subsidiaries in prior years		(14,000)	(1,724,523)
Settlement of consideration receivables of disposal of subsidiaries		–	9,000
Purchases of property, plant and equipment		(391,991)	(309,641)
Payments for right-of-use assets		(74,148)	–
Proceeds from disposal of property, plant and equipment		13,458	19,023
Additions to investment properties		(795,389)	(199,381)
Proceeds from disposal of investment properties		542,423	542,890
Purchases of financial assets at FVTPL		(29,051)	(87,923)
Redemption of financial assets at FVTPL		1,093,154	234,460
Purchases of equity instruments designated at FVTOCI		(3,360)	(35,188)
Proceeds from disposal of equity instruments designated at FVTOCI		308	–
Acquisition of associates and joint ventures		(20,660)	(102,026)
Capital injection to associates and joint ventures		(100,107)	(73,762)
Return of capital from deregistration of a joint venture		–	410,070
Disposal of associates and joint ventures		793,397	5,000
Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	47(a)	–	300,941
Acquisition of property operation businesses (net of cash and cash equivalents acquired)	47(b)	6,954	8,344
Deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures		(718,268)	(63,788)
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	48(a)	109,460	1,025,730
Disposal of partial interests in subsidiaries resulting in loss of control	48(c)	(100,480)	1,237,980
Dividend received from joint ventures and associates		49,152	4,851
Interest received		121,816	140,257
Advance of loan receivables		(140,938)	(189,327)
Repayment of loan receivables		138,685	233,644
Advances to related parties		(1,790,926)	(1,369,945)
Repayment from related parties		509,587	2,295,343
Deposit paid for acquisition of a property project		(1,856)	(43,747)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,119,586)	2,026,966

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds	42	7,443,309	9,505,647
Repayment of senior notes and bonds	42	(6,197,492)	(4,404,253)
Repurchase/early redemption of senior notes and bonds	42	(1,841,030)	(1,852,486)
Net proceeds from the issuance of asset-backed securities	43	–	98,236
Repayment of principal receipts under securitisation arrangements	43	(85,750)	(71,250)
Repurchase of principal receipts under securitisation arrangements	43	(75,032)	–
New borrowings raised		5,300,236	11,210,791
Repayment of borrowings		(7,959,810)	(5,786,656)
Repayment of lease liabilities		(81,358)	–
Repayment of obligations under finance leases		–	(68,178)
Issue of shares upon exercise of share options	46	3,423	76,535
Dividend paid to shareholders of the Company		(195,940)	(329,217)
Dividend paid to non-controlling shareholders of the subsidiaries		(226,830)	(98,551)
Placement of new shares of Colour Life		442,093	352,296
Contributions from non-controlling shareholders of the subsidiaries		42,579	519,194
Acquisition of additional interest in subsidiaries		(463,695)	(143,467)
Repurchase of shares of Colour Life		(7,647)	(5,585)
Advances from related parties		682,639	1,171,859
Repayments to related parties		(194,975)	(843,426)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(3,415,280)	9,331,489
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,851,799)	11,857,870
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		26,222,584	14,335,075
Effect of foreign exchange rate changes		8,948	29,639
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		20,379,733	26,222,584

For the year ended 31 December 2019

1. GENERAL

Fantasia Holdings Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong ("the SEHK"). Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 60.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the major subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases"

The Group has applied HKFRS 16 "Leases" for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease terms ended within 12 months of the date of initial application; and

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 10.31% per annum.

	At 1 January 2019 **RMB'000**
Operating lease commitments disclosed as at 31 December 2018	170,961
Lease liabilities discounted at relevant incremental borrowing rates	107,054
Less: Recognition exemption – short-term leases and other leases with lease term ended within 12 months at the date of initial application	(28,839)
Recognition exemption – low-value assets (excluding short-term lease and other leases with lease terms ended within 12 months at the date of initial application)	(4,978)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	73,237
Add: Obligations under finance leases recognised at 31 December 2018 (note b)	306,044
Lease liabilities as at 1 January 2019	379,281
Analysed as	
Current	79,458
Non-current	299,823
	379,281

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets RMB'000**
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		73,237
Reclassification from prepaid lease payments	(a)	137,709
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	(b)	507,268
		718,214
By class:		
Leasehold lands		137,709
Office premises		73,237
Transportation equipment		507,268
		718,214

Notes:

(a) Upfront payments for leasehold lands in the PRC, which includes RMB137,709,000 and RMB154,750,000, held for own use and for currently undetermined future use, respectively, were classified as prepaid lease payments and premium on prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments in relation to the leasehold lands held for own use, amounting to RMB4,525,000 and RMB133,184,000, respectively, were reclassified to right-of-use assets, while the prepaid lease payments and premium on prepaid lease payments in relation to the leasehold lands held for currently undetermined future use, amounting to RMB75,784,000 and RMB78,966,000, respectively, were transferred to investment properties. In the opinion of the directors, the excess of the fair values of the leasehold lands held for currently undetermined future use at 1 January 2019 over their carrying amounts is insignificant to the consolidated financial statements.

(b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to RMB507,268,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB69,164,000 and RMB236,880,000 to lease liabilities as current and non-current liabilities, respectively at 1 January 2019.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments are insignificant at the date of initial application, 1 January 2019.

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received where considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 January 2019.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The application of HKFRS 16 as a lessor does not have a material impact on the accumulated profits at 1 January 2019.

There is no financial impact, in the application of HKFRS 16 as a lessor, on the Group's consolidated statement of financial position as at 1 January 2019 and 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current Assets				
Property, plant and equipment	(b)	2,596,806	(507,268)	2,089,538
Right-of-use assets		–	718,214	718,214
Investment properties	(a)	10,515,977	154,750	10,670,727
Prepaid lease payments	(a)	206,743	(206,743)	–
Premium on prepaid lease payments	(a)	76,418	(76,418)	–
Current Assets				
Prepaid lease payments	(a)	6,750	(6,750)	–
Premium on prepaid lease payments	(a)	2,548	(2,548)	–
Current Liabilities				
Lease liabilities		–	79,458	79,458
Obligations under finance leases	(b)	69,164	(69,164)	–
Non-current liabilities				
Lease liabilities		–	299,823	299,823
Obligations under finance leases	(b)	236,880	(236,880)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the* "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Group intends to elect the optional concentration test for acquisition of subsidiaries. Such election may result in certain acquisitions being accounted for as asset acquisitions upon the application of the amendments.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments to HKFRS 10 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

In the opinion of the directors of the Company, the application of the amendment may result in changes in measurement of the retained interests in former subsidiaries relating to the disposal of partial interests in subsidiaries resulting in loss of control. If it does not contain a business in the transaction, no gains or losses from the remeasurement of the retained interests is recognised as indicated above. During the year ended 31 December 2019, the Group recognised remeasurement gain on retained interests in former subsidiaries amounting to RMB989,748,000 relating to the disposal of partial interests in subsidiaries resulting in loss of control and there would have been no such gain under these amendments.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 "Financial Instruments" and HKAS 39 "Financial Instruments: Recognition and Measurement", which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 "Financial Instruments: Disclosures" regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value-in-use in HKAS 36 "Impairment of Assets".

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for the goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

For property management services, value added services, hotel accommodation services and travel agency services, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Input method

For construction of properties and engineering services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

The Group recognises such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and commercial properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and

- any lease payments made at or before the commencement date.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as lessee (prior to 1 January 2019)

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (prior to 1 January 2019) (continued)

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of assets and liabilities through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

The Group as lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based Payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and building (continued)

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

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

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties for sale

Properties for sale which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to completed properties for sale upon completion.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of fuel pumps are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, restricted/pledged bank deposits and bank balances) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on appropriate basis, taken into the following considerations:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of counterparties; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, lease receivables, contract assets, other receivables (including payments on behalf of residents and loan receivables), amounts due from related parties and financial guarantee contracts where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties, borrowings, senior notes and bonds and asset-backed securities issued, are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition/substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Senior notes and bonds and asset-backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and asset-backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and asset-backed securities issued are included in the carrying amount of the senior notes and bonds and asset-backed securities issued and amortised over the period of the senior notes and bonds and asset-backed securities issued using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As at 31 December 2019, the carrying amount of deferred taxation on investment properties is RMB1,398,784,000 (2018: RMB1,450,400,000).

Key sources of estimation uncertainty

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

Determination of net realisable value of properties for sale

Properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB35,473,562,000 (2018: RMB34,882,404,000). Cost, including the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB11,924,404,000 (2018: RMB10,515,977,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value-in-use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. The cash flows beyond the five-year period are extrapolated using zero growth rate. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of expected future cash inflows due to unfavourableness, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill net of accumulated impairment loss of RMB91,574,000 (2018: RMB81,574,000) was amounted to RMB2,398,921,000 (2018: RMB2,339,723,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows from the asset of cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of intangible assets net of accumulated impairment loss was RMB1,129,725,000 (2018: RMB1,188,896,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurement of a debt instrument included in financial assets at FVTPL

A debt instrument included the Group's financial assets at FVTPL amounting to RMB1,420,000,000 as at 31 December 2019 (2018: RMB2,038,000,000) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See notes 20 and 51(c) for further disclosures.

Provision of ECL for contract assets and payments on behalf of residents included in trade and other receivables

The Group uses provision matrix to calculate ECL for the contract assets and payments on behalf of residents included in trade and other receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2019, the gross carrying amounts of contract assets and payments on behalf of residents were RMB762,881,000 and RMB1,072,620,000 (2018: RMB452,940,000 and RMB910,966,000), respectively, and the balances of allowance for credit losses were RMB3,928,000 and RMB152,026,000 (2018: RMB3,350,000 and RMB122,911,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's contract assets and payments on behalf of residents are disclosed in note 51.

Provision of ECL for trade receivables (including lease receivables)

The Group uses provision matrix to calculate ECL for the trade receivables except that trade receivables with significant balances and credit impaired are assessed for ECL individually. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss pattern. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2019, the gross carrying amount of trade receivables was RMB2,503,553,000 (2018: RMB2,020,002,000) and the balance of allowance for credit losses was RMB83,767,000 (2018: RMB62,875,000).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 51.

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the tax losses can be utilised. Significant management estimation 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 or taxable temporary difference together with future tax planning strategies. As at 31 December 2019, the carrying amount of deferred tax assets recognised for unused tax losses was RMB154,938,000 (2018: RMB152,551,000).

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sales of the properties, these costs are accrued by the Group based on the management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phase based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segments	Property development RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods and services						
Property development						
Sales of completed properties	12,866,088	–	–	–	–	12,866,088
Construction of properties	360,258	–	–	–	–	360,258
Property agency services						
Provision of property agency services	–	94,332	–	–	–	94,332
Property operation services						
Provision of property management services	–	–	4,051,304	–	–	4,051,304
Provision of value-added services	–	–	449,334	–	–	449,334
Provision of engineering services	–	–	164,932	–	–	164,932
Hotel operations						
Provision of hotel accommodation services	–	–	–	123,478	–	123,478
Others						
Manufacturing and sales of fuel pumps	–	–	–	–	433,348	433,348
Provision of travel agency services	–	–	–	–	338,725	338,725
	13,226,346	94,332	4,665,570	123,478	772,073	18,881,799
Timing of revenue recognition						
A point in time	12,866,088	94,332	–	–	433,348	13,393,768
Over time	360,258	–	4,665,570	123,478	338,725	5,488,031
	13,226,346	94,332	4,665,570	123,478	772,073	18,881,799

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue disclosed in segment information							
External customers	13,226,346	199,778	94,332	4,665,570	123,478	772,073	19,081,577
Inter-segment	8,938	4,727	–	89,006	–	–	102,671
	13,235,284	204,505	94,332	4,754,576	123,478	772,073	19,184,248
Elimination	(8,938)	(4,727)	–	(89,006)	–	–	(102,671)
Leases	–	(199,778)	–	–	–	–	(199,778)
Revenue from contracts with customers	13,226,346	–	94,332	4,665,570	123,478	772,073	18,881,799

For the year ended 31 December 2019

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2018

Segments	Property development RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods and services						
Property development						
Sales of completed properties	7,695,367	–	–	–	–	7,695,367
Construction of properties	859,141	–	–	–	–	859,141
Property agency services						
Provision of property agency services	–	129,666	–	–	–	129,666
Property operation services						
Provision of property management services	–	–	3,601,065	–	–	3,601,065
Provision of value-added services	–	–	340,311	–	–	340,311
Provision of engineering services	–	–	216,190	–	–	216,190
Hotel operations						
Provision of hotel accommodation services	–	–	–	135,700	–	135,700
Others						
Manufacturing and sales of fuel pumps	–	–	–	–	414,400	414,400
Provision of travel agency services	–	–	–	–	341,784	341,784
	8,554,508	129,666	4,157,566	135,700	756,184	13,733,624
Timing of revenue recognition						
A point in time	7,695,367	129,666	–	–	414,400	8,239,433
Over time	859,141	–	4,157,566	135,700	341,784	5,494,191
	8,554,508	129,666	4,157,566	135,700	756,184	13,733,624

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue disclosed in segment information							
External customers	8,554,508	252,509	129,666	4,157,566	135,700	756,184	13,986,133
Inter-segment	13,906	2,727	–	118,078	–	–	134,711
	8,568,414	255,236	129,666	4,275,644	135,700	756,184	14,120,844
Elimination	(13,906)	(2,727)	–	(118,078)	–	–	(134,711)
Leases	–	(252,509)	–	–	–	–	(252,509)
Revenue from contracts with customers	8,554,508	–	129,666	4,157,566	135,700	756,184	13,733,624

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers

The Group recognises revenue from goods and services from the following major sources:

- Sales of completed properties;
- Construction of properties;
- Provision of property agency services;
- Provision of property management services;
- Provision of value-added services;
- Provision of engineering services;
- Provision of hotel accommodation services;
- Provision of travel agency services; and
- Manufacturing and sales of fuel pumps.

For sales of completed properties, the Group presold the properties under construction and receives deposits from customers. Revenue is recognised at a point in time when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For construction of properties, the Group constructs the properties for customers. The construction revenue is recognised as performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for the construction based on the stage of completion of the contract using input method.

For provision of property agency services, agency commission is recognised at a point in time when a buyer and seller execute a legally binding sale agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Property management services mainly include property management services under lump sum basis, commission basis and at pre-delivery stage. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners. As the property owners simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations for contracts with customers (continued)

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue for arranging and monitoring the services as provided by other suppliers to the property management offices of residential communities over time.

For property management services income at pre-delivery stage, where the Group acts as principal and is primary responsible for providing the property management services for the property developers. As the property developers simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement, where the Group acts as principal and is primary responsible for providing the consultancy services for the property management companies. As the property management companies simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs. The Group agrees the fee for services with the property management companies upfront and recognises the fee received or receivable from the property management companies, as its revenue over time and all related property management costs as its cost of services.

For value-added services, the Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period. As the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

For provision of hotel accommodation services, the Group agrees the fixed rate for services with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

For provision of travel agency services, the Group agrees the fixed fee income for tour services provided by the Group with the customers upfront. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied.

For manufacturing and sales of fuel pumps, revenue is recognised at a point in time when the customer obtains the control of the fuel pumps, the Group has present right to payment and the collection of the consideration is probable.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000	**Construction of properties RMB'000**
Within one year	9,572,600	159,039
More than one year	10,195,974	275,883

The transaction price allocated to the remaining unsatisfied performance obligations as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of completed properties RMB'000	**Construction of properties RMB'000**
Within one year	8,521,560	566,627
More than one year	10,331,103	–

The performance obligation of property agency services, property management services, value-added services, engineering services, hotel accommodation services, travel agency services and manufacturing and sales of fuel pumps are parts of the contracts that have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts in relation to these services is not disclosed.

(iv) Leases

For operating leases:	**2019 RMB'000**
Total revenue arising from leases	
Operating lease income with fixed lease payments	199,778

For operating leases:	**2018 RMB'000**
Total revenue arising from leases	
Operating lease income – properties	252,509

For the year ended 31 December 2019

6. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different type of products sold and services rendered.

The Group has six reportable and operating segments, comprising of property development, property investment, property agency services, property operation services, hotel operation and others (including travel agency services and manufacturing and sale of fuel pumps).

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of interest income, change in fair value of financial assets at FVTPL, gain on remeasurement of interests in joint ventures, net exchange loss, fair value change on hedging instruments, loss on repurchase, early redemption and modification of senior notes, bonds and asset-backed securities issued, share-based payment expenses, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and associates, central administration costs and directors' salaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenues are charged at prevailing market rate.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, derivative financial instruments, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

6. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For the year ended 31 December 2019

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	13,226,346	199,778	94,332	4,665,570	123,478	772,073	19,081,577
Inter-segment revenues	8,938	4,727	–	89,006	–	–	102,671
Segment results	2,328,541	205,943	78,644	959,458	(30,591)	(28,423)	3,513,572
Segment assets	42,397,923	11,014,172	26,898	7,693,802	1,128,260	3,014,457	65,275,512
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	419,098	1,104,137	2,464	311,001	2,932	28,399	1,868,031
Loss from change in fair value of investment properties	–	6,165	–	–	–	–	6,165
Recognition of loss from change in fair value of completed properties for sale upon transfer to investment properties	1,110	–	–	–	–	–	1,110
Revaluation deficit of a property upon transfer to investment properties	–	–	–	–	24,899	–	24,899
Impairment of goodwill	–	–	–	–	–	10,000	10,000
Amortisation of intangible assets	–	–	–	139,546	–	3,497	143,043
Depreciation of property, plant and equipment	54,392	4,424	4,928	71,262	35,682	74,983	245,671
Depreciation of right-of-use assets	60,982	–	–	6,392	475	–	67,849
Loss on disposal of property, plant and equipment	1,623	–	–	452	–	–	2,075
Allowance for credit losses, net of reversal	43,494	–	–	96,134	–	–	139,628

For the year ended 31 December 2019

6. SEGMENT INFORMATION (continued)

For the year ended 31 December 2018

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	8,554,508	252,509	129,666	4,157,566	135,700	756,184	13,986,133
Inter-segment revenues	13,906	2,727	–	118,078	–	–	134,711
Segment results	1,439,402	351,727	83,540	901,975	(5,035)	(99,159)	2,672,450
Segment assets	37,865,715	10,652,307	18,808	7,565,411	1,100,918	2,741,429	59,944,588
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	362,248	390,004	8,223	155,519	2,325	177,995	1,096,314
Gain on fair value of investment properties	–	136,802	–	–	–	–	136,802
Recognition of gain on change in fair value of completed properties for sale upon transfer to investment properties	82,409	–	–	–	–	–	82,409
Release of prepaid lease payments	13,868	–	–	–	506	–	14,374
Release of premium on prepaid lease payments	13,671	–	–	–	–	–	13,671
Amortisation of intangible assets	–	–	–	136,428	–	3,497	139,925
Depreciation of property, plant and equipment	65,287	4,245	3,423	52,908	36,982	69,446	232,291
Gain on disposal of property, plant and equipment	1,473	–	–	187	–	–	1,660
Allowance for credit losses, net of reversal	28,981	–	–	53,443	–	–	82,424

Note: Additions to non-current assets exclude interests in associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, deposits paid for acquisition of land use rights, deposits paid for potential acquisition of subsidiaries and investments in associates and joint ventures, deposit paid for acquisition of a property project, other receivables (non-current) and deferred tax assets.

6. SEGMENT INFORMATION (continued)

Reconciliation:

	2019 RMB'000	2018 RMB'000
Revenue:		
Total revenue for operating and reportable segments	19,184,248	14,120,844
Elimination of inter-segment revenues	(102,671)	(134,711)
Group's total revenue	19,081,577	13,986,133
Total segment results	3,513,572	2,672,450
Elimination of inter-segment results	(45,703)	(32,872)
Unallocated amounts:		
Interest income	121,816	140,257
Net exchange loss	(225,681)	(740,583)
Fair value change on hedging instruments	(31,902)	–
Change in fair value of financial assets at FVTPL	385,958	939,273
Share-based payment expenses	(20,250)	(17,470)
Finance costs	(1,831,761)	(1,464,674)
Share of results of associates and joint ventures	(18,888)	23,740
Gain on disposal of subsidiaries and associates	1,056,478	1,273,824
Gain on remeasurement of interests in joint ventures	989,748	384,487
Loss on repurchase/early redemption of senior notes and bonds	(4,337)	(975)
Loss on modification of senior notes and bonds and asset-backed securities issued	(1,380)	(48,350)
Other unallocated expenses	(104,989)	(92,188)
Profit before tax	3,782,681	3,036,919

	2019 RMB'000	2018 RMB'000
Assets:		
Total assets for operating and reportable segments	65,275,512	59,944,588
Unallocated assets:		
Interests in associates	757,497	1,346,586
Interests in joint ventures	2,686,998	1,426,958
Equity instruments designated at FVTOCI	60,086	51,551
Financial assets at FVTPL	1,449,051	2,127,196
Amounts due from related parties	1,790,649	517,916
Restricted/pledged bank deposits	2,664,674	2,347,868
Bank balances and cash	20,379,733	26,222,584
Other unallocated corporate assets	535,759	460,824
Group's total assets	95,599,959	94,446,071

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6. SEGMENT INFORMATION (continued)

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC and the United States of America (the "USA").

During the years ended 31 December 2019 and 2018, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2019 **RMB'000**	**2018** **RMB'000**
Additions to non-current assets		
Reportable segment total	1,868,031	1,096,314
Unallocated amount	4,982	764
Group's total	1,873,013	1,097,078
Depreciation of property, plant and equipment		
Reportable segment total	245,671	232,291
Unallocated amount	4,829	5,682
Group's total	250,500	237,973
Depreciation of right-of-use assets		
Reportable segment total	67,849	–
Unallocated amount	4,981	–
Group's total	72,830	–

7. OTHER INCOME, GAINS AND LOSSES

	Notes	2019 RMB'000	2018 RMB'000
Other income			
Interest income		121,816	140,257
Partial exemption of PRC value-added tax		16,740	–
Unconditional government grants		1,388	9,392
		139,944	149,649
Other gains and losses			
Change in fair value of financial assets at FVTPL		385,958	939,273
Gain on remeasurement of interests in joint ventures	48(c)	989,748	384,487
Gain on disposal of an associate	18(c)	111,575	–
Net exchange loss		(225,681)	(740,583)
Fair value change on hedging instruments		(31,902)	–
Loss on repurchase/early redemption of senior notes and bonds and asset-backed securities issued		(4,337)	(975)
Loss on modification of senior notes and bonds and asset-backed securities issued		(1,380)	(48,350)
(Loss) gain on disposal of plant, property and equipment		(2,075)	1,660
Revaluation deficit of a property upon transfer to investment properties		(24,899)	–
Impairment of goodwill	22	(10,000)	–
Others		2,396	26,361
		1,189,403	561,873

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment loss recognised on		
– trade and other receivables	(130,444)	(82,057)
– amount due from a joint venture	(8,606)	–
– contract assets	(578)	(367)
	(139,628)	(82,424)

Details of impairment assessment are set out in note 51.

For the year ended 31 December 2019

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on:		
– bank and other borrowings	1,294,709	1,208,428
– senior notes and bonds	2,382,217	1,942,299
– lease liabilities	35,745	–
– obligation under finance leases	–	15,631
– asset-backed securities issued	20,861	22,083
Imputed interest expenses arising from deposits received from sales of properties	798,093	627,300
Other finance costs	–	13,442
	4,531,625	3,829,183
Less: Amount capitalised in properties under development for sale	(2,630,912)	(2,303,626)
Amount capitalised in investment properties under construction	(65,570)	(59,855)
Amount capitalised in construction in progress	(3,382)	(1,028)
	1,831,761	1,464,674

During the year ended 31 December 2019, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 10.1% (2018: 9.9%) per annum to expenditures on qualifying assets.

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax in the PRC		
EIT		
– Current year	1,718,780	893,103
– Over provision in respect of prior year	(28,886)	–
	1,689,894	893,103
LAT	923,335	803,119
	2,613,229	1,696,222
Deferred tax (note 30)		
(Credit) charge to profit and loss	(332,453)	172,513
	2,280,776	1,868,735

10. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Notes	2019 RMB'000	2018 RMB'000
Profit before tax		3,782,681	3,036,919
Tax at PRC EIT rate of 25% (2018: 25%)	(a)	945,670	759,230
Tax effect of share of results of associates and joint ventures		4,722	(5,935)
Tax effect of income not taxable for tax purpose		(250,929)	(227,411)
Tax effect of expenses not deductible for tax purpose	(b)	606,595	575,069
Tax effect of tax losses not recognised		366,477	240,485
Utilisation of tax losses previously not recognised		(35,481)	(28,352)
LAT		923,335	803,119
Tax effect of LAT		(230,834)	(200,780)
Tax effect of tax rate differential of certain subsidiaries with preferential tax rate	(c)	(54,404)	(49,584)
Others		5,625	2,894
Income tax expense for the year		2,280,776	1,868,735

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2019 and 2018 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss, loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued, change in fair value of derivative financial instruments, impairment of goodwill and professional fees.

(c) The different tax rates mainly come from certain PRC companies, which are regarded as advanced technology enterprise or engaged in the encouraged industries by local governments, are entitled to the PRC income tax at a preferential rate of 15% for both the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019

11. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	28,101	17,656
Other staff's salaries and allowances	2,048,785	1,527,422
Defined benefit scheme costs	–	60
Retirement benefit scheme contributions	293,725	249,811
Share-based payments	19,871	17,218
Total staff costs	2,390,482	1,812,167
Less: Amount capitalised in properties under development for sale	(294,909)	(287,202)
	2,095,573	1,524,965
Auditor's remuneration	5,600	5,400
Release of prepaid lease payments	–	14,374
Release of premium on prepaid lease payments	–	13,671
Depreciation of property, plant and equipment	250,500	237,973
Depreciation of right-of-use assets	72,830	–
Amortisation of intangible assets (included in cost of sales and services)	143,043	139,925
Loss (gain) on disposal of property, plant and equipment	2,075	(1,660)
Cost of properties sold recognised as an expense	9,565,097	5,960,570
Minimum lease payments paid under operating lease rentals in respect of land and buildings	–	40,381

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2019						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,259	1,628	75	379	6,341
Ms. Zeng Jie, Baby (曾寶寶)	–	4,259	1,628	75	–	5,962
Mr. Deng Bo (鄧波) (note ii)	–	1,668	615	75	–	2,358
Mr. Ke Kasheng (柯卡生) (note iii)	–	3,150	1,050	–	–	4,200
Mr. Zhang Huiming (張惠明) (note iii)	–	3,239	692	69	–	4,000
Mr. Chen Xinyu (陳新禹) (note iii)	–	2,544	1,045	11	–	3,600
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Liao Qian (廖騫)	240	–	–	–	–	240
Mr. Lam Kam Tong (林錦堂) (note iv)	100	–	–	–	–	100
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明) (note ii)	100	–	–	–	–	100
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,640	19,119	6,658	305	379	28,101
For the year ended 31 December 2018						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,913	900	72	188	6,073
Ms. Zeng Jie, Baby (曾寶寶)	–	4,913	900	72	–	5,885
Mr. Deng Bo (鄧波)	–	2,072	402	72	–	2,546
Mr. Lam Kam Tong (林錦堂) (note iv)	–	1,300	–	–	–	1,300
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Liao Qian (廖騫)	240	–	–	–	–	240
Mr. Lam Kam Tong (林錦堂) (note iv)	108	–	–	–	–	108
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	64	304
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,788	13,198	2,202	216	252	17,656

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12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Deng Bo and Mr. Huang Ming resigned on 30 May 2019.

(iii) Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu were appointed as executive directors on 30 May 2019.

(iv) Mr. Lam Kam Tong resigned as the executive director and was re-designated as a non-executive director of the Company on 20 July 2018. Mr. Lam Kam Tong resigned as a non-executive director of the Company on 30 May 2019.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

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

Five highest paid employees

The five individuals with the highest emoluments in the Group included two (2018: two) directors for the year ended 31 December 2019. Details of their emoluments are set out above. The emoluments of the remaining three (2018: three) of the five highest paid individuals is as follows:

	2019 **RMB'000**	**2018** **RMB'000**
Salaries and allowances	7,218	9,721
Discretionary bonus	8,084	1,985
Retirement benefit scheme contributions	210	214
	15,512	11,920

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Five highest paid employees (continued)

Their emoluments were within the following band:

	2019 No. of employees	2018 No. of employees
HKD4,000,001 to HKD5,000,000	1	3
HKD5,000,001 to HKD5,500,000	1	–
HKD5,500,001 to HKD6,000,000	1	–

During the years ended 31 December 2019 and 2018, no remuneration was paid by the Group to any of the directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration for both the years ended 31 December 2019 and 2018.

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
2018 final dividend HK4.00 cents, equivalent to RMB3.4 cents (2018: final dividend in respect of the year ended 31 December 2017 of HK7.00 cents, equivalent to RMB5.8 cents) per share	195,940	329,217

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2019 of RMB5.0 cents (2018: final dividend in respect of year ended 31 December 2018 of HK4.00 cents, equivalent to RMB3.4 cents) per share amounting to approximately RMB288,384,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

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14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019	2018
Earnings (RMB'000)		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	873,644	728,339
Effect of dilutive potential ordinary shares:		
Share options – Colour Life	–	(93)
Earnings for the purpose of diluted earnings per share	873,644	728,246
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,765,629,670	5,762,746,463
Effect of dilutive potential ordinary shares:		
Share options	29,373,158	27,204,965
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,795,002,828	5,789,951,428

For the years ended 31 December 2019 and 2018, the computation of diluted earnings per share does not assume the exercise of the Morning Star's share options since Morning Star incurred losses for both years and their exercise would result in an increase in earnings per share.

Those share options granted by Colour Life have no impact on the computation of diluted earnings per share for the year ended 31 December 2019 where the exercise price of the share options was higher than the average market price of the Colour Life's share.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings RMB'000	Leasehold land and buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	1,061,746	445,868	204,673	386,725	598,697	480,929	3,178,638
Transfer upon completion	–	39,609	–	44,980	–	(84,589)	–
Additions	–	20,603	46,541	85,090	70,140	131,973	354,347
Acquisition of subsidiaries (note 47)	–	100,020	–	2,590	1,430	193,760	297,800
Transfer to investment properties	–	(19,441)	–	–	–	–	(19,441)
Disposal of subsidiaries (note 48 (a) and (c))	(82,542)	(255,174)	–	(7,214)	(5,414)	(103,270)	(453,614)
Disposals	–	(50,121)	(5,174)	(10,737)	(2,742)	–	(68,774)
At 31 December 2018	979,204	281,364	246,040	501,434	662,111	618,803	3,288,956
Adjustments upon application of HKFRS 16 (note 2)	–	–	–	–	(624,518)	–	(624,518)
At 1 January 2019 (adjusted)	979,204	281,364	246,040	501,434	37,593	618,803	2,664,438
Transfer upon completion	–	456,475	–	78,488	–	(534,963)	–
Additions	–	46,780	88,792	86,226	4,202	169,373	395,373
Acquisition of subsidiaries (note 47)	–	–	–	398	–	–	398
Transfer to investment properties	(66,813)	–	–	–	–	–	(66,813)
Disposal of subsidiaries (note 48 (a) and (c))	–	–	(1,219)	(6,821)	–	–	(8,040)
Disposals	–	–	–	(23,172)	(1,554)	–	(24,726)
At 31 December 2019	912,391	784,619	333,613	636,553	40,241	253,213	2,960,630
DEPRECIATION							
At 1 January 2018	119,469	122,233	112,017	123,782	90,053	–	567,554
Provided for the year	33,134	34,681	46,300	74,105	49,753	–	237,973
Transfer to investment properties	–	(1,031)	–	–	–	–	(1,031)
Eliminated on disposal of subsidiaries (note 48 (a) and (c))	(7,840)	(41,780)	–	(6,916)	(4,399)	–	(60,935)
Eliminated on disposals	–	(39,884)	(3,756)	(5,370)	(2,401)	–	(51,411)
At 31 December 2018	144,763	74,219	154,561	185,601	133,006	–	692,150
Adjustments upon application of HKFRS 16 (note 2)	–	–	–	–	(117,250)	–	(117,250)
At 1 January 2019 (adjusted)	144,763	74,219	154,561	185,601	15,756	–	574,900
Provided for the year	28,762	42,414	68,278	100,833	10,213	–	250,500
Transfer to investment properties	(23,802)	–	–	–	–	–	(23,802)
Eliminated on disposal of subsidiaries (note 48 (a) and (c))	–	–	(913)	(2,921)	–	–	(3,834)
Eliminated on disposals	–	–	–	(7,798)	(1,395)	–	(9,193)
At 31 December 2019	149,723	116,633	221,926	275,715	24,574	–	788,571
CARRYING AMOUNTS							
At 31 December 2019	762,668	667,986	111,687	360,838	15,667	253,213	2,172,059
At 31 December 2018	834,441	207,145	91,479	315,833	529,105	618,803	2,596,806

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

The hotel buildings and leasehold land and buildings are all situated on land in the PRC and the USA.

As at 31 December 2019, certain of the Group's leasehold land and buildings and hotel buildings with carrying amounts of RMB575,845,000 (2018: RMB132,278,000) were pledged to banks to secure the banking facilities granted to the Group.

As at 31 December 2018, transportation equipment amounting to RMB507,268,000 are held under finance leases. Upon the application of HKFRS 16 at 1 January 2019, the carrying amounts of the transportation equipment held under finance leases were recategorised as right-of-use assets.

During the year ended 31 December 2019, a hotel building with carrying amount of RMB18,112,000 (net of the revaluation deficit of RMB24,899,000 recognised in profit or loss) was transferred to investment properties upon change in use as evidenced by inception of operating leases.

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Office premises RMB'000	Transportation equipment RMB'000	Total RMB'000
As at 1 January 2019				
Carrying amount	137,709	73,237	507,268	718,214
As at 31 December 2019				
Carrying amount	376,689	208,824	463,621	1,049,134
For the year ended 31 December 2019				
Depreciation charge	5,459	23,724	43,647	72,830
Expense relating to short-term leases and other leases with lease terms ended within 12 months from the date of initial application of HKFRS 16				36,543
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months from the date of application of HKFRS 16, of low value assets				1,555
Total cash outflow for leases				229,349
Additions to right-of-use assets				425,438

For both years, the Group leases office premises and transportation equipment for its operations. Lease contracts are entered into for fixed term of 5 months to 31 years. Certain leases of equipment were accounted for as finance leases and carried interest ranged from 7.73% to 10.24% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several hotel buildings and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has no extension and/or termination options in the leases for land and office premises.

The lease liabilities of RMB444,396,000 are recognised with related right-of-use assets of RMB603,621,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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17. INVESTMENT PROPERTIES

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the year ended 31 December 2019, no payment is made for acquiring leasehold lands.

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Leasehold lands held for undetermined future use RMB'000	Total RMB'000
At 1 January 2018	8,704,339	1,489,825	–	10,194,164
Additions	–	259,236	–	259,236
Transfer from completed properties for sale	333,862	–	–	333,862
Transfer from property, plant and equipment (note 15)	18,410	–	–	18,410
Transfer from prepaid lease payments	6,412	–	–	6,412
Acquisition of subsidiaries (note 47(a))	–	109,981	–	109,981
Net change in fair value recognised in profit or loss	5,273	131,529	–	136,802
Transfer upon completion of construction work	271,373	(271,373)	–	–
Disposals	(542,890)	–	–	(542,890)
At 31 December 2018	8,796,779	1,719,198	–	10,515,977
Effect arising from initial application of HKFRS 16	–	–	154,750	154,750

17. INVESTMENT PROPERTIES (continued)

(continued)	Completed investment properties RMB'000	Investment properties under construction RMB'000	Leasehold lands held for undetermined future use RMB'000	Total RMB'000
At 1 January 2019 (Adjusted)	8,796,779	1,719,198	154,750	10,670,727
Additions	–	899,132	–	899,132
Transfer from completed properties for sale	1,018,083	–	–	1,018,083
Transfer from property, plant and equipment (note 15)	18,112	–	–	18,112
Transfer from right of use assets (note 16)	21,688	–	–	21,688
Transfer to properties for sale under development upon the commencement of construction work	–	–	(154,750)	(154,750)
Net change in fair value recognised in profit or loss	(203,966)	197,801	–	(6,165)
Transfer upon completion of construction work	964,031	(964,031)	–	–
Disposals	(542,423)	–	–	(542,423)
At 31 December 2019	10,072,304	1,852,100	–	11,924,404
Unrealised (loss) gain on property revaluation included in profit or loss for the year ended 31 December 2019 (note)	(94,912)	197,801	–	102,889
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2018 (note)	5,273	131,529	–	136,802

Note: Unrealised gain on property revaluation included change in fair value of investment properties and change in fair value of completed properties for sale upon transfer to investment properties which have been presented on the face of the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2019, the fair value of the Group's completed investment properties of RMB10,072,304,000 (2018: RMB8,796,779,000) and investment properties under development of RMB1,852,100,000 (2018: RMB1,719,198,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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17. INVESTMENT PROPERTIES (continued)

As at 31 December 2019, investment properties with fair value of RMB538,653,000 (2018: RMB567,653,000) represented completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2019, certain of the Group's investment properties with an aggregate fair value of RMB4,673,918,000 (2018: RMB2,484,166,000) were pledged to banks to secure the banking facilities granted to the Group.

The valuations of completed investment properties as at 31 December 2019 and 2018 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2019 and 2018 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. In estimating the fair value of the properties, highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2019 and 2018 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2019 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	8,504,760	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2.5% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	2% – 15%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	1,567,544	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian, Taiyuan and Jiangsu	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	1. Market unit sales price (RMB/sqm)	2,500 – 73,900	A significant increase in market unit sales price would result in significant increase in fair value and vice versa.
					2. Adjustment made to account for differences in location	3% – 10%	A significant increase in adjustment would result in significant decrease in fair value and vice versa.
Investment properties under construction	527,400	Hangzhou	Level 3	Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value on completion basis (RMB'000)	1,856,000	A significant increase/decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	12% – 14%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	4%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	956,590	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	1,324,700	Chengdu, Hubei, Nanjing and Suzhou	Level 3	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	1. Market unit sales price (RMB/sqm)	560 – 6,900	A significant increase in market unit sales price would result in significant increase in fair value and vice versa.
					2. Adjustment made to account for differences in location	3% – 10%	A significant increase in adjustment would result in significant decrease in fair value and vice versa.
	11,924,404						

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17. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2018 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	8,322,056	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method – income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	3% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	474,723	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou and Kunming	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	1. Market unit sales price (RMB/sqm)	3,150 – 15,900	A significant increase in market unit sales price would result in significant increase in fair value and vice versa.
					2. Adjustment made to account for differences in location	3% – 10%	A significant increase in adjustment would result in significant decrease in fair value and vice versa.
Investment properties under construction	1,149,698	Jiangsu, Hangzhou	Level 3	Residual method – based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value on completion basis (RMB'000)	817,000 – 1,770,000	A significant increase in gross development value would result in significant increase in fair value and vice versa.
					2. Developer's profit	12% – 14%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	52,000 – 938,000	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	569,500	Chengdu, Nanjing	Level 3	Direct comparison method – based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	1. Market unit sales price (RMB/sqm)	2,300 – 2,700	A significant increase in market unit sales price would result in significant increase in fair value and vice versa.
					2. Adjustment made to account for differences in location	3% – 10%	A significant increase in adjustment would result in significant decrease in fair value and vice versa.
	10,515,977						

There were no transfers into or out of Level 3 during the year ended 31 December 2019 and 2018.

18. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of investments, unlisted	743,402	1,306,450
Share of post-acquisition results, net of dividends received	14,095	40,136
	757,497	1,346,586

Details of the Group's principal associates at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2019	2018	2019	2018	
Suzhou Linjiayan Property Development Co., Ltd. ("Suzhou Linjiayan") 蘇州林甲岩房產發展有限公司 (note a)	PRC	PRC	43%	43%	43%	43%	Property development in the PRC
Shenzhen Hantian Property Management Co., Ltd. ("Shenzhen Hangtian") 深圳市航天物業管理有限公司 (note b)	PRC	PRC	40.06%	40.06%	40.06%	40.06%	Property management in the PRC
Wuhu Xinjia Investment Center (Limited Partnership) ("Wuhu Xinjia") 蕪湖信嘉投資中心（有限合夥）(note c)	PRC	PRC	–	46%	–	46%	Investment management in the PRC

Notes:

(a) Pursuant to the article of association of Suzhou Linjiayan, the Group has the right to cast 43% of the votes of Suzhou Linjiayan at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Suzhou Linjiayan. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Suzhou Linjiayan is accounted for as an associate of the Group.

(b) During the year ended 31 December 2018, the Group acquired equity interests in Shenzhen Hangtian at a total consideration of RMB114,262,000, which was fully settled in 2018. Pursuant to the article of association of Shenzhen Hangtian, the Group has the right to cast 40% of the votes of Shenzhen Hangtian at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Hangtian. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Shenzhen Hangtian is accounted for as an associate of the Group.

(c) During the year ended 31 December 2019, the Group has disposed of its interest in Wuhu Xinjia at a consideration of RMB773,397,000, with gain of disposal amounting to RMB111,575,000 recognised and included in "other gains and losses" in the consolidated statement of profit or loss and other comprehensive income. Up to 31 December 2019, the consideration has been fully settled.

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18. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(d) During the year ended 31 December 2018, the Group has disposed of its interests in an associate at a consideration of RMB5,000,000, with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) Other than the transactions disclosed above, during the year ended 31 December 2019, the Group acquired equity interests in certain associates at a total consideration of RMB98,284,000 (2018: RMB144,246,000). The associates were engaged in property development, property operation services or act as investment holding in the PRC.

(f) During the year ended 31 December 2019, the Group received dividend of RMB37,131,000 (2018: RMB2,448,000) from associates.

Summarised financial information in respect of the Group's principal associates are set out below. The summarised financial information below represented amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

Suzhou Linjiayan

	2019 **RMB'000**	**2018** **RMB'000**
Current assets	2,054,410	927,222
Non-current assets	981,656	787,008
Current liabilities	(2,211,378)	(867,224)
Loss and other comprehensive expense for the year	(22,318)	(7,231)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Suzhou Linjiayan recognised in the consolidated financial statements:

	2019 **RMB'000**	**2018** **RMB'000**
Net assets of Suzhou Linjiayan	824,688	847,006
Proportion of the Group's ownership interest	43%	43%
Carrying amount of the Group's interest	354,616	364,213

18. INTERESTS IN ASSOCIATES (continued)

Shenzhen Hangtian

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Hangtian recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Current assets	160,999	152,824
Non-current assets	67,172	118,089
Current liabilities	(125,827)	(102,950)
Profit and other comprehensive income for the year	22,699	27,542

	2019 RMB'000	2018 RMB'000
Net assets of Shenzhen Hangtian	102,344	167,963
Proportion of the Group's ownership interest	40.06%	40.06%
	40,999	67,286
Goodwill	74,519	74,519
Carrying amount of the Group's interest	115,518	141,805

Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
The Group's share of profit and other comprehensive income	11,242	26,956
Aggregate carrying amount of the Group's interests	287,363	915,087

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19. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of investments, unlisted	2,733,334	1,431,647
Share of post-acquisition results, net of dividends received	(46,336)	(4,689)
	2,686,998	1,426,958

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2019	2018	2019	2018	
Beijing Yaxinke Tianwei Fuel Pumps Co., Ltd. ("Beijing Yaxinke") 北京亞新科天緯油泵油嘴股份有限公司 (notes a and b)	PRC	PRC	35.69%	35.69%	35.69%	35.69%	Property development in the PRC
Shenzhen Yushi Property Development Co., Ltd. ("Shenzhen Yushi") 深圳玉石房地產開發有限公司(notes b and 48(c))	PRC	PRC	51.00%	–	51.00%	–	Property development in the PRC
Shenzhen Fantasia Property Development Co., Ltd. ("Shenzhen Fantasia") 深圳市花樣年房地產開發有限公司 (notes b and 48(c))	PRC	PRC	50.00%	–	50.00%	–	Property development in the PRC

Notes:

(a) In 2018, the Group and an independent investor ("Investor") have agreed, in written, that the Investor will acquire 64.30% equity interest in Beijing Yaxinke on the condition that the Group has obtained 64.30% shareholding in Beijing Yaxinke. Upon completion of the acquisition, the Group's shareholding in Beijing Yaxinke was diluted from 59.85% to 35.69% and the Investor holds 64.30% equity interests in Beijing Yaxinke in aggregate. In accordance with the amended article of association, the board of directors of Beijing Yaxinke, the governing body which directs the relevant activities that significantly affect the returns of Beijing Yaxinke, consists of seven directors of which the Group and the Investor can appoint four directors and three directors, respectively, and the approval of relevant activities of Beijing Yaxinke require two third of directors' votes, therefore, Beijing Yaxinke is jointly controlled by the Group and the Investor and classified as interest in a joint venture. Beijing Yaxinke hold a parcels of land located in Beijing and a manufacturing plant located in Tianjin in the PRC.

(b) All these companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

(c) During the year ended 31 December 2019, the Group made total capital contributions of RMB22,483,000 (2018: RMB73,762,000) to establish certain joint ventures with a number of joint venture partners. The joint ventures mainly engaged in property development and property operation services.

19. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(d) During the year ended 31 December 2019, the Group has disposed of its interests in a joint venture at a consideration of RMB20,000,000 (2018: nil), with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) During the year ended 31 December 2019, the Group received dividend of RMB12,021,000 (2018: RMB2,403,000) from joint ventures.

Summarised financial information in respect of the Group's principal joint venture is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

Beijing Yaxinke

	2019 **RMB'000**	**2018** **RMB'000**
Current assets	4,796,077	3,488,611
Current liabilities	(2,906,026)	(1,466,611)
Loss and other comprehensive expense for the year	(131,949)	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Beijing Yaxinke recognised in the consolidated financial statements:

	2019 **RMB'000**	**2018** **RMB'000**
Net assets of Beijing Yaxinke	1,890,051	2,022,000
Proportion of the Group's ownership interest	35.69%	35.69%
Carrying amount of the Group's interest	674,559	721,652

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19. INTERESTS IN JOINT VENTURES (continued)

Shenzhen Yushi

	2019 RMB'000	2018 RMB'000
Current assets	2,760,988	N/A
Current liabilities	(890,887)	N/A
Loss and other comprehensive expense for the year	(245)	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Yushi recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Shenzhen Yushi	1,870,101	N/A
Proportion of the Group's ownership interest	51.00%	N/A
Carrying amount of the Group's interest	953,752	N/A

Shenzhen Fantasia

	2019 RMB'000	2018 RMB'000
Current assets	1,477,758	N/A
Current liabilities	(807,596)	N/A
Loss and other comprehensive expense for the year	(494)	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Fantasia recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Shenzhen Fantasia	670,162	N/A
Proportion of the Group's ownership interest	50.00%	N/A
Carrying amount of the Group's interest	335,081	N/A

19. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
The Group's share of profit (loss) and other comprehensive income (expense)	17,839	(11,140)
Aggregate carrying amount of the Group's interests	723,606	705,306

20. FINANCIAL ASSETS AT FVTPL

	Notes	2019 RMB'000	2018 RMB'000
Money market fund investments	(a)	29,051	89,196
Debt Instrument	(b)	1,420,000	2,038,000
		1,449,051	2,127,196

Notes:

(a) The money market fund investments were issued by a reputable securities corporation. The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

(b) In 2017, the Group and an independent investor made capital contributions of RMB100,000,000 and RMB1,000,000,000, respectively to Jiaxing Fangyan Investment Partnership (Limited Partership) (嘉興方宴投資合夥企業(有限合夥)) ("Jiaxing Fangyan") which then acquired from an independent third party a defaulted loan receivable from a property developer (the "Borrower") in the PRC ("Debt Instrument"), at a cash consideration of RMB1,100,000,000. Pursuant to the supplemental partnership agreement entered into between the Group and the independent investor in August 2018, the Group has obtained 100% beneficial interests in Jiaxing Fangyan and Jiaxing Fangyan was accounted for as a subsidiary of the Company. The Debt Instrument was acquired by the Group through the acquisition of Jiaxing Fangyan.

The Debt Instrument was defaulted by a property developer in 2015 and it is pledged with certain completed properties located in Beijing, the PRC. The Debt Instrument can be recovered through the realisation of the properties under pledge in judicial auction.

During the year ended 31 December 2019, the Group received RMB1,000,000,000 from The Third Intermediate People's Court of Beijing through the realisation of other properties of the Borrower in judicial auction for partial repayment of the interest portion of RMB1,000,000,000 regarding the aforesaid defaulted loan. Thereafter, the Group continued to negotiate with The Third Intermediate People's Court of Beijing for the realisation of the properties of the Borrower.

As at 31 December 2019, as advised by the legal counsel of the Company on the tentative timetable of the judicial auction, the directors of the Company considered that the Debt Instrument would be settled through judicial auction within one year from the end of the reporting period and is classified under current assets.

According to the valuation report prepared by an independent professional valuer, the fair value of the Debt Instrument is RMB1,420,000,000 (2018: RMB2,038,000,000) as at 31 December 2019.

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20. FINANCIAL ASSETS AT FVTPL (continued)

The fair value of the money market fund investments at 31 December 2019 and 2018 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2019, the principal of the money market fund investments are RMB29,051,000 (2018: RMB89,196,000). In the opinion of directors, the fair value of investment at 31 December 2019 approximated to their principal amount and the fair value gain of the money market fund investments amounting to RMB3,958,000 (2018: RMB1,273,000) was recognised in other gains and losses during the year ended 31 December 2019.

The fair value of the Debt Instrument at 31 December 2019 is determined by management, with reference to a valuation report prepared by professional valuer, to be RMB1,420,000,000 (2018: RMB2,038,000,000) and the fair value gain of the Debt Instrument amounting to RMB382,000,000 (2018: RMB938,000,000) was recognised in other gain and losses during the year ended 31 December 2019. The fair value of the Debt Instrument is determined based on the probability weighted expected return model, which involved estimation of cash flows that can be recovered from the Debt Instrument under different scenarios of the outcomes of the judicial auction. The valuations of the Debt Instrument are dependent on certain unobservable inputs, including the expected value, discount rate and probability of outcome of the judicial auction. Details of the fair value measurement of the investments are set out in note 51(c).

21. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	2019	**2018**
	RMB'000	**RMB'000**
Unlisted equity investments		
– Property operation services (note)	53,702	45,167
– Others	6,384	6,384
	60,086	51,551

Note: These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2019 and 2018. The investees are mainly engaged in property operation services. Details of the fair value measurement of the investments are set out in note 51(c).

22. GOODWILL

	RMB'000
COST	
At 1 January 2018	2,381,332
Arising on acquisition of businesses (note 47(b))	46,796
Disposal of subsidiaries (note 48(a) and (c))	(6,831)
At 31 December 2018	2,421,297
Arising on acquisition of businesses (note 47(b))	69,198
At 31 December 2019	2,490,495
IMPAIRMENT	
At 1 January 2018 and 31 December 2018	81,574
Impairment loss recognised	10,000
At 31 December 2019	91,574
CARRYING VALUES	
At 31 December 2019	2,398,921
At 31 December 2018	2,339,723

For the purpose of impairment testing, goodwill above has been allocated to two groups of cash-generating units, comprising a group of subsidiaries in property operation services collectively as the property operation cash-generating units ("Property Operation CGU") and a group subsidiaries in travel agency services collectively as the travel agency cash-generating units ("Travel Agency CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2019 and 2018 allocated to these cash-generating units are as follow:

	2019 RMB'000	2018 RMB'000
Property Operation CGU	2,329,732	2,260,534
Travel Agency CGU	69,189	79,189
	2,398,921	2,339,723

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22. GOODWILL (continued)

The recoverable amounts of Property Operation CGU have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates as at 31 December 2019 and 2018.

The discount rates reflect specific risks relating to Property Operation CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

	2019	**2018**
Discount rates	19%	21% – 22%
Growth rate within the five-year period	6% – 10%	6% – 11%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts of Property Operation CGU to exceed its recoverable amounts.

During the year ended 31 December 2019, in the opinion of the directors of the Company, the performance of Travel Agency CGU was declined due to the unfavourable market condition which seriously affected the financial performance of tourism industry in Hong Kong. The carrying amount of the assets (including goodwill allocated to Travel Agency CGU) of the Travel Agency CGU is determined to be higher than the recoverable amount of RMB107,004,000 at 31 December 2019. Therefore, the Group recognised an impairment loss of RMB10,000,000 in relation to goodwill allocated to Travel Agency CGU.

The recoverable amounts of Travel Agency CGU have been determined based on value in use calculation using cash flow projections based on financial budget covering a five-year period approved by the management. The growth rate used to extrapolate the cash flows beyond the five-year period was 2.93% (2018: 2.93%). The growth rate does not exceed long-term average growth rate for the business in which the cash-generating unit operates. The key assumptions based upon are the discount rate, budgeted profit margin and revenues during the forecast period.

The basis of revenues and budgeted profit margin used to determine the value assigned is based on past performance and management expectation on the management's ability to progress and to generate economic income stream through provision of travel agency service.

The discount rate used is before tax and reflect specific risks relating to the travel agency business in Hong Kong. The pre-tax discount rate applied to cash flow projections was 13.9% (2018: 13.7%).

In March 2020, the Group entered into a sales and purchase agreement with an independent third party in relation to the disposal of the travel agency business through a disposal of certain subsidiaries at a consideration of RMB61,558,000 and the Group has assigned the shareholders' loan to the third party of which the amount is determined upon the completion date. At the date these consolidated financial statements are authorised for issuance, the disposal of the Travel Agency CGU has been completed. In the opinion of the directors of the Company, the consideration approximates to the carrying amount of the net assets of the Travel Agency CGU at 31 December 2019 and the gain or loss on disposal of the travel agency business is insignificant to the consolidated financial statements.

23. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2018	1,343,678	52,441	1,396,119
Arising on acquisition of subsidiaries (note 47(b))	8,920	–	8,920
At 31 December 2018	1,352,598	52,441	1,405,039
Arising on acquisition of subsidiaries (note 47(b))	83,872	–	83,872
At 31 December 2019	1,436,470	52,441	1,488,911
AMORTISATION			
At 1 January 2018	69,224	6,994	76,218
Provided for the year	136,428	3,497	139,925
At 31 December 2018	205,652	10,491	216,143
Provided for the year	139,546	3,497	143,043
At 31 December 2019	345,198	13,988	359,186
CARRYING AMOUNT			
At 31 December 2019	1,091,272	38,453	1,129,725
At 31 December 2018	1,146,946	41,950	1,188,896

The property management contracts, customers' relationship and trademark were acquired from third parties through the acquisition of subsidiaries.

The intangible assets have finite useful lives and are amortised on a straight line basis over 5 years to 15 years.

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24. PREPAID LEASE PAYMENTS

	2018 RMB'000
Analysed for reporting purposes as:	
Non-current assets	206,743
Current assets	6,750
	213,493

During the year ended 31 December 2018, prepaid lease payments of RMB516,859,000 was transferred to properties under development for sale; prepaid lease payments of RMB6,412,000 was transferred to investment properties under construction upon commencement of the related construction work in certain property development projects.

During the year ended 31 December 2018, prepaid lease payments of RMB19,234,000 were acquired through acquisition of subsidiaries and prepaid lease payments of RMB41,044,000 was disposed through disposal of subsidiaries, details are set out in notes 47(a) and 48(c), respectively.

As at 1 January 2019, the current and non-current portion of prepaid lease payments in relation to the leasehold lands held for own use, amounting to RMB4,525,000 and RMB133,184,000, respectively, were reclassified to right-of-use assets, while the current and non-current portion of prepaid lease payments in relation to the leasehold lands held for currently undetermined future use, amounting to RMB2,225,000 and RMB73,559,000, respectively, were transferred to investment properties, upon application of HKFRS 16.

25. PREMIUM ON PREPAID LEASE PAYMENTS

As at 31 December 2018, premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to RMB78,966,000 in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	2018 RMB'000
Analysed for reporting purposes as:	
Non-current assets	76,418
Current assets	2,548
	78,966

As at 1 January 2019, the current and non-current portion of premium on prepaid lease payments in relation to the leasehold lands held for currently undetermined future use, amounting to RMB2,548,000 and RMB76,418,000, respectively, were transferred to investment properties, upon application of HKFRS 16.

26. AMOUNTS DUE FROM RELATED PARTIES

	2019 RMB'000	2018 RMB'000
Non-controlling shareholders of the subsidiaries of the Company	306,669	319,230
Joint ventures	1,238,327	182,777
Associates	40,541	15,909
Related parties	205,112	–
	1,790,649	517,916
Less: Amounts expected to realise after 1 year and shown under non-current assets	(958,190)	(81,505)
Amounts expected to realise within 1 year and shown under current assets	832,459	436,411

Related parties	**Relationship**	**Nature**	**2019 RMB'000**	**2018 RMB'000**
Shenzhen Colour Pay Network Technology Co., Ltd. (深圳市彩付寶科技有限公司) ("Shenzhen Colour Pay")	A related company controlled by Mr. Pan Jun, a director and the chief executive officer of the Company	– Non-trade nature – Trade nature	110,856 54,597	–
Shenzhen Tiankuo Investment Development Co., Ltd. (深圳市天闊投資發展有限公司)	A related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	– Non-trade nature	39,659	–
			205,112	–

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26. AMOUNTS DUE FROM RELATED PARTIES (continued)

For the trade balance due from Shenzhen Colour Pay regarding online promotion services income, credit term of one year is granted from issuance of invoices. The following is an aging analysis of trade balance due from a related party presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

	2019
	RMB'000
0 to 30 days	15,665
31 to 90 days	22,278
91 to 180 days	16,654
	54,597

The remaining amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The subsidiaries, joint ventures, associates and related parties are mainly engaged in property development, property management and property leasing business, the Group determined the current or non-current portion based on the expected date of recovery of the advances, which is by reference to the status of the property projects and the financial position of the subsidiaries, joint ventures, associates and related parties.

Details of the impairment assessment are set out in note 51(b).

27. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) As at 31 December 2019, the Group had made deposits of RMB124,593,000 (2018: RMB124,593,000) in relation to the acquisition of the equity interests in a property project company from an independent third party. The precedent condition for the acquisition is the approval of change of use of the target land use right by the PRC local government, from industrial land to residential and commercial land.

Pursuant to the sale and purchase agreements, in case the transaction is not completed, the deposit would be fully refunded to the Group by the vendor. At the date these consolidated financial statements are authorised for issuance, the acquisition of the equity interests have not been completed.

(b) As at 31 December 2019, the Group had made deposits of RMB9,868,000 (2018: RMB69,834,000) in relation to the acquisition of equity interests in certain companies which are principally engaged in property operation in the PRC from independent third parties.

During the year ended 31 December 2019, the acquisition of equity interests in certain companies with the deposits paid of RMB60,668,000 as at 31 December 2018 have been completed.

Pursuant to the sale and purchase agreements, in case the transaction is not completed, the deposit would be fully refunded to the Group by the vendors. At the date these consolidated financial statements are authorised for issuance, the acquisition of these equity interests have not been completed.

(c) As at 31 December 2019, the Group had made deposits of RMB717,566,000 (2018: nil) in relation to the investments in certain associates and joint ventures, which are principally engaged in property development in the PRC, and cooperation in the property development projects with a number of independent investors.

Pursuant to the investment agreements, in case the property project company cannot succeed in public land auction, the deposit would be fully refunded to the Group by the independent investors and/or the investees.

At the date these consolidated financial statements are authorised for issuance, the property project companies had been succeed in public land auction and the aforesaid investments would be transferred to interests in associates or joint ventures upon the incorporation of associates and joint ventures.

28. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY PROJECT

As at 31 December 2018, the Group had made deposit RMB202,961,000 in relation to the acquisition of a property project from an independent property developer. The aforesaid deposit related to acquisition of a property for the operation of elderly care business and is therefore classified as non-current assets.

During the year ended 31 December 2019, the acquisition of this property project has been completed. Upon completion of the acquisition of the property project, the deposit paid to date amounting to RMB204,817,000 was transferred to right-of-use assets.

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29. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

As at 31 December 2018, the Group had made deposits of RMB228,703,000 in relation to acquisition of land use rights from independent third parties. During the year ended 31 December 2019, the acquisition of land use rights have been completed and the deposits paid were transferred to properties under development for sale.

30. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	(710,650)	(565,707)
Deferred tax liabilities	1,569,772	1,734,943
	859,122	1,169,236

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Fair value change of investment properties and financial assets at FVTPL RMB'000	Revaluation of properties and other assets RMB'000	Temporary differences on deductible expenses RMB'000 (note a)	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note b)	Total RMB'000
At 1 January 2018	1,403,903	256,596	(45,599)	(151,538)	325,360	(495,272)	1,293,450
Charge (credit) to profit and loss	280,997	2,781	32,325	(1,013)	(34,981)	(107,596)	172,513
Credit to other comprehensive income	–	–	–	–	–	(60)	(60)
Acquisition of subsidiaries (note 47(b))	–	–	–	–	2,230	–	2,230
Disposal of subsidiaries (note 48(c))	–	(298,897)	–	–	–	–	(298,897)
At 31 December 2018	1,684,900	(39,520)	(13,274)	(152,551)	292,609	(602,928)	1,169,236
Charge (credit) to profit and loss	(180,851)	–	4,444	(2,387)	(35,761)	(117,898)	(332,453)
Credit to other comprehensive income	–	1,371	–	–	–	–	1,371
Acquisition of subsidiaries (note 47(b))	–	–	–	–	20,968	–	20,968
At 31 December 2019	1,504,049	(38,149)	(8,830)	(154,938)	277,816	(720,826)	859,122

Notes:

(a) Temporary differences on deductible expenses mainly represent advertising expenses, ECL allowance and incremental sales commission, which would be deductible in the future.

(b) Others mainly represent the temporary differences arising from LAT provision and financing component in respect of contract liabilities.

30. DEFERRED TAXATION (continued)

As at 31 December 2019, the Group had unutilised tax losses of RMB4,537,222,000 (2018: RMB2,999,780,000). A deferred tax asset has been recognised in respect of RMB619,752,000 (2018: RMB610,204,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB3,917,470,000 (2018: RMB2,389,576,000) due to the unpredictability of future profits streams.

As at 31 December 2019, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB18,521,081,000 (2018: RMB15,883,154,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. PROPERTIES FOR SALE

	2019 **RMB'000**	**2018** **RMB'000**
Completed properties for sale	10,490,488	8,451,136
Properties under development for sale	24,983,074	26,431,268
	35,473,562	34,882,404

Analysis of leasehold lands:	**RMB'000**
As at 1 January 2019	
Carrying amount	8,979,716
As at 31 December 2019	
Carrying amount	9,242,179
For the year ended 31 December 2019	
Total cash outflow	1,866,999
Additions	2,054,736

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

As at 31 December 2019, certain of the Group's properties for sale with a carrying amount of RMB8,164,030,000 (2018: RMB6,374,242,000) were pledged to secure certain banking facilities granted to the Group.

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31. PROPERTIES FOR SALE (continued)

During the year ended 31 December 2019, completed properties for sale with an aggregate carrying amount of RMB1,019,193,000 (2018: RMB251,453,000) were transferred to investment properties upon change in use as evidenced by the inception of operating leases. The loss from change in fair value of these properties at the date of transfer amounting to RMB1,110,000 (2018: gain on change in fair value amounting to RMB82,409,000) were recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

Included in the amount are properties under development for sale of RMB14,124,778,000 (2018: RMB17,061,599,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

32. CONTRACT ASSETS

	2019 **RMB'000**	**2018** **RMB'000**
Unbilled revenue of		
– construction of properties	692,359	370,999
– engineering services	70,324	81,698
Retention receivables	198	243
	762,881	452,940
Less: allowance for impairment losses	(3,928)	(3,350)
	758,953	449,590
Classified as:		
Non-current assets	22,229	–
Current assets	736,724	449,590
	758,953	449,590

As at 1 January 2018, contract assets amounted to RMB122,644,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional upon the satisfaction by the customers on the construction work completed and/or engineering services rendered by the Group. The amounts are transferred out of contract assets to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 51(b).

33. CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Incremental costs to obtain contracts	410,502	201,414

Contract costs capitalised as at 31 December 2019 and 2018 relate to the incremental sales commissions paid to intermediaries/employees whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB289,023,000 (2018: RMB90,414,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year ended 31 December 2018 and 2019.

34. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables			
– contracts with customers	(a)/(b)	2,482,579	1,915,161
– leasing	(b)	20,974	41,966
Other receivables	(c)	1,032,279	889,364
Loan receivables	(d)	209,474	247,211
Prepayments and other deposits	(e)	2,022,843	1,446,854
Prepayments to suppliers		288,712	229,926
Prepayments for construction work		784,646	641,626
Consideration receivables on disposal of equity interests in subsidiaries and an associate		505,973	32,000
Amount due from Pixian Government	(f)	122,830	122,830
Other tax prepayments	(g)	1,005,103	529,788
		8,475,413	6,096,726
Less: Amounts shown under non-current assets		(610,511)	(158,698)
Amounts shown under current assets		7,864,902	5,938,028

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34. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 31 December 2019 and 2018, trade receivables from contracts with customers amounted to RMB2,482,579,000 and RMB1,915,161,000, respectively.

Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of agreement. For sales of certain completed commercial apartments in 2019, the credit term granted to a customer is 50% to be settled at the date of signing sales and purchase agreement and the remaining 50% to be settled within one year from the date of the sales and purchase agreement.

Property operation service fee is received in accordance with the terms of the relevant service agreements, normally within 30 days to 1 year after the issuance of demand note. Each customer from property operation services has a designated credit limit.

Hotel operation and travel agency service income are mainly in form of settlement in cash and credit cards.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Consideration in respect of fuel pumps sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of delivery of fuel pumps. Each customer from sales of fuel pumps has a designated credit limit.

(b) The following is an aged analysis of trade receivables of the Group net of allowance for impairment losses presented based on the date of delivery of the properties to the customers for property sale or the invoice date or date of demand note for rendering of services at the end of the reporting period:

	2019	**2018**
	RMB'000	**RMB'000**
0 to 30 days	914,566	996,756
31 to 90 days	292,224	506,815
91 to 180 days	336,208	280,436
181 to 365 days	869,912	84,682
Over 1 year	90,643	88,438
	2,503,553	1,957,127

As at 31 December 2019, trade receivables mainly represented receivables amounting to RMB1,361,356,000 (2018: RMB880,046,000) from sales of properties, RMB933,619,000 (2018: RMB801,033,000) from property operation services, RMB20,974,000 (2018: RMB41,966,000) from leasing and RMB187,604,000 (2018: RMB234,082,000) from other segments.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB888,184,000 (2018: RMB733,584,000) which are past due as at the reporting date. Out of the past due balances, RMB388,871,000 (2018: RMB453,556,000) has been past due 90 days or more and is not considered as in default, as the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

34. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

Movement in the allowance for impairment losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
Balance at 1 January 2018	2,347	98,305	100,652
Impairment losses, net of reversal	13,514	27,602	41,116
Transfer to credit-impaired	(7,319)	7,319	–
Amounts written off	–	(78,893)	(78,893)
Balance at 31 December 2018	8,542	54,333	62,875
Impairment losses, net of reversal	4,095	18,508	22,603
Transfer to credit-impaired	(4,928)	4,928	–
Amounts written off	–	(1,711)	(1,711)
Balance at 31 December 2019	7,709	76,058	83,767

(c) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

Movement in the allowance for impairment losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
Balance at 1 January 2018	5,878	84,511	90,389
Impairment losses, net of reversal	5,027	35,914	40,941
Transfer to credit-impaired	(599)	599	–
Amounts written off	–	(8,419)	(8,419)
Balance at 31 December 2018	10,306	112,605	122,911
Impairment losses, net of reversal	3,847	48,793	52,640
Transfer to credit-impaired	(2,312)	2,312	–
Amounts written off	–	(23,525)	(23,525)
Balance at 31 December 2019	11,841	140,185	152,026

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34. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The loan receivables are as follows:

	Notes	2019 RMB'000	2018 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(i)	161,817	221,944
– property management companies	(ii)	63,907	25,267
		225,724	247,211
Less: allowance for credit losses		(16,250)	–
		209,474	247,211

(i) As at 31 December 2019, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB161,817,000 (2018: RMB221,944,000). The loans carry interests ranging from 5% to 18% (2018: 6% to 15%) per annum and will mature from February 2020 to December 2020. Included in loan receivables, the amounts of RMB32,500,000 (2018: RMB32,500,000) are pledged by equity interest in the borrower and amounts of RMB20,000,000 (2018: RMB24,000,000) are pledged by properties and land use rights held by the independent third parties. At 31 December 2019, all the loan receivables of RMB161,817,000 are due in one year and are classified as current assets. At 31 December 2018, the amounts of RMB194,431,000 are due in one year and are classified as current assets and the amounts of RMB27,513,000 are due after one year and are classified as non-current assets.

(ii) At 31 December 2019, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB63,907,000 (2018: RMB25,267,000). The loans carry interests ranging from 10% to 15% (2018: 15%) per annum and will mature from September 2019 to June 2025. At 31 December 2019, the amounts of RMB56,049,000 (2018: RMB16,912,000) are due in one year and are classified as current assets and the amounts of RMB7,858,000 (2018: RMB8,355,000) are due after one year and are classified as non-current assets.

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2018 and 31 December 2018	–
Impairment loss	16,250
Balance at 31 December 2019	16,250

(e) The balance included refundable tender deposits, amounting to RMB1,171,211,000 (2018: RMB152,702,000), paid for public land auctions of property development projects in the PRC, which will be fully refunded if the public land auction is not succeed.

During the year ended 31 December 2019, in relation to the tender deposits amounting to RMB152,702,000 as at 31 December 2018, the public auctions have been succeeded and the land use rights were transferred to properties under development for sale.

At the date these consolidated financial statements are authorised for issuance, in relation to the tender deposits amounting to RMB1,095,210,000 as at 31 December 2019, the public auctions have been succeed and the land use rights or property development projects would be transferred to the Group upon the settlement of the remaining considerations.

34. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(f) The balance represented the amount due form the Pixian Government in relation to the land development project located in Chengdu, Sichuan Province. Pursuant to the agreement between the Group and Pixian Government, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at benchmark lending rate of People's Bank of China, investment income at 12% per annum and project management fee at 3% per annum.

As at 31 December 2019, the outstanding principal amounting to RMB122,830,000 (2018: RMB122,830,000) is required to be settled upon disposal of land by Pixian Government which is expected to be over one year from the end of the reporting period and is classified under non-current assets.

(g) As at 31 December 2019, the balance mainly represented business tax and value-added tax amounting to RMB998,302,000 (2018: RMB502,207,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

Details of the impairment assessment are set out in note 51(b).

35. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted/pledged bank deposits amounting to RMB1,191,032,000 (2018: RMB1,192,375,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB533,136,000 (2018: RMB167,036,000) are proceeded from presale of properties with the restriction of use for settlement of construction costs for relevant property projects. Term deposits amounting to RMB393,006,000 (2018: RMB430,000,000) and RMB547,500,000 (2018: RMB558,457,000) were pledged to banks to secure current and non-current banking facilities granted to the Group, respectively.

The Group's restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.04% to 5.39% (2018: 0.04% to 4.71%) per annum and from 0.01% to 3.14% (2018: 0.02% to 2.90%) per annum, respectively.

As at 31 December 2019 and 2018, bank balances of the relevant group entities denominated in foreign currencies are as below:

	2019 **RMB'000**	**2018** **RMB'000**
Hong Kong Dollars ("HKD")	60,509	1,170,454
United States Dollars ("USD")	222,052	660,827
Singapore Dollars ("SGD")	16,144	16,604
Japanese Yen ("JPY")	8,113	23,391

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36. TRADE AND OTHER PAYABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade payables		4,564,256	5,612,333
Deposit received	(a)	867,786	620,582
Other payables	(b)	522,791	872,599
Other tax payables		806,341	1,492,445
Accrued staff costs		633,705	848,205
Consideration payables for acquisition of subsidiaries (note 47)		871,551	869,397
Accruals		132,360	78,022
		8,398,790	10,393,583

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
0 to 60 days	2,181,693	2,801,902
61 to 180 days	1,119,353	1,541,021
181 to 365 days	637,509	784,916
1 – 2 years	544,625	383,922
2 – 3 years	64,535	82,438
Over 3 years	16,541	18,134
	4,564,256	5,612,333

Notes:

(a) The balance of deposits received amounting to RMB867,786,000 (2018: RMB620,582,000) mainly represents the earnest money received from potential property buyers.

(b) The balance of other payables mainly represents receipts on behalf of residents amounting to RMB413,982,000 (2018: RMB462,038,000).

37. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Sales of completed properties	18,728,016	12,723,043
Provision of property operation services	432,322	316,028
	19,160,338	13,039,071

As at 1 January 2018, contract liabilities amounted to RMB6,117,128,000.

The following table shows how much of the revenue recognised in both years relates to carried-forward contract liabilities.

	Sales of developed properties RMB'000	Property operation services RMB'000	Total RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year ended 31 December 2019	7,546,735	314,961	7,861,696

	Sales of developed properties RMB'000	Property operation services RMB'000	Total RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year ended 31 December 2018	2,937,329	498,273	3,435,602

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37. CONTRACT LIABILITIES (continued)

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of completed properties

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Provision of property operation services

When the Group receives the monthly property management service fee from customers at the beginning of the month, it will give rise to contract liabilities, until the revenue is recognised on the relevant contract upon provision of property management services, which are expected to be satisfied within one year from the date of advance payment made by customers.

38. AMOUNTS DUE TO RELATED PARTIES

	2019 RMB'000	2018 RMB'000
Non-controlling shareholders of the subsidiaries of the Company	465,501	335,850
Associates	23,765	19,971
Joint ventures	354,587	368
	843,853	356,189

The amounts due to joint ventures, associates and non-controlling shareholders of the subsidiaries of the Company are non-trade in nature, unsecured, interest-free and repayable on demand.

39. BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans		8,287,246	10,472,188
Other loans	(a)	5,698,116	8,683,366
		13,985,362	19,155,554
Secured	(b)	12,720,077	16,161,519
Unsecured		1,265,285	2,994,035
		13,985,362	19,155,554
Carrying amount repayable:			
Within one year		6,430,202	7,959,810
More than one year, but not exceeding two years		3,954,694	3,528,383
More than two years, but not exceeding five years		3,600,466	5,777,361
More than five years		–	1,890,000
Total borrowings		13,985,362	19,155,554
Less: Amounts due within one year shown under current liabilities		(6,430,202)	(7,959,810)
Amounts due after one year shown under non-current liabilities		7,555,160	11,195,744

Notes:

(a) Other loans amounting to RMB3,932,504,000 (2018: RMB5,935,163,000) represented loans provided by certain trust companies, some of which are secured by the equity interest of certain subsidiaries of the Company and certain properties and carried interest rate of 8.4% to 13.50% (2018: 5.23% to 13.8%) per annum. The maturity of loan balances as at 31 December 2019 is ranging from 2020 to 2023.

As at 31 December 2019, other loan amounting to RMB800,000,000 (2018: RMB1,000,000,000) represented loan provided by a former joint venture partner and carried interest of 8.63% per annum.

Other loan amounting to RMB250,000,000 (2018: nil) represented loan provided by a joint venture partner of Shenzhen Yushi, which is secured by the equity interest of the joint venture held by the Group and carried interest rate at 12% (2018: nil) per annum. The aforesaid loan as at 31 December 2019 will mature in 2022.

As at 31 December 2018, other loan amounting to RMB1,000,000,000 represented loan provided by a former joint venture partner of Jiaxing Fangyan and carried interest of 14% per annum. The amount was fully settled in 2019.

The remaining balance of other loans amounting to RMB965,612,000 (2018: RMB748,203,000) carried interest rate of 2% to 15% (2018: 7.0% to 13.2%) per annum. The loan balances as at 31 December 2019 are due in 2021.

(b) Certain bank and other loans were secured by properties for sale, investment properties, pledged bank deposits and property, plant and equipment. Details are set out in note 59.

For the year ended 31 December 2019

39. BORROWINGS (continued)

As at 31 December 2018, certain directors of the Company provided joint guarantees to the banks and trust companies for the Group's bank and other borrowings amounting to RMB846,000,000 in aggregate. During the year ended 31 December 2019, the guarantees were released upon the repayment of the aforesaid bank and other borrowings.

The amounts due above are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2019, all borrowings are denominated in RMB except that secured borrowings of RMB943,606,000 are denominated in USD. As at 31 December 2018, all borrowings were denominated in RMB except that secured borrowings of RMB94,139,000 and unsecured borrowings of RMB644,523,000 were denominated in USD.

The exposure of the Group's borrowings is as following:

	2019 RMB'000	2018 RMB'000
Fixed-rate borrowings	8,975,234	9,662,982
Variable-rate borrowings	5,010,128	9,492,572
	13,985,362	19,155,554

The ranges of effective interest rates on the Group's borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	2% to 13.5% per annum	2.38% to 14.00% per annum
Variable-rate borrowings	2.1% to 12.8% per annum	4.75% to 13.84% per annum

40. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	95,181
More than one year but not more than two years	67,790
More than two years but not more than five years	142,308
More than five years	139,117
	444,396
Less: Amount due for settlement within one year shown under current liabilities	(95,181)
Amount due for settlement after one year shown under non-current liabilities	349,215

Lease obligations of the transportation equipment amounting to RMB240,781,000 are denominated in USD, which is the foreign currency of the relevant group entities.

41. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its transportation equipment under finance leases. As at 31 December 2018, the lease term was ranging from 2 years to 6 years for the transportation equipment. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 4.2% to 5.8% per annum for the transportation equipment.

	Minimum lease payments 31 December 2018 RMB'000	**Present value of minimum lease payments 31 December 2018 RMB'000**
Amounts payable under finance leases:		
Within one year	82,297	69,164
More than one year but not more than two years	82,269	72,908
More than two years but not more than five years	124,990	110,016
More than five years	56,572	53,956
	346,128	306,044
Less: future finance charge	(40,084)	–
Present value of lease obligations	306,044	306,044
Less: Amount due for settlement within one year shown under current liabilities		(69,164)
Amount due for settlement after one year shown under non-current liabilities		236,880

Finance lease obligations of the transportation equipment are denominated in USD, which is the foreign currency of the relevant group entities. Finance lease obligations of the group are secured by the leased assets.

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42. SENIOR NOTES AND BONDS

Issue date	Notes	Maturity	Principal '000	Nominal interest rate	Effective interest rate	Carrying amount at 2019 RMB'000	2018 RMB'000
Senior notes:	(a)						
2013 senior notes due 2020	(b)	7 years	USD250,000	10.75%	11.27%	–	1,788,416
2016 RMB senior notes due 2019	(c)	3 years	RMB1,600,000	9.50%	10.66%	–	1,618,033
2016 USD senior notes due 2021	(d)	5 years	USD500,000	7.38%	7.70%	3,532,229	3,465,913
2017 senior notes due 2022	(e)	5 years	USD300,000	7.95%	8.26%	2,152,845	2,119,621
2018 USD300 million senior notes due 2019	(f)	1 year	USD300,000	7.25%	8.12%	–	2,023,783
2018 USD600 million senior notes due 2021	(g)	3 years	USD600,000	8.38%	9.30%	4,254,418	4,152,553
2018 senior notes due 2020	(h)	2 years	USD100,000	12.00%	12.74%	704,673	689,523
2018 USD140 million senior notes due 2019	(i)	1 year	USD140,000	12.00%	12.96%	–	1,009,001
2018 USD200 million senior notes due 2021	(j)	3 years	USD200,000	15.00%	15.64%	1,388,262	1,359,964
2019 USD100 million senior notes due 2021	(k)	2 years	USD100,000	15.00%	15.51%	695,321	–
2019 RMB senior notes due 2020	(l)	1 year	RMB1,000,000	11.875%	13.00%	1,029,078	–
2019 USD300 million senior notes due 2022	(m)	3 years	USD300,000	11.75%	13.20%	2,068,841	–
2019 USD350 million senior notes due 2022	(n)	3 years	USD350,000	12.25%	13.83%	2,461,610	–
						18,287,277	18,226,807
Corporate bonds:							
Fantasia Bonds							
2015 bonds due 2020	(o)	5 years	RMB2,000,000	7.95%	7.31%	1,988,979	2,000,219
2016 bonds due 2020	(p)	4 years	RMB1,100,000	7.95%	7.42%	1,091,198	1,086,005
2016 RMB3,000 million bonds due 2019	(q)	3 years	RMB3,000,000	8.50% – 9.00%	8.11% – 9.00%	–	1,579,258
2018 bonds due 2021	(r)	3 years	RMB1,000,000	7.50%	7.62%	1,000,883	999,953
2019 RMB800 million bonds due 2022	(s)	3 years	RMB800,000	8.20%	8.27%	830,796	–
2019 RMB730 million bonds due 2022	(t)	3 years	RMB730,000	7.80%	7.84%	734,351	–
Colour Life Bonds							
2016 RMB100 million bonds due 2019	(u)	3 years	RMB100,000	6.70%	7.91%	–	106,092
2016 RMB300 million bonds due 2019	(v)	3 years	RMB300,000	8.00%	12.86%	–	61,493
2017 bonds due 2020	(w)	3 years	RMB150,000	7.00%	8.40%	149,786	147,916
						5,795,993	5,980,936
						24,083,270	24,207,743
Carrying amounts repayable:							
Within one year						4,963,714	6,397,660
More than one year, but not exceeding two years						10,871,113	6,712,032
More than two years, but not exceeding five years						8,248,443	11,098,051
						24,083,270	24,207,743
Less: amounts due within one year shown under current liabilities						(4,963,714)	(6,397,660)
Amounts due after one year shown under non-current liabilities						19,119,556	17,810,083

42. SENIOR NOTES AND BONDS (continued)

Notes:

(a) The Company issued senior notes on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes are guaranteed by certain subsidiaries of the Company and the interests are payable semi-annually in arrears.

(b) 2013 senior notes due 2020

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of USD250,000,000. During the year ended 31 December 2019, the Group redeemed the senior notes in full at a price of USD259,332,000, equivalent to RMB1,824,370,000, resulting in a loss on early redemption of RMB1,325,000 is recognised in profit or loss. Upon completion of the early redemption, the redeemed senior notes were cancelled.

(c) 2016 RMB senior notes due 2019

In 2016, the Company issued guaranteed senior notes in an aggregate principal amount of RMB1,600,000,000. During the year ended 31 December 2019, the senior notes were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

(d) 2016 USD senior notes due 2021

In 2016, the Company issued guaranteed senior notes of USD500,000,000 by two tranches detailed as below:

Tranche	**Issue date**	**Principal USD'000**	**Issued price % of principal**	**Nominal interest rate per annum**	**Effective interest rate per annum**
First	4 October 2016	400,000	100.000%	7.375%	7.70%
Second	29 December 2016	100,000	99.884%	7.375%	7.70%

The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 4 October 2019, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 4 October of the years indicated below.

Period	**Redemption price**
4 October 2019 – 3 October 2020	103.688%
4 October 2020 and thereafter	101.844%

(ii) At any time prior to 4 October 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 4 October 2019 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 4 October 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

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42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(e) 2017 senior notes due 2022

On 5 July 2017, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 5 July 2020, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 5 July of the years indicated below.

Period	**Redemption price**
5 July 2020 – 4 July 2021	103.9750%
5 July 2021 and thereafter	101.9875%

(ii) At any time prior to 5 July 2020, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 5 July 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 5 July 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.95% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

During the year ended 31 December 2019, the Company repurchased the senior notes with the principal amount of USD1,000,000 at a total consideration of USD924,000, equivalent to RMB6,369,000. The gain on repurchase of senior notes of RMB700,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

(f) 2018 USD300 million senior notes due 2019

On 14 February 2018, the Group issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. During the year ended 31 December 2019, the outstanding senior notes with the principal amount of USD287,260,000 were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

(g) 2018 USD600 million senior notes due 2021

During the year ended 31 December 2018, the Company issued guaranteed senior notes of USD600,000,000 by three tranches detailed as below:

Tranche	**Issue date**	**Principal USD'000**	**Issued price % of principal**	**Nominal interest rate per annum**	**Effective interest rate per annum**
First	8 March 2018	350,000	100%	8.375%	9.30%
Second	19 March 2018	100,000	100%	8.375%	9.30%
Third	10 May 2018	150,000	96.285%	8.375%	9.30%

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(g) 2018 USD600 million senior notes due 2021 (continued)

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 8 March 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 8 March 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(ii) At any time and from time to time prior to 8 March 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 108.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(h) 2018 senior notes due 2020

On 1 June 2018, the Group issued guaranteed senior notes in aggregate principal amounts of USD100,000,000. In December 2018, the Company offered all of the holders of the senior notes accepted the exchange consideration ("Exchange Offer") to adjust the coupon interest rate from 8.5% per annum to 12.0% per annum and postpone the maturity date from 4 June 2019 to 4 June 2020. The effective interest rate is revised from 10.66% per annum to 12.74% per annum. The loss on modification of senior notes of RMB4,040,000 was recognised in profit or loss at the date of modification.

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 4 June 2020, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum and the exchange offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 4 June 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(ii) At any time and from time to time prior to 4 June 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of issuance of ordinary shares of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(i) 2018 USD140 million senior notes due 2019

On 16 July 2018, the Group issued guaranteed senior notes in aggregate principal amounts of USD140,000,000. During the year ended 31 December 2019, the senior notes were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

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42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(j) 2018 USD200 million senior notes due 2021

During the year ended 31 December 2018, the Company issued guaranteed senior notes of USD200,000,000 by two tranches detailed as below:

Tranche	Issue date	Principal USD'000	Issued price % of principal	Nominal interest rate per annum	Effective interest rate per annum
First	13 December 2018	130,000	100%	15%	15.64%
Second	21 December 2018	70,000	100%	15%	15.64%

The senior notes may be redeemed in the following circumstances:

(i) At any time prior to 18 December 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 18 December 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(ii) At any time and from time to time prior to 18 December 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 115.0% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(k) 2019 USD100 million senior notes due 2021

On 31 January 2019, the Company issued guaranteed senior notes in an aggregate principal amount of USD100,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 18 December 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) At any time and from time to time prior to 18 December 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 115% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 30 days after the closing of the related equity offering.

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(l) 2019 RMB senior notes due 2020

During the year ended 31 December 2019, the Company issued guaranteed senior notes of RMB1,000,000,000. The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 11 September 2020, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

(ii) At any time and from time to time prior to 11 September 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.875% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 30 days after the closing of the related equity offering.

(m) 2019 USD300 million senior notes due 2022

During the year ended 31 December 2019, the Company issued guaranteed senior notes of USD300,000,000 by two tranches detailed as below:

Tranche	**Issue date**	**Principal USD'000**	**Issued price % of principal**	**Nominal interest rate per annum**	**Effective interest rate per annum**
First	17 April 2019	200,000	100%	11.75%	13.20%
Second	5 August 2019	100,000	100%	11.75%	13.20%

The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 17 April 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 104.5% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed.

(ii) At any time prior to 17 April 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 17 April 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 17 April 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

During the year ended 31 December 2019, the Company repurchased the senior notes with the principal amount of USD1,500,000 at a total consideration of USD1,492,000, equivalent to RMB10,287,000. The loss on repurchase of senior notes of RMB192,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

For the year ended 31 December 2019

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(n) 2019 USD350 million senior notes due 2022

During the year ended 31 December 2019, the Company issued guaranteed senior notes of USD350,000,000 by two tranches detailed as below:

Tranche	**Issue date**	**Principal USD'000**	**Issued price % of principal**	**Nominal interest rate per annum**	**Effective interest rate per annum**
First	18 July 2019	200,000	99.22%	12.25%	13.83%
Second	18 November 2019	150,000	96.42%	12.25%	13.83%

The senior notes may be redeemed in the following circumstances:

(i) At any time and from time to time on or after 18 July 2021, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 104.5% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed.

(ii) At any time prior to 18 July 2021, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

The applicable premium is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 18 July 2021 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

(iii) At any time and from time to time prior to 18 July 2021, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 112.25% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

(o) 2015 bonds due 2020

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) ("Fantasia China Group") issued domestic corporate bonds of RMB2,000,000,000, which are listed on the Shanghai Stock Exchange ("SSE"). The corporate bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually. The effective interest rate of the senior notes is 7.30% per annum. The corporate bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia China Group earlier.

At the end of the third year subsequent to the inception date, Fantasia China Group as the issuer is entitled to adjust interest rate and the corporate bond holders may at their options to sell back the bonds to Fantasia China Group in whole or in part at face value of their principal amount.

In September 2018, Fantasia China Group adjusted the coupon interest rate from 6.95% per annum to 7.95% per annum and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB43,295,000 to Fantasia China Group. For the remaining corporate bonds of RMB1,956,705,000, the coupon interest rate is adjusted to 7.95% per annum. The effective interest rate is revised from 7.30% per annum to 7.31% per annum. The loss on modification of corporate bonds of RMB12,686,000 was recognised in profit or loss at the date of modification.

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(p) 2016 bonds due 2020

On 4 January 2016, a wholly-owned subsidiary of the Company, Fantasia China Group issued public domestic corporate bonds of RMB1,100,000,000, which are listed on the Shenzhen Stock Exchange ("SZSE"). The corporate bonds are unsecured, carry interest at rate of 7.29% per annum and interest is payable annually. The effective interest rate of the senior notes is approximately 7.46% per annum. The corporate bonds will mature on 31 December 2020 unless the holders sell back the bonds to Fantasia China Group earlier.

At the end of the third year subsequent to the inception date, Fantasia China Group as the issuer is entitled to adjust interest rate and the corporate bond holders may at their options to sell back the bonds to Fantasia China Group in whole or in part at face value of their principal amount.

In December 2018, Fantasia China Group adjusted the coupon interest rate from 7.29% per annum to 7.95% per annum and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB14,008,000 to Fantasia China Group. For the remaining corporate bonds of RMB1,085,992,000, the coupon interest rate is adjusted to 7.95% per annum. The effective interest rate is revised from 7.46% per annum to 7.42% per annum. The loss on modification of corporate bonds of RMB3,582,000 was recognised in profit or loss at the date of modification.

(q) 2016 RMB3,000 million bonds due 2019

During the year ended 31 December 2016, Fantasia China Group issued non-public domestic corporate bonds of RMB3,000,000,000 in aggregation by five tranches detailed as below:

Tranche	Issue date	Maturity date	Coupon interest rate per annum	Principal RMB'000
First tranche	19 May 2016	19 May 2019	7.5%	500,000
Second tranche	15 July 2016	15 July 2019	6.8%	331,000
Third tranche	17 August 2016	17 August 2019	7.2%	1,300,000
Fourth tranche	23 August 2016	23 August 2019	7.3%	300,000
Fifth tranche	7 September 2016	7 September 2019	6.6%	569,000

During the year ended 31 December 2018, Fantasia China Group redeemed the first tranche of corporate bonds with its principal amount of RMB500,000,000 at a price of RMB500,027,000, resulting in a loss on early redemption of RMB3,372,000 was recognised in profit or loss. Upon completion of the redemption, all redeemed corporate bonds were cancelled.

During the year ended 31 December 2018, Fantasia China Group adjusted the coupon interest rates of the second, third, fourth and fifth corporate bonds set forth below and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB970,000,000 to Fantasia China Group. The loss on modification of corporate bonds of RMB24,902,000 was recognised in profit or loss at the date of modification.

Tranche	Original coupon interest rate per annum	Adjusted coupon interest rate per annum	Original effective interest rate per annum	Adjusted effective interest rate per annum	Sell-back portion RMB'000	Remaining portion RMB'000
Second tranche	6.8%	8.5%	7.52%	8.11%	–	331,000
Third tranche	7.2%	8.5%	7.52%	8.11%	950,000	350,000
Fourth tranche	7.3%	9.0%	8.29%	9.00%	10,000	290,000
Fifth tranche	6.6%	9.0%	7.97%	9.00%	10,000	559,000

During the year ended 31 December 2019, the outstanding corporate bonds with its principal amount of RMB1,530,000,000 were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

For the year ended 31 December 2019

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(r) 2018 bonds due 2021

On 17 December 2018, Fantasia China Group issued domestic corporate bonds of RMB1,000,000,000. The corporate bonds were issued at 100% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.5% per annum and interest is payable annually. The corporate bonds will mature on 17 December 2021 unless the holders sell back the bonds to Fantasia China Group earlier.

At the end of the second year subsequent to the inception date, Fantasia China Group as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia China Group in whole or in part at face value of their principal amount.

(s) 2019 RMB800 million bonds due 2022

On 5 July 2019, Fantasia China Group issued domestic corporate bonds of RMB800,000,000. The corporate bonds were issued at 100% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 8.2% per annum and interest is payable annually. The corporate bonds will mature on 5 July 2022 unless the holders sell back the bonds to Fantasia China Group earlier.

At the end of the second year subsequent to the inception date, Fantasia China Group as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia China Group in whole or in part at face value of their principal amount.

(t) 2019 RMB730 million bonds due 2022

On 29 November 2019, Fantasia China Group issued domestic corporate bonds of RMB730,000,000. The corporate bonds were issued at 99.9% of the principal amount and are listed on the SSE. The corporate bonds are unsecured, carry interest at rate of 7.8% per annum and interest is payable annually. The corporate bonds will mature on 29 November 2022 unless the holders sell back the bonds to Fantasia China Group earlier.

At the end of the second year subsequent to the inception date, Fantasia China Group as the issuer is entitled to adjust interest rate and the holders may at their options to sell back the bonds to Fantasia China Group in whole or in part at face value of their principal amount.

(u) 2016 RMB100 million bonds due 2019

On 29 January 2016, Shenzhen Colour Life Services Group Co., Limited（深圳市彩生活服務集團有限公司）("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, issued first tranche of non-public domestic corporate bonds of RMB100,000,000, which are secured, carry interest at rate of 6.7% per annum and interest is payable annually, commencing on 29 January 2017.

During the year ended 31 December 2019, the corporate bonds were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

42. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(v) 2016 RMB300 million bonds due 2019

On 9 September 2016, Shenzhen Colour Life issued non-public domestic corporate bonds of RMB300,000,000, which are secured, carry interest at rate of 7.00% per annum and interest is payable annually, commencing on 9 September 2017 and will mature on 8 September 2019, respectively. The effective interest rate is 8.1% per annum.

At the end of the second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of corporate bonds of RMB300,000,000 may at their options to sell back the bonds to the Group in whole or in part at face value of their principal amount.

In September 2018, Shenzhen Colour Life adjusted the coupon interest rate from 7.0% per annum to 8.0% per annum and certain holders of corporate bonds exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB240,000,000 to Shenzhen Colour Life. For the remaining corporate bonds of RMB60,000,000, the coupon interest rate is adjusted to 8.0% per annum. The effective interest rate is revised from 8.13% per annum to 12.86% per annum. The loss on modification of corporate bonds of RMB3,140,000 was recognised in profit or loss at the date of modification.

During the year ended 31 December 2019, the corporate bonds were repaid upon maturity in 2019. No gain or loss on redemption of senior notes is recognised in profit or loss.

(w) 2017 bonds due 2020

On 10 November 2017, Shenzhen Colour Life issued non-public domestic corporate bonds in aggregate principal amount of RMB150,000,000. The corporate bonds will mature on 10 November 2020.

The movements of the senior notes and bonds during the year are set out below:

	2019 **RMB'000**	**2018** **RMB'000**
At 1 January	24,207,743	19,804,942
Net proceeds on the date of issuance	7,443,309	9,505,647
Exchange loss	350,734	792,533
Interest expenses	2,382,217	1,942,299
Payment of interest	(2,263,028)	(1,630,264)
Extinguishment of bonds upon substantial modification	–	(1,184,799)
Recognition of bonds upon substantial modification	–	1,199,000
Adjustment to carrying amounts of senior notes and bonds upon non-substantial modification	–	34,149
Repayment of senior notes and bonds	(6,197,492)	(4,404,253)
Repurchase/early redemption of senior notes and bonds	(1,840,213)	(1,851,511)
At 31 December	24,083,270	24,207,743

For the year ended 31 December 2019

43. ASSET-BACKED SECURITIES ISSUED

	Notes	2019 RMB'000	2018 RMB'000
Asset-backed securities issued			
2016 ABS	(a)	50,146	174,228
2018 ABS	(b)	54,402	86,191
		104,548	260,419
Carrying amounts repayable:*			
Within one year		70,078	96,666
More than one year, but not exceeding two years		34,470	62,117
More than two years, but not exceeding five years		–	101,636
		104,548	260,419
Classified as:			
Current			
Carrying amounts with put options exercisable within one year		37,520	130,685
Carrying amounts without put options and repayable within one year		49,963	77,951
		87,483	208,636
Non-current		17,065	51,783
		104,548	260,419

* The amounts due are based on scheduled repayment dates set out in the agreements of asset-backed securities issued.

Notes:

(a) In August 2016, Shenzhen Colour Life issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China Group. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of 2016 ABS amounting to RMB135,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2016 ABS may at their options to sell back the 2016 ABS to the Group in whole or in part at face value of their principal amount in August 2019. Therefore, the carrying amount of 2016 ABS amounting to RMB130,685,000 are classified as current liabilities as at 31 December 2018.

In August 2019, the Group repurchased the 2016 ABS with the principal amount of RMB66,541,000 at a total consideration of RMB75,032,000. The loss on repurchase of RMB3,520,000 is recognised in profit or loss.

In August 2019, Shenzhen Colour Life adjusted the nominal interest rates of two tranches of 2016 ABS from both 6.1% per annum to 7% per annum and 7.2% per annum, respectively, and no holders of 2016 ABS exercised the put options. The related loss of modification of RMB1,380,000 is recognised in profit or loss.

43. ASSET-BACKED SECURITIES ISSUED (continued)

Notes: (continued)

(b) In January 2018, Shenzhen Colour Life issued the asset-backed securities ("2018 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China Group. The 2018 ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of 2018 ABS amounting to RMB36,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2018 ABS may at their options to sell back the 2018 ABS to the Group in whole or in part at face value of their principal amount in January 2020. The directors considered that the fair value of the put options is insignificant on initial recognition and 31 December 2019 and 2018. Therefore, the carrying amount of 2016 ABS amounting to RMB37,520,000 are classified as current liabilities as at 31 December 2019. In January 2020, Shenzhen Colour Life announced that it did not make any adjustment to the nominal interest rate and all the holders of 2018 ABS exercised the put options and Shenzhen Colour Life redeemed the 2018 ABS with the principal amount of RMB36,000,000 in full.

The movement of the asset-backed securities issued during the year is set out below:

	2019 RMB'000	2018 RMB'000
At 1 January	260,419	227,737
Net proceeds on the date of issuance of asset-backed securities issued	–	98,236
Effective interest recognised	20,861	22,083
Repayment of principal	(85,750)	(71,250)
Repurchase of 2016 ABS	(71,512)	–
Interest paid	(20,850)	(16,387)
Adjustment to carrying amounts upon non-substantial modification	1,380	–
At 31 December	104,548	260,419

44. PROVISIONS

	2019 RMB'000	2018 RMB'000
Analysed for reporting purposes as:		
Current liabilities	37,440	30,740

For the year ended 31 December 2019

44. PROVISIONS (continued)

	Properties provision RMB'000 (note a)	Warranty provision RMB'000 (note b)	Total RMB'000
At 1 January 2019	20,491	10,249	30,740
Addition of provision	10,693	13,663	24,356
Utilisation of provision	–	(17,656)	(17,656)
At 31 December 2019	31,184	6,256	37,440

Notes:

(a) In 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd.（深圳騰星宏達投資發展有限公司）("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former shareholder of Shenzhen Tengxing. The cost incurred for construction of this 5% completed property is accounted for as a provision. The property project construction was completed on 31 December 2019 and under the handover process with the former shareholder as at 31 December 2019.

(b) The provision represented the warranty provision granted on fuel pumps, which is the management's best estimate of the Group's liability under one year warranty granted on fuel pumps, based on prior experience and industry averages for defective products.

45. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Assets RMB'000	2019 Liabilities RMB'000	2018 Assets RMB'000	2018 Liabilities RMB'000
Derivative financial instruments (under hedge accounting)				
Cash flow hedge				
– Foreign currency option contracts	–	4,289	–	–
– Foreign currency forward contracts	1,241	28,415	–	–
	1,241	32,704	–	–
Classified as:				
Current	1,241	13,759	–	–
Non-current	–	18,945	–	–
	1,241	32,704	–	–

At the end of the reporting period, the Group had foreign currency forward contracts and foreign currency option contracts designated as effective hedging instruments in order to minimise its exposures to foreign currency risk on its fixed rate USD senior notes.

45. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The terms of the foreign currency forward contracts and the foreign currency option contracts have been negotiated to match the terms of the respective designated hedged items and the directors of the Company consider that the foreign currency forward contracts and foreign currency option contracts are highly effective hedging instruments. The major terms of these contracts are as follows:

Accumulated notional amounts USD'000	**Maturity**	**Strike rates (USD:RMB)**	**Cap rates (USD:RMB)**	**Floor rates (USD:RMB)**
Foreign currency option contracts				
70,000	2021	6.97 – 7.07	7.29 – 7.4	N/A
Foreign currency forward contracts				
150,000	2020	6.91 – 7.13	7.2 – 7.4	5.5 or 6.0
180,000	2021	6.98 – 7.15	7.18 – 7.4	5.5

46. SHARE CAPITAL

	Number of shares	**Amount HK$**	**Equivalent to RMB'000**
Ordinary shares of HK0.1 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 2019	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2018	5,762,022,224	576,202,222	497,868
Issue of shares upon exercise of share options (note a)	921,680	92,168	77
At 31 December 2018	5,762,943,904	576,294,390	497,945
Issue of shares upon exercise of share options (note b)	4,726,400	472,640	414
At 31 December 2019	5,767,670,304	576,767,030	498,359

Notes:

(a) During the year ended 31 December 2018, the Company issued 921,680 ordinary shares of HKD0.10 each upon exercise of share options at a total consideration of RMB665,000 in aggregate. The exercise price of the share options during the year was HKD0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(b) During the year ended 31 December 2019, the Company issued 4,726,400 ordinary shares of HKD0.10 each upon exercise of share options at a total consideration of RMB3,408,000 in aggregate. The exercise price of the share options during the year ranging from HKD0.8 to HKD0.836 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2018

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition date	Equity interest acquired	Equity interest held by the Group after acquisition	Consideration RMB'000
鄂州鑫港置業有限公司 Ezhou Xingang Real Estate Co., Ltd. ("Ezhou Xingang") (note i)	PRC	28 February 2018	100%	100%	364,436
南京星潤置業有限公司 Nanjing Xingrun Real Estate Co., Ltd. ("Nanjing Xingrun") (note i)	PRC	28 February 2018	100%	100%	266,100
武漢欣城開實業有限公司 Wuhan Xinchengkai Real Estate Co., Ltd. ("Wuhan Xinchengkai") (note i)	PRC	30 April 2018	90%	90%	30,000
唐山金盛房地產開發有限公司 Tangshan Jinsheng Real Estate Co., Ltd. ("Tangshan Jinsheng") (note i)	PRC	31 May 2018	51%	51%	43,000
寧波杭州灣新區民恒房地產開發有限公司 Ningbo Hangzhou New District Minheng Real Estate Co., Ltd. ("Ningbo Minheng") (note i)	PRC	31 July 2018	90%	90%	297,000
深圳前海嘉年鼎盛投資管理有限公司 Shenzhen Qianhai Jianian Dingsheng Investment Management Co., Ltd. ("Jianian Dingsheng") (note ii)	PRC	31 August 2018	2%	51%	15,893
Jiaxing Fangyan (note iii)	PRC	31 August 2018	–	100%	–

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2018 (continued)

Notes:

(i) Ezhou Xingang, Nanjing Xingrun, Wuhan Xinchengkai, Tangshan Jinsheng and Ningbo Minheng are engaging in property development in the PRC and the major assets of them are investment properties, the undeveloped land for future property development or land with minimal construction work performed. The acquisitions were accounted for as purchase of assets and liabilities that does not constitute business combinations.

(ii) Upon the completion of capital injection amounting to RMB15,893,000 by the Group during the year ended 31 December 2018, the Group holds 51% equity interests in Jianian Dingsheng and is able to exercise control over Jianian Dingsheng. Jianian Dingsheng and its subsidiaries hold a property project located in Sichuan which has started to pre-sale the properties and significant processes are applied to the property project. At the time of acquisition, the directors of the Company are of the view that the acquisition of Jianian Dingsheng constitutes a business combination.

(iii) During the year ended 31 December 2018, the Group entered into a supplemental partnership agreement with the investment partner, regarding the revision of the cooperation agreement of Jiaxing Fangyan. Pursuant to the supplemental partnership agreement, the Group has effective control over Jiaxing Fangyan, which became a wholly-owned subsidiary of the Company. The major asset held by Jiaxing Fangyan is the Debt Instrument as detailed in note 20. The acquisitions are accounted for as purchase of assets and liabilities that does not constitute a business combination.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	Acquisition of Jianian Dingsheng under business combination RMB'000	**Purchase of assets and liabilities in aggregate RMB'000**	**Total RMB'000**
Net assets acquired			
Property, plant and equipment	295,700	–	295,700
Investment properties	–	109,981	109,981
Prepaid lease payments	19,234	–	19,234
Financial assets at FVTPL (note)	–	1,100,000	1,100,000
Properties under development for sale	4,356,701	2,268,013	6,624,714
Amounts due from certain subsidiaries of the Company	236,033	–	236,033
Trade and other receivables	684,133	979	685,112
Tax recoverable	34,025	–	34,025
Bank balances and cash	476,100	24,834	500,934
Trade and other payables	(464,466)	(71,355)	(535,821)
Contract liabilities	(980,773)	–	(980,773)
Amounts due to certain subsidiaries of the Company	(1,127,290)	(1,302,363)	(2,429,653)
Borrowings	(2,734,730)	(1,000,000)	(3,734,730)
	794,667	1,130,089	1,924,756

Note: As at the date of acquisition during the year ended 31 December 2018, the fair value of financial assets at FVTPL acquired was estimated by an independent valuer through application of probability weighted expected return model, details of which are set out in note 20.

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2018 (continued)

For acquisition of Jianian Dingsheng under business combination, at the dates of acquisitions during the year ended 31 December 2018, the trade and other receivables (including amounts due from certain subsidiaries of the Company) acquired with a fair value of RMB920,166,000 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

	Acquisition of Jianian Dingsheng under business combination RMB'000	**Purchase of assets and liabilities in aggregate RMB'000**	**Total RMB'000**
Total consideration satisfied by:			
Cash	–	184,100	184,100
Capital injected by the Group	15,893	–	15,893
Deposits paid in prior years	–	575,000	575,000
Consideration payables due within one year included in trade and other payables	–	241,436	241,436
	15,893	1,000,536	1,016,429
Add: Non-controlling interests	389,387	29,553	418,940
Fair value of the Group's previously held equity instruments designated at FVTOCI – Jiaxing Fangyan	–	100,000	100,000
Fair value of the Group's previously held equity interests in joint ventures – Jianian Dingsheng	389,387	–	389,387
	794,667	1,130,089	1,924,756

47. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of property projects and other assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2018 (continued)

The fair value of the Group's previously held equity interests in Jianian Dingsheng is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interests in joint ventures amounting to RMB384,487,000 was recognised as gain on remeasurement during the year ended 31 December 2018.

	Acquisition of Jianian Dingsheng under business combination RMB'000	Purchase of assets and liabilities in aggregate RMB'000	Total RMB'000
Net cash inflow (outflow) arising on acquisitions			
Cash consideration paid in current year	–	(184,100)	(184,100)
Capital injected by the Group	(15,893)	–	(15,893)
Bank balances and cash acquired	476,100	24,834	500,934
	460,207	(159,266)	300,941

(b) Acquisition of property operation businesses

For the year ended 31 December 2019

During the year ended 31 December 2019, the Group acquired the following companies at a total consideration of RMB101,428,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes businesses combination. The transactions have been accounted for using the purchase method accordingly. The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property operation services.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition date	Equity interest acquired	Principal activities
北京達爾文國際酒店物業管理有限公司 Beijing Darwin International Hotel Property Management Co., Ltd. ("Beijing Darwin")	97,920	31 March 2019	51%	Provision of property operation services
深圳市閑閑科技有限公司 Shenzhen Xianxian Technology Co., Ltd.	1,808	31 March 2019	72%	Provision of property operation services
泰安市好生活物業管理有限公司 Taian Good Living Property Management Co., Ltd.	1,700	30 September 2019	60%	Provision of property operation services

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2019 (continued)

Total consideration transferred

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Cash	23,618	988	24,606
Deposits paid in prior years	59,168	1,500	60,668
Consideration payables due within one year included in trade and other payables	15,134	1,020	16,154
	97,920	3,508	101,428

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Property, plant and equipment	383	15	398
Intangible assets	82,400	1,472	83,872
Interest in an associate	842	–	842
Trade and other receivables	12,093	2,880	14,973
Bank balances and cash	31,235	325	31,560
Contract liabilities	(18,644)	–	(18,644)
Trade and other payables	(25,909)	(3,069)	(28,978)
Deferred tax liabilities	(20,600)	(368)	(20,968)
	61,800	1,255	63,055

As at the date of acquisitions during the year ended 31 December 2019, the trade and other receivables acquired with a fair value of RMB14,973,000 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2019 (continued)

The fair value of intangible assets acquired in business combination as at the date of acquisitions is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	Beijing Darwin RMB'000	**Others RMB'000**	**Total RMB'000**
Consideration transferred	97,920	3,508	101,428
Add: Non-controlling interests	30,282	543	30,825
Less: Fair value of net identifiable assets acquired	(61,800)	(1,255)	(63,055)
	66,402	2,796	69,198

At the acquisition dates during the year ended 31 December 2019, the non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets/liabilities amounting to RMB30,825,000.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2019, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

As at the date of acquisitions during the year ended 31 December 2019, intangible assets of RMB83,872,000 in relation to the acquisition of subsidiaries under property management services segment have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes.

Net cash inflow arising on acquisitions

	RMB'000
Cash consideration paid	(24,606)
Less: bank balances and cash acquired	31,560
	6,954

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2018

During the year ended 31 December 2018, the Group acquired the following companies at a total consideration of RMB51,877,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes businesses combination. The transactions have been accounted for using the purchase method accordingly. The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property operation services.

Name of subsidiaries acquired	**Consideration RMB'000**	**Acquisition date**	**Equity interest acquired**	**Principal activities**
泗陽嘉華物業管理有限公司 Siyang Jiahua Property Management Co., Ltd.	2,580	31 March 2018	80%	Provision of property operation services
江蘇志遠物業服務有限公司 Jiangsu Zhiyuan Property Services Co., Ltd.	3,009	31 March 2018	85%	Provision of property operation services
杭州卓盛物業管理有限公司 Hangzhou Zhuosheng Property Management Co., Ltd.	33,988	31 December 2018	80%	Provision of property operation services
柳州市中實物業服務有限責任公司 Liuzhou Zhongshi Property Services Co., Ltd.	11,000	31 December 2018	90%	Provision of property operation services
宿遷中尚物業管理有限公司 Suqian Zhongshang Property Management Co., Ltd.	1,300	31 December 2018	90%	Provision of property operation services

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2018 (continued)

Total consideration transferred

	RMB'000
Cash	130
Deposits paid in prior years	51,747
	51,877

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	RMB'000
Property, plant and equipment	2,100
Intangible assets	8,920
Trade and other receivables	60,358
Bank balances and cash	8,474
Trade and other payables	(53,195)
Contract liabilities	(12,380)
Amounts due to certain subsidiaries of the Company	(1,760)
Amounts due to non-controlling shareholders of the subsidiaries of the Company	(4,243)
Tax liabilities	(756)
Deferred tax liabilities	(2,230)
	5,288

As at the date of acquisitions during the year ended 31 December 2018, the trade and other receivables acquired with a fair value of RMB60,358,000 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination as at the date of acquisitions is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

For the year ended 31 December 2019

47. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of property operation businesses (continued)

For the year ended 31 December 2018 (continued)

Goodwill arising on acquisitions

	RMB'000
Consideration transferred	51,877
Add: Non-controlling interests	207
Less: Fair value of net identifiable assets acquired	(5,288)
	46,796

At the acquisition dates during the year ended 31 December 2018, the non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets/liabilities amounting to RMB207,000.

As at the date of acquisitions during the year ended 31 December 2018, intangible assets of RMB8,920,000 in relation to the acquisition of subsidiaries under property management services segment have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes.

Net cash inflow arising on acquisitions

	RMB'000
Cash consideration paid	(130)
Less: bank balances and cash acquired	8,474
	8,344

48. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 31 December 2019

(i) During the year ended 31 December 2019, the Group disposed of its 51% equity interests in Tangshan Jinsheng Real Estate Co., Ltd. (唐山金盛房地產開發有限公司) which is engaged in property development in the PRC, through the disposal of its 100% equity in Beijing Fantasia Real Estate Co., Ltd. (北京市花樣年房地產開發有限公司), to an independent third party for a consideration of RMB85,750,000.

(ii) During the year ended 31 December 2019, the Group disposed of its 67% equity interests in Wuhan Jialun Chengtai Commercial Co., Ltd. (武漢市嘉倫誠泰商貿有限公司) which is engaged in property development in the PRC, to an independent third party for a consideration of RMB33,835,000.

For the year ended 31 December 2018

(i) During the year ended 31 December 2018, the Group disposed of its 100% equity interests in Jiangxi Yinsheng Real Estate Co., Ltd. (江西銀盛房地產開發有限公司) which is engaged in property development in the PRC, to an independent third party for a consideration of RMB10,000,000.

(ii) During the year ended 31 December 2018, the Group disposed of its 100% equity interests in Chengdu Yuzhan Xiangyue Industrial Co., Ltd. (成都禦棧香悅實業有限公司) which is engaged in hotel operation, to an independent third party for a consideration of RMB99,079,000.

(iii) During the year ended 31 December 2018, the Group disposed of its 61% equity interest in Shenzhen Feigao Zhizhuo Industrial Co., Ltd. (深圳市飛高至卓實業有限公司) which is engaged in property development in the PRC, to an independent third party for a consideration of RMB884,500,000.

(iv) In December 2018, the Group disposed of its entire equity interests in Foshan Colour Life Property Management Co., Ltd. (佛山市彩生活物業管理有限公司) which is engaged in provision of property management services in the PRC, to an independent third party for a consideration of RMB60,000,000.

(v) In December 2018, the Group disposed of its entire equity interests in Heyuan Colour Life Property Management Co., Ltd. (河源彩生活物業管理有限公司) which is engaged in provision of property management services in the PRC, to an independent third party for a consideration of RMB22,000,000.

(vi) In December 2018, the Group disposed of its entire equity interests in Changsha Xiangwang Property Management Co., Ltd. (長沙祥旺物業管理有限公司) which is engaged in provision of property management services in the PRC, to an independent third party for a consideration of RMB500,000.

For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	2019 RMB'000	2018 RMB'000
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	4,009	74,986
Equity instrument designated at FVTOCI	–	1,300
Goodwill	–	6,831
Trade and other receivables	24,297	59,972
Properties for sale	524,426	438,703
Tax recoverable	–	10,897
Amounts due from certain subsidiaries of the Company	–	22,386
Bank balances and cash	6,290	18,349
Trade and other payables	(53,350)	(64,290)
Contract liabilities	–	(224,718)
Borrowings	(220,000)	–
Amounts due to certain subsidiaries of the Company	(167,768)	(24,442)
Net assets disposed of	117,904	319,974
Gain on disposal of subsidiaries:		
Cash consideration	115,750	1,044,079
Consideration receivables	3,835	32,000
	119,585	1,076,079
Add: non-controlling interest	14,035	70,233
Less: net assets disposed of	(117,904)	(319,974)
	15,716	826,338
Net cash inflow arising on disposal:		
Cash consideration	115,750	1,044,079
Bank balances and cash disposed of	(6,290)	(18,349)
	109,460	1,025,730

48. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2019

(i) During the year ended 31 December 2019, an independent investor injected capital in the form of registered capital amounting to RMB4,500,000 to Sichuan Danxing Commercial Co., Ltd. (四川互興商貿有限公司) ("Sichuan Danxing"), a wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Sichuan Danxing from 100% to 91%. The Group still have control over the relevant activities of Sichuan Danxing after the partial disposal. The difference of RMB1,000 between the capital injected by the independent investor and the attributable equity interest in Sichuan Danxing disposed after taking into account of the relevant attributable accumulated profit of Sichuan Danxing amounting to RMB2,830,000 was credited to special reserve. Sichuan Danxing is engaged in property development in the PRC. As at 31 December 2019, the capital was fully injected to Sichuan Danxing.

(ii) During the year ended 31 December 2019, the Group disposed of its 45% equity interest in Wuhan Xinchengkai Industrial Co., Ltd. (武漢欣誠開實業有限公司) ("Wuhan Xinchengkai"), to an independent third party, for a cash consideration of RMB2,250,000. The Group retained 55% equity interest in Wuhan Xinchengkai and still have control over the relevant activities of Wuhan Xinchengkai after the partial disposal. The difference of RMB2,250,000 between the consideration received and the proportionate share of the net assets of Wuhan Xinchengkai by the non-controlling shareholder after taking into account of the relevant attributable accumulated profit of Wuhan Xinchengkai amounting to RMB10,180,000 was credited to special reserve. Wuhan Xinchengkai is engaged in property development in the PRC. As at 31 December 2019, the consideration was fully settled.

(iii) During the year ended 31 December 2019, Colour Life issued 87,246,000 new ordinary shares at subscription price of HKD5.22 per share to two independent shareholders at a total consideration of RMB435,343,000. The Group's percentage of equity interest in Colour Life was diluted from 55.35% to 51.69% upon completion of the issuance of shares. The difference of RMB167,359,000 between the additional share of net assets of Colour Life by non-controlling shareholders and the net proceeds received by Colour Life on placement of new shares after taking into account of the relevant attributable accumulated profits of Colour Life amounting to RMB57,693,000, was credited to special reserve.

For the year ended 31 December 2018

During the year ended 31 December 2018, the Group transferred its 100% beneficially interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) and its subsidiaries (collectively referred to as the "Wanxiangmei Group"), which are principally engaged in provision of property management services in the PRC, to Colour Life, a non-wholly owned subsidiary of the Company (the "Transaction"). The consideration of the Transaction included the cash consideration of RMB1,014,174,000 and the issue of 231,500,000 ordinary shares of Colour Life to the Company. The Group's percentage of equity interest in Colour Life was increased from 46.53% to 55.95% upon completion of the Transaction. The Transaction involved deemed disposal of partial interests in Wanxiangmei Group without loss of control and the acquisition of additional interests in Colour Life. Upon the completion of the Transaction in March 2018, the difference of RMB185,493,000 between the dilution of interests in Wanxiangmei Group held by the Company and the additional share of the net assets of Colour Life after adjusting for the relevant attributable accumulated profits of Colour Life, was debited to the special reserve.

48. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2019

(i) In June 2019, an independent investor injected capital in the form of registered capital amounting to RMB10,000,000 to Wuhan Xiangyun Jinrui Property Development Co., Ltd.（武漢祥雲錦瑞房地產開發有限公司）("Wuhan Xiangyun"). After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 100% to 50%. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 50% equity interest in Wuhan Xiangyun was classified as interest in a joint venture. Wuhan Xiangyun holds a parcel of land located in Wuhan, the PRC and is engaged in property development of the aforesaid land.

(ii) In August 2019, the Group entered into a series of investment agreements with an independent investor regarding the equity investment in Shenzhen Yushi. Upon completion of the investment, the beneficial interests, profit sharing and voting rights held by the Group was diluted from 100% to 51%. The total equity investment received or receivable from the independent investor of RMB1,108,153,000 of which RMB428,589,000 was settled by the independent investor before 31 December 2019 and the remaining balance of RMB679,564,000 will be settled within five years. The fair value of the outstanding balance at 31 December 2019 is determined to be RMB479,823,000 at an effective interest rate of 9.28% per annum. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 51% equity interest in Shenzhen Yushi was classified as interest in a joint venture. Shenzhen Yushi holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

(iii) In October 2019, an independent investor injected capital in the form of registered capital amounting to RMB320,000,000 to Shenzhen Fantasia. After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 100% to 50%. As all of the strategic financial and operating decisions required approval by unanimous consent of the Group and the independent investor, the remaining 50% equity interest in Shenzhen Fantasia was classified as interest in a joint venture. Shenzhen Fantasia holds a parcel of land located in Shenzhen, the PRC and is engaged in property development of the aforesaid land.

For the year ended 31 December 2018

In January 2018, the Group and an independent investor ("Investor") have agreed, in written, that the Investor will acquire 64.30% equity interest in Beijing Yaxinke on the condition that the Group has obtained 64.30% shareholding in Beijing Yaxinke. The agreement for the acquisition of Beijing Yaxinke was entered into by the Group and the Investor in August 2018. The total payment settled by the Investor is RMB2,198,000,000 which included (1) RMB500,000,000 returned to the Group for the capital injection to Beijing Yanxinke which represents 40.36% equity interest in Beijing Yaxinke; (2) RMB460,020,000 returned to the Group for the acquisition of the 23.94% equity interest in Beijing Yaxinke and (3) RMB1,237,980,000 paid to the Group for the acquisition of shareholder's loans owed by Beijing Yaxinke to the Group. Upon completion of the acquisition in August 2018, the Group's shareholding in Beijing Yaxinke was diluted from 59.85% to 35.69% and the Investor holds 64.30% equity interests in Beijing Yaxinke in aggregate. In accordance with the amended Article and Association, the board of directors of Beijing Yaxinke, the governing body which directs the relevant activities that significantly affect the returns of Beijing Yaxinke, consists of seven directors of which the Group and the Investor can appoint four directors and three directors, respectively, and the approval of relevant activities of Beijing Yaxinke require two third of directors' votes, therefore, Beijing Yaxinke is jointly controlled by the Group and classified as interest in a joint venture. Beijing Yaxinke hold a parcels of land located in Beijing and a manufacturing plant located in Tianjin in the PRC.

48. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries were as follows:

	2019 RMB'000	2018 RMB'000
Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows:		
Premium on prepaid lease payments	–	811,101
Prepaid lease payments	–	41,044
Property, plant and equipment	197	317,693
Properties under development for sale	4,337,645	–
Trade and other receivables	322,977	797,757
Amounts due from certain subsidiaries of the Company	54,830	–
Bank balances and cash	529,069	–
Trade and other payables	(696,089)	(389,189)
Amounts due to certain subsidiaries of the Company	(1,859,948)	(1,285,788)
Borrowings	(2,400,000)	–
Deferred tax liabilities	–	(298,897)
	288,681	(6,279)
Gain on remeasurment and disposal of subsidiaries:		
Cash received during the year	428,589	1,237,980
Consideration receivables	479,823	–
Total considerations	908,412	1,237,980
Non-controlling interest	–	151,850
Fair value of retained equity interests in joint ventures		
– Shenzhen Yushi	953,876	–
– Shenzhen Fantasia	335,328	–
– Wuhan Xiangyun	10,000	–
– Beijing Yaxinke	–	721,652
	1,299,204	721,652
	2,207,616	2,111,482
Less: Net (assets) liabilities disposed of	(288,681)	6,279
Assignment of shareholder's loans owed by Beijing Yaxinke to the Investor	–	(1,285,788)
	1,918,935	831,973

For the year ended 31 December 2019

48. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

	2019 RMB'000	2018 RMB'000
Classified as:		
Gain on remeasurement included in other gains and losses	989,748	384,487
Gain on disposal of subsidiaries	929,187	447,486
	1,918,935	831,973
Net cash (outflow) inflow arising on disposal:		
Cash consideration	428,589	1,237,980
Bank balances and cash disposed of	(529,069)	–
	(100,480)	1,237,980

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to related parties RMB'000 (note 38)	Borrowings RMB'000 (note 39)	Lease liabilities/ obligation under finance leases RMB'000 (note 40 and 41)	Senior notes and bonds RMB'000 (note 42)	Asset-backed securities issued RMB'000 (note 43)	Dividend payables RMB'000	Total RMB'000
At 1 January 2019 (Adjusted)	356,189	19,155,554	379,281	24,207,743	260,419	–	44,359,186
Financing cash flows	487,664	(2,659,574)	(81,358)	(595,213)	(160,782)	(422,770)	(3,432,033)
Interest paid	–	(1,294,709)	(35,745)	(2,263,028)	(20,850)	–	(3,614,332)
Finance cost incurred during the year (note 9)	–	1,294,709	35,745	2,382,217	20,861	–	3,733,532
Inception of leases	–	–	146,473	–	–	–	146,473
Disposal of subsidiaries (note 48)	–	(2,620,000)	–	–	–	–	(2,620,000)
Loss on repurchase, early redemption and modification of senior notes and bonds and asset-backed securities issued	–	–	–	817	4,900	–	5,717
Foreign exchange	–	109,382	–	350,734	–	–	460,116
Dividend declared to shareholders of the Company (note 13)	–	–	–	–	–	195,940	195,940
Dividend declared to non-controlling shareholders of the subsidiaries	–	–	–	–	–	226,830	226,830
At 31 December 2019	843,853	13,985,362	444,396	24,083,270	104,548	–	39,461,429
At 1 January 2018	27,756	9,863,645	310,992	19,804,942	227,737	–	30,235,072
Financing cash flows	328,433	5,424,135	(68,178)	3,248,908	26,986	(427,768)	8,532,516
Interest paid	–	(1,221,870)	–	(1,630,264)	(16,387)	–	(2,868,521)
Finance cost incurred during the year (note 9)	–	1,221,870	15,631	1,942,299	22,083	–	3,201,883
Inception of finance leases	–	–	43,678	–	–	–	43,678
Acquisition of subsidiaries (note 47)	–	3,734,730	–	–	–	–	3,734,730
Loss on repurchase, early redemption and modification of senior notes and bonds	–	–	–	49,325	–	–	49,325
Foreign exchange	–	133,044	3,921	792,533	–	–	929,498
Dividend declared to shareholders of the Company (note 13)	–	–	–	–	–	329,217	329,217
Dividend declared to non-controlling shareholders of the subsidiaries	–	–	–	–	–	98,551	98,551
At 31 December 2018	356,189	19,155,554	306,044	24,207,743	260,419	–	44,285,949

For the year ended 31 December 2019

50. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to joint ventures, associates, non-controlling shareholders of the subsidiaries of the Company and related parties as disclosed in note 38, borrowings as disclosed in note 39, lease liabilities as disclosed in note 40, obligations under finance leases as disclosed in note 41, senior notes and bonds as disclosed in note 42, asset-backed securities issued as disclosed in note 43, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, senior notes and bonds and asset-backed securities issued to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

51. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	29,209,165	32,336,900
Financial assets at FVTPL	1,449,051	2,127,196
Equity instruments designated at FVTOCI	60,086	51,551
Derivative financial instruments	1,241	–
Financial liabilities		
Financial liabilities measured at amortised cost	44,561,649	50,872,196
Derivative financial instruments	32,704	–

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, financial assets at FVTPL, equity instruments designated at FVTOCI, derivative financial instruments, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of subsidiaries of the Company, joint ventures and associates, borrowings, senior notes and bonds, asset-backed securities issued, lease liabilities/obligations under finance leases and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly has bank balances, borrowings, lease liabilities/obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The Group entered into foreign currency forward contracts and foreign currency option contracts to hedge certain material senior notes denominated in foreign currency. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. Details of the foreign currency forward contracts and foreign currency option contracts entered into by the Group at the end of the reporting period are set out in note 45.

For the year ended 31 December 2019

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward contracts and the foreign currency option contracts match the critical terms of the fixed rate senior notes dominated in USD (i.e. notional amount of the foreign currency forward contracts and the foreign currency option contracts, outstanding principal amounts of the senior notes, maturity dates, interest payments and principal repayment dates) while there are knock out features in those foreign currency forward contracts and foreign currency option contracts. Details of the terms of the foreign currency forward contracts and foreign currency option contracts are disclosed in note 45. The Group does not hedge 100% of its senior notes.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2019 RMB'000	2018 RMB'000
Assets		
USD	223,293	660,827
HKD	60,509	1,170,454
SGD	55,999	157,689
JPY	8,113	23,391
Liabilities		
USD	18,340,921	17,653,480
HKD	134,367	–
SGD	2,417	32,051

Other than the derivative contracts entered into by the Group as mentioned above, the Group currently does not enter into any other derivative contracts to minimise the currency risk exposure. However, the management will consider further hedging significant currency risk should the need arise.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, HKD, SGD and JPY against RMB.

The sensitivity analyses below were prepared based on the Group's sensitivity to a 10% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (taking into consideration of certain senior notes with foreign currency forward contracts and foreign currency option contracts designated as the relevant hedging instruments) and adjusts their translation at the year end for a 10% change in foreign currency rates. Accordingly, the sensitivity analysis includes bank balances, borrowings, lease liabilities, obligations under finance leases and senior notes (taking into consideration of those senior notes subject to foreign currency forward contracts and foreign currency option contracts designated as hedging instruments). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis also includes bank balances, borrowings, lease liabilities/obligations under finance leases and senior notes. A positive (negative) number indicates an increase (a decrease) in profit for the year.

Foreign currency sensitivity analysis

The impact of RMB strengthening for 10% against the relevant currencies are as follow:

	2019 RMB'000	2018 RMB'000
USD		
Increase in profit for the year	1,550,663	1,699,265
HKD		
Increase (decrease) in profit for the year	7,386	(117,045)
SGD		
Decrease in profit for the year	(5,358)	(12,564)
JPY		
Decrease in profit for the year	(811)	(2,339)

For the year ended 31 December 2019

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity analysis (continued)

The impact of RMB weakening for 10% against the relevant currencies are as follow:

	2019 RMB'000	2018 RMB'000
USD		
Decrease in profit for the year	(1,704,928)	(1,699,265)
HKD		
(Decrease) increase in profit for the year	(7,386)	117,045
SGD		
Increase in profit for the year	5,358	12,564
JPY		
Increase in profit for the year	811	2,339

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables included in trade and other receivables, borrowings, lease liabilities/obligation under finance leases, senior notes and bonds and asset-backed securities issued.

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rates.

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25 basis points (2018: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2018: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would have increased/decreased by RMB43,206,000 (2018: RMB53,513,000) assuming the interests on such borrowings would not be capitalised.

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would have decreased/increased by RMB18,788,000 (2018: RMB35,597,000), assuming the interest on such borrowings would not be capitalised.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2019 and 2018, other than those financial assets whose carrying best present the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 56.

Trade receivables, contract assets and payments on behalf of residents included in other receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality then applies internal credit rating and defines credit limits by customers. The Group reviews the customer's credit quality on a timely basis and carried out monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on contract assets and payments on behalf of residents individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the contract assets in relation to the construction of properties for the government which is considered to be at low credit risk, the Group had no concentration of credit risk in respect of the trade receivables, contract assets and payments on behalf of residents with exposure spread over a number of counter parties.

Other receivables (excluding payments on behalf of residents), amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties, restricted/pledged bank deposits and bank balances

The credit risk of other receivables (excluding payments on behalf of residents), amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the subsidiaries of the Company with these relevant non-controlling shareholders, associates, joint ventures and related parties. Based on assessment under ECL model by the directors of the Company, the expected credit loss on other receivables (excluding payments on behalf of residents and loan receivables), loan receivables and amount due from a joint venture for the year ended 31 December 2019 was RMB38,951,000 (2018: nil), RMB16,250,000 (2018: nil) and RMB8,606,000 (2018: nil), respectively. Details of the quantitative disclosures are set out below in this note.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC, Singapore and Japan.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
Trade receivables						
– property development receivables	N/A	(i)	34	Life-time ECL (individual assessment)	1,361,356	880,046
– property operation services, sales of fuel pumps and lease receivables	N/A	(i)	34	Life-time ECL (provision matrix)	643,944	773,991
				Life-time ECL (credit-impaired and individual assessment)	582,020	365,965
					2,587,320	2,020,002
Contract assets						
– construction of properties	N/A	Low risk	32	Life-time ECL (individual assessment)	692,359	370,999
– others	N/A	N/A	32	Life-time ECL (provision matrix)	70,522	81,941
					762,881	452,940
Payments on behalf of residents	N/A	(ii)	34	Life-time ECL (provision matrix)	740,732	648,373
(included in other receivables)	N/A	(ii)	34	Life-time ECL (credit-impaired and individual assessment)	331,888	262,593
					1,072,620	910,966
Loan receivables	N/A	(iii)	34	12m ECL	193,224	247,211
(included in other receivables)				Life-time ECL (credit-impaired and individual assessment)	32,500	–

For the year ended 31 December 2019

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial guarantees (continued)

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
					225,724	247,211
Amount due from a joint venture (non-current)	N/A	(iv)	26	Life-time ECL (individual assessment)	81,505	–
				12m ECL	–	81,505
					81,505	81,505
Other receivables (excluding payments on behalf of residents and loan receivables), remaining amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties	N/A	(v)	34/26	12m ECL	2,458,238	692,550
				Life-time ECL (individual assessment)	38,951	–
					2,497,189	692,550
Restricted/pledged bank deposits and bank balances	AAA	Low risk	35	12m ECL	23,043,008	28,540,319
Financial guarantee contracts	N/A	Low risk	56	12m ECL	12,482,714	9,789,678

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables arising from property operation services, sale of fuel pumps and leases of investment properties which are assessed collectively based on provision matrix or individually as at 31 December 2019 and 2018.

For trade receivables arising from property development, the amount of the loss allowance at 31 December 2019 and 2018 was considered as insignificant to the consolidated financial statements of the Group.

For trade receivables arising from property operation services, sales of fuel pumps and lease receivables in which impairment loss allowance was made:

		2019			2018		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**
0 – 30 days	Not credit-impaired	0.50%	416,384	2,082	0.5%	462,553	2,313
31 – 90 days	Not credit-impaired	2.00%	227,560	4,551	2.0%	311,438	6,229
91 – 180 days	Credit-impaired	6.00%	265,481	15,929	6.0%	212,352	12,741
181 – 365 days	Credit-impaired	12.00%	246,174	29,541	12.0%	83,435	10,012
Over 1 year	Credit-impaired	45.00%	70,365	31,664	45.0%	70,178	31,580
			1,225,964	83,767		1,139,956	62,875

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

For the year ended 31 December 2019

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities for which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations, the amounts are credit-impaired and the Group has low realistic prospect of recovery.
Type II	Communities for which the Group provides for the pre-delivery property management services for the property developers before the properties are delivered to owners, the property developers have a lower risk of default and a stronger capability to meet contractual cash flows than individual residents.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix or individually as at 31 December 2019 and 2018.

		2019			**2018**		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**
Type I	Credit-impaired	95.0%	98,409	93,489	95.0%	80,116	76,110
Type II	Not credit-impaired	5.0%	110,838	5,542	5.0%	95,554	4,778
Type III	Not credit-impaired	1.0%	629,894	6,299	1.0%	552,819	5,528
Type IV	Credit-impaired	20.0%	233,479	46,696	20.0%	182,477	36,495
			1,072,620	152,026		910,966	122,911

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(iii) Loan receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

Included in loan receivables, the principal amount of RMB32,500,000 are past due. During the year ended 31 December 2019, the Group entered into a series of agreement with the borrower, the individual shareholder of the borrower and an independent investor, in relation to debt and equity transfer arrangement. Under the arrangement, the independent investor is to acquire the equity interests of the borrower from the individual shareholder and the consideration of RMB35,000,000 is to be transferred to the Group directly for settlement of the loan receivables. However, the aforesaid transaction is not completed and the loan receivable is past due. The Group has initiated a legal proceeding in Shenzhen Longhua District People's Court (the "Relevant Court") regarding the debt transfer contract. The Relevant Court has made a notice to seize the equity interests of three subsidiaries of the borrower to secure the payment of the principal amount to the Group. The alleged value of the seized equity interests is RMB35,266,000. Up to 31 December 2019, the legal proceeding has not been completed. In the opinion of the directors of the Company, the risk of default by these counterparties is significantly increased and the Group provided RMB16,250,000 (2018: nil) credit loss allowance during the year ended 31 December 2019.

The remaining balances of loan receivables amounting to RMB193,224,000 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

(iv) Amount due from a joint venture (non-current)

During the year ended 31 December 2018, the Group entered into a cooperative agreement with three independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the formation establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture. The gross amount due from a joint venture of RMB81,505,000 as at 31 December 2018 and 2019 represented funds advanced by the Group for its purchases of property, plant and equipment. The balance is expected to be settled in three years since the incorporation of the joint venture.

During the year ended 31 December 2019, the joint venture suffered losses in the sub-leasing business and is in financial difficulty. In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group provided RMB8,606,000 (2018: nil) credit loss allowance under life-time ECL (2018: 12m ECL) during the year ended 31 December 2019.

For the year ended 31 December 2019

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(v) Other receivables (excluding payments on behalf of residents and loan receivables), remaining amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

In relation to the past-due balance of RMB38,951,000 included in the other receivables as at 31 December 2019, there was information indicating that the debtors were in severe financial difficultly and there is no realistic prospect of recovery. In the opinion of the directors of the Company, the risks of default by the debtors are significantly increased and the Group provided RMB38,951,000 credit loss allowance during the year ended 31 December 2019.

The remaining balances RMB2,264,766,000 of other receivables (excluding payments on behalf of residents and loan receivables), remaining amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties as at 31 December 2019 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

As at 31 December 2018, the balances of other receivables (excluding payments on behalf of residents), amounts due from non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures were all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties was not significant and thus the Group assessed that the ECL on these balances were insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to joint ventures, associates and non-controlling shareholders of subsidiaries of the Company, borrowings, senior notes and bonds and asset-backed securities issued as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected exchange rates at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

51. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

	Weighted average effective interest rate %	On demand or less than 3 month RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019							
Non-derivative financial liabilities							
Trade and other payables	–	2,413,733	1,349,785	1,781,098	–	5,544,616	5,544,616
Amounts due to related parties	–	843,853	–	–	–	843,853	843,853
Borrowings							
–fixed rate	8.50	1,327,160	3,885,117	5,027,516	–	10,239,793	8,975,234
–variable rate	9.27	533,815	1,649,833	3,424,574	–	5,608,222	5,010,128
Lease liabilities	9.28	31,506	94,517	286,202	170,483	582,708	444,396
Senior notes and bonds	10.11	2,122,967	5,839,872	22,360,573	–	30,323,412	24,083,270
Asset-backed securities issued	6.45	64,813	26,273	20,170	–	111,256	104,548
Financial guarantee contracts	–	12,482,714	–	–	–	12,482,714	–
Derivatives – net settlement							
Derivative financial instruments	–	–	19,253	22,385	–	41,638	32,704
		19,820,561	12,864,650	32,922,518	170,483	65,778,212	45,038,749
At 31 December 2018							
Non-derivative financial liabilities							
Trade and other payables	–	4,882,862	1,484,890	524,539	–	6,892,291	6,892,291
Amounts due to related parties	–	356,189	–	–	–	356,189	356,189
Borrowings							
–fixed rate	9.08	1,778,025	4,967,116	4,172,796	248,717	11,166,654	9,662,982
–variable rate	7.64	789,922	1,880,608	6,547,101	1,670,425	10,888,056	9,492,572
Obligations under finance leases	4.88	20,487	61,460	206,521	56,361	344,829	306,044
Senior notes and bonds	9.43	3,414,802	6,502,467	21,872,910	–	31,790,179	24,207,743
Asset-backed securities issued	6.39	36,747	71,550	183,046	–	291,343	260,419
Financial guarantee contracts	–	9,789,678	–	–	–	9,789,678	–
		21,068,712	14,968,091	33,506,913	1,975,503	71,519,219	51,178,240

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

51. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		**Fair value**	**Valuation technique**
	2019	**2018**	**hierarchy**	**and key input**
	RMB'000	**RMB'000**		
Financial assets at FVTPL				
– Money market fund investments	29,051	89,196	Level 3	Market approach – Expected performance of government debentures, treasury notes, corporate bonds and short-term fixed deposits.
– Debt Instrument	1,420,000	2,038,000	Level 3	Probability weighted expected return model – Fair value is estimated based on expected value, discount rate and probability of outcome of judicial auction.
Equity instruments designated at FVTOCI	60,086	51,551	Level 3	Discounted cash flow – Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return.
Derivative financial instruments	Assets: 1,241	–	Level 2	Discounted cash flow – Fair value is estimated based on, inter alia, the contracted exchange rate and the forward rate.
	Liabilities: 32,704	–		

51. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	2019 Carrying amount RMB'000	2019 Fair value RMB'000	2018 Carrying amount RMB'000	2018 Fair value RMB'000
Senior notes	Level 1	18,287,277	18,659,519	18,226,807	15,520,865
Listed corporate bonds	Level 1	5,646,207	5,640,375	4,086,177	4,053,355
Unlisted corporate bonds	Level 3	149,786	152,666	1,894,759	1,916,019
Asset-backed securities issued	Level 3	104,548	175,531	260,419	268,483

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

52. OPERATING LEASE

The Group as lessee

	31 December 2018 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	40,381

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018 RMB'000
Within one year	22,431
In the second to the fifth year inclusive	79,315
After five years	69,215
	170,961

As at 31 December 2018, operating lease payments represented rentals payable by the Group for certain offices premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

For the year ended 31 December 2019

52. OPERATING LEASE (continued)

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 1 to 20 years respectively.

Minimum lease payments receivable on leases are as follows:

	31 December 2019 **RMB'000**
Within one year	256,709
In the second year	216,840
In the third year	183,843
In the fourth year	151,403
In the fifth year	115,084
After five years	595,849
	1,519,728

The Group had contracted with tenants for the following future minimum lease payments:

	31 December 2018 **RMB'000**
Within one year	192,107
In the second to the fifth year inclusive	490,377
After the fifth year	152,703
	835,187

53. CAPITAL AND OTHER COMMITMENTS

	2019 **RMB'000**	**2018** **RMB'000**
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	12,506,925	9,117,151
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	1,284,716	1,804,001
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	34,302	61,106
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	26,672	29,203

54. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors of the Company at their discretion. The expiry date of the Options may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

During the year ended 31 December 2019, 4,204,000 share options (2018: 151,000 share options) granted by the Company were lapsed.

As at 31 December 2019, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 75,098,000 (2018: 84,028,000) of HKD0.1 each, representing approximately 1.3% (2018: 1.5%) of the issued share capital of the Company.

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54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

Details of the share options granted under the Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2019 and 2018:

Category grantees	Date of grant	Vesting period	Outstanding at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019
Directors	29 August 2011	29/8/2011 – 28/8/2012	1,158,000	–	–	–	1,158,000	–	(80,000)	–	1,078,000
		29/8/2011 – 28/8/2013	2,617,000	–	–	–	2,617,000	–	(181,000)	–	2,436,000
		29/8/2011 – 28/8/2014	7,805,000	–	–	–	7,805,000	–	(539,000)	–	7,266,000
	16 October 2012	16/10/2012 – 15/10/2013	1,435,000	–	–	–	1,435,000	–	(340,000)	(17,000)	1,078,000
		16/10/2012 – 15/10/2014	3,067,000	–	–	–	3,067,000	–	(728,000)	(31,000)	2,308,000
		16/10/2012 – 15/10/2015	9,848,000	–	–	–	9,848,000	–	(2,336,000)	(118,000)	7,394,000
			25,930,000	–	–	–	25,930,000	–	(4,204,000)	(166,000)	21,560,000
Employees	29 August 2011	29/8/2011 – 28/8/2012	2,840,000	–	(15,000)	(85,000)	2,740,000	–	–	(414,000)	2,326,000
		29/8/2011 – 28/8/2013	5,378,000	–	(30,000)	(170,000)	5,178,000	–	–	(828,000)	4,350,000
		29/8/2011 – 28/8/2014	20,180,000	–	(106,000)	(593,000)	19,481,000	–	–	(2,900,000)	16,581,000
	16 October 2012	16/10/2012 – 15/10/2013	3,077,000	–	–	(7,000)	3,070,000	–	–	(41,000)	3,029,000
		16/10/2012 – 15/10/2014	5,958,000	–	–	(15,000)	5,943,000	–	–	(86,000)	5,857,000
		16/10/2012 – 15/10/2015	21,738,000	–	–	(52,000)	21,686,000	–	–	(291,000)	21,395,000
			59,171,000	–	(151,000)	(922,000)	58,098,000	–	–	(4,560,000)	53,538,000
Total			85,101,000	–	(151,000)	(922,000)	84,028,000	–	(4,204,000)	(4,726,000)	75,098,000
Exercisable at the end of the year							84,028,000				75,098,000
Weighted average exercise price (HKD)							0.82				0.82
Weighted average exercise price at the date of exercise (HKD)						0.83				0.83	

In respect of the Company's share options exercised during the year, the weighted average share price at the dates of exercise was HKD1.42 (2018: HKD1.51).

The closing price of the shares on the date of grant was HKD0.82 at 29 August 2011 and HKD0.77 at 16 October 2012. Binomial option pricing model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

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54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Share option scheme of the Company (continued)

	16 October 2012	**29 August 2011**
Market price	HKD0.77	HKD0.820
Exercise price	HKD0.80	HKD0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.12%	4.878%

The estimated fair value of the options at the date of grant was RMB16,174,000 on 29 August 2011 and RMB13,682,000 on 16 October 2012, respectively. The Group did not recognise any expense for the years ended 31 December 2019 and 2018 in relation to share options granted by the Company.

(b) Share option scheme of Colour Life

Colour Life, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries and non-controlling shareholders of certain subsidiaries of Colour Life ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Persons to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

As at 31 December 2019, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 84,473,000 (2018: 85,730,000) of HKD0.1 each, representing approximately 5.9% (2018: 6.5%) of the issued share capital of Colour Life.

54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

Details of the share options granted under Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029

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54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by Eligible Persons during the year ended 31 December 2019 and 2018:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019
Directors	29 September 2014	N/A	520,000	–	–	–	520,000	–	–	–	520,000
		29/9/2014 – 28/9/2015	1,064,000	–	–	(50,000)	1,014,000	–	–	–	1,014,000
		29/9/2014 – 28/9/2016	1,064,000	–	–	(50,000)	1,014,000	–	–	–	1,014,000
		29/9/2014 – 28/9/2017	548,000	–	–	(50,000)	498,000	–	–	–	498,000
	30 April 2015	30/4/2015 – 29/4/2016	436,000	–	(60,000)	–	376,000	–	–	–	376,000
		30/4/2015 – 29/4/2017	435,000	–	(60,000)	–	375,000	–	–	–	375,000
		30/4/2015 – 29/4/2018	435,000	–	(60,000)	–	375,000	–	–	–	375,000
	18 March 2016	18/3/2016 – 17/3/2017	427,000	–	(20,000)	(40,000)	367,000	–	–	–	367,000
		18/3/2016 – 17/3/2018	426,000	–	(20,000)	(40,000)	366,000	–	–	–	366,000
		18/3/2016 – 17/3/2019	426,000	–	(20,000)	(40,000)	366,000	–	–	–	366,000
	27 November 2018	27/11/2018 – 26/11/2019	–	934,000	–	–	934,000	–	–	–	934,000
		27/11/2018 – 26/11/2020	–	933,000	–	–	933,000	–	–	–	933,000
		27/11/2018 – 26/11/2021	–	933,000	–	–	933,000	–	–	–	933,000
			5,781,000	2,800,000	(240,000)	(270,000)	8,071,000	–	–	–	8,071,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,346,000	–	–	(1,203,000)	4,143,000	–	(56,000)	–	4,087,000
		29/9/2014 – 28/9/2015	11,078,000	–	–	(2,519,000)	8,559,000	–	(101,000)	–	8,458,000
		29/9/2014 – 28/9/2016	11,078,000	–	–	(2,519,000)	8,559,000	–	(101,000)	–	8,458,000
		29/9/2014 – 28/9/2017	5,611,000	–	–	(1,313,000)	4,298,000	–	(45,000)	–	4,253,000
	30 April 2015	30/4/2015 – 29/4/2016	5,733,000	–	–	–	5,733,000	–	(206,000)	–	5,527,000
		30/4/2015 – 29/4/2017	5,732,000	–	–	–	5,732,000	–	(206,000)	–	5,526,000
		30/4/2015 – 29/4/2018	5,732,000	–	–	–	5,732,000	–	(206,000)	–	5,526,000
	18 March 2016	18/3/2016 – 17/3/2017	8,196,000	–	(7,000)	(2,109,000)	6,080,000	–	(111,000)	(1,000)	5,968,000
		18/3/2016 – 17/3/2018	8,196,000	–	(7,000)	(2,109,000)	6,080,000	–	(111,000)	(1,000)	5,968,000
		18/3/2016 – 17/3/2019	8,195,000	–	(8,000)	(2,109,000)	6,078,000	–	(111,000)	(1,000)	5,966,000
	27 November 2018	27/11/2018 – 26/11/2019	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
		27/11/2018 – 26/11/2020	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
		27/11/2018 – 26/11/2021	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
			74,897,000	16,665,000	(22,000)	(13,881,000)	77,659,000	–	(1,254,000)	(3,000)	76,402,000
Total			80,678,000	19,465,000	(262,000)	(14,151,000)	85,730,000	–	(1,254,000)	(3,000)	84,473,000
Exercisable at the end of the year							59,821,000				65,008,000
Weighted average exercise price (HKD)							6.81				6.78
Weighted average exercise price at the date of exercise (HKD)						6.25				5.76	

In respect of the Colour Life's share options exercised during the year, the weighted average share price at the dates of exercise was HKD5.89 (2018: HKD7.90).

54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme of Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial option pricing model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	**18 March 2016**	**30 April 2015**	**29 September 2014**
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.41	HKD5.76	HKD11.00	HKD6.66
Expected volatility	52.95%	46.20%	46.26%	48.82%
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	1.85%	1.55%	0.83%	0.01%

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB36,249,000 on 27 November 2018, respectively. Colour Life recognised the total expense of RMB13,567,000 (2018: RMB10,788,000) in share options reserve of Colour Life included in non-controlling interests for the year ended 31 December 2019 in relation to share options granted by Colour Life.

(c) Share option scheme of Morning Star

Morning Star, a wholly-owned subsidiary of the Company, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Morning Star's Eligible Employees"). According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HKD1 per option respectively to the Morning Star's Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

As at 31 December 2019, none of Morning Star's shares is to be issued upon the exercise of the option granted under Morning Star's Scheme. As at 31 December 2018, the total number of Morning Star's shares to be issued upon the exercise of all options granted under the Morning Star's Scheme is 2,000,000 of HKD1 each, representing approximately 2% of the issued share capital of Morning Star.

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54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share option scheme of Morning Star (continued)

Details of the share options granted under Morning Star's Scheme is as follows:

Category of grantees	Date of grant	Granted	Vesting period	Exercisable period	Vesting condition
Employees	24 December 2015	2,000,000	25/12/2015 – 30/3/2017	1/4/2017 – 30/4/2017	The net profit of Morning Star for year ending 31 December 2016 meets RMB10,000,000
		3,000,000	25/12/2015 – 30/3/2018	1/4/2018 – 30/4/2018	The net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000
		2,000,000	25/12/2015 – 30/3/2019	1/4/2019 – 30/4/2019	The net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000

The following table of the Company discloses movements of Morning Star's share options held by Eligible Employees during the years ended 31 December 2019 and 2018:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019
Employees	24 December 2015	25/12/2015 – 30/3/2017	–	–	–	–	–	–	–	–	–
		25/12/2015 – 30/3/2018	3,000,000	–	(3,000,000)	–	–	–	–	–	–
		25/12/2015 – 30/3/2019	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–
Total			5,000,000	–	(3,000,000)	–	2,000,000	–	(2,000,000)	–	–
Exercisable at the end of the year							–				–

54. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share option scheme of Morning Star (continued)

Binomial option pricing model had been used to estimate the fair value of these share-based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Morning Star's Eligible Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The expected volatility is based on the historical annualised daily volatilities of comparable companies as if the same sector. Risk-free rate is based on the yield of Hong Kong Exchange Fund Notes as of valuation date as quoted from Bloomberg. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	24 December 2015
Share price	HKD1.85
Exercise price	HKD1.00
Expected volatility	45.5% – 54.6%
Risk-free rate	0.25% – 0.84%
Expected dividend yield	0.0%

Morning Star recognised the total expense of RMB116,000 (2018: RMB773,000) in share options reserve of Morning Star included in non-controlling interests for the year ended 31 December 2019 in relation to share options granted by Morning Star.

(d) Share award scheme of Colour Life

On 4 July 2016, a share award scheme (the "Colour Life's Share Award Scheme") was adopted by Colour Life, to certain employees and consultants of Colour Life, a non-wholly owned subsidiary of the Company, as incentives or rewards for their contribution or potential contribution to Colour Life. The shares to be awarded are repurchased and held by an independent trustee appointed by Colour Life ("Trustee").

Up to 31 December 2017, total of 1,766,000 of Colour Life's shares were acquired by the Trustee for the Colour Life's Share Award Scheme at a consideration of RMB9,010,000 in aggregate.

During the year ended 31 December 2019, total of 2,038,000 (2018: 1,597,000) Colour Life's shares were acquired by the Trustee for the Colour Life's Share Award Scheme at a consideration of RMB7,647,000 (2018: RMB5,585,000).

During the year ended 31 December 2019, 1,833,000 (2018: 1,766,000) shares held for the Colour Life's Share Award Scheme were awarded to eligible employees of the Colour Life for their performance and contribution and were immediately vested. The fair value of the awarded shares at the date of grant of RMB6,567,000 (2018: RMB5,909,000) were recognised as expenses and credited to other non-controlling interests.

Up to 31 December 2019, total of 1,802,000 (2018: 1,597,000) Company's shares acquired have not been awarded to eligible employees or consultants.

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55. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB294,030,000 (2018: RMB250,027,000) respectively, represented contributions from the continuing operation payable to the scheme.

56. CONTINGENT LIABILITIES

	2019 **RMB'000**	**2018** **RMB'000**
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	12,166,620	9,789,678

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors of the Company, the possibility of the default of the purchasers is remote and the fair value of guarantee contracts is insignificant at the inception and at the end of each reporting period.

57. RELATED PARTY DISCLOSURES

During the year, in addition to those disclosed in elsewhere in the consolidated financial statements, the Group had following significant transactions with related parties:

(a) Related party transactions

Related parties	**Relationship**	**Transactions**	**2019** **RMB'000**	**2018** **RMB'000**
Shenzhen Colour Pay	A related company controlled by Mr. Pan Jun, a director and the chief executive officer of the Company	Commission income	72,331	40,272

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2019 **RMB'000**	**2018** **RMB'000**
Short-term benefits	88,693	94,977
Post-employment benefits	35,599	24,188
	124,292	119,165

(c) Others

(i) As at 31 December 2018, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB846,000,000 in aggregate. During the year ended 31 December 2019, the guarantees were released upon the repayment of the aforesaid bank and other borrowings.

(ii) During the year ended 31 December 2019, the Group had sold certain properties to its key management personnel of the Group, at a cash consideration of RMB22,529,000 (2018: RMB8,021,000).

For the year ended 31 December 2019

58. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2019 and 2018, pursuant to the agreements entered into with the Group's certain fellow subsidiaries and independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group.

During the years ended 31 December 2019, the carrying amounts of trade receivables of RMB38,173,000 (2018: RMB60,271,000) were settled by the customers by transfer of investment properties to the Group.

During the year ended 31 December 2019, the Group entered into a new lease agreement for the use of leased properties and office equipment and a parcel of leasehold land with lease terms ranging from 1 to 20 years. On the lease commencement, the Group recognised both right-of-use asset and lease liability of RMB146,473,000.

59. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2019 **RMB'000**	**2018** **RMB'000**
Properties for sale	8,164,030	6,374,242
Investment properties	4,673,918	2,484,166
Pledged bank deposits	940,506	988,457
Property, plant and equipment	575,845	132,278
Prepaid lease payments	–	75,784
	14,354,299	10,054,927

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

At 31 December 2019, the Group's 51% equity interest in Shenzhen Yushi with carrying amount of RMB953,752,000 was secured for the other loan of the Group amounting to RMB250,000,000. Details are set out in note 39.

In addition, the lease liabilities of RMB444,396,000 are recognised with related right-of-use assets of RMB603,621,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2019	2018	Principal activities	Legal form
Colour Life △	The Cayman Islands 16 March 2011	84,313	51.69%	55.78%	Investment holding	Limited liability company
Fantasia China Group*	The PRC 20 January 2006	1,624,844	100%	100%	Investment holding	Limited liability company
Shenzhen Colour Life*#	The PRC 25 August 2006	100,000	51.69%	55.78%	Provision of property operation services	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Property Development Group Co., Ltd*	The PRC 28 September 1996	150,000	100%	100%	Investment holding	Limited liability company
南京花樣年房地產開發有限公司 Nanjing Fantasia Real Estate Investment Development Co., Ltd.*	The PRC 25 February 2011	661,253	100%	100%	Property development and property investment	Limited liability company
深圳市金地盈投資有限公司 Shenzhen Jindiying Investing Co., Ltd.*	The PRC 23 August 2005	10,000	81%	81%	Property development	Limited liability company
慈溪嘉年鴻迪房地產開發有限公司 Cixi Jianian Real Estate Co., Ltd.*	The PRC 25 May 2017	10,000	100%	100%	Property development	Limited liability company
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Co., Ltd.*	The PRC 9 September 2009	180,000	100%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd.*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd.*	The PRC 28 June 2014	394,000	100%	100%	Property development	Limited liability company

For the year ended 31 December 2019

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2019	Effective interest held by the Group 2018	Principal activities	Legal form
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Co., Ltd.*	The PRC 25 January 2006	500,000	100%	100%	Property development and property investment	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd.*	The PRC 29 December 2004	100,000	100%	100%	Property development	Limited liability company
武漢TCL置地投資有限公司 Wuhan TCL Real Estate Investment Co., Ltd.*	The PRC 6 May 2011	30,000	100%	100%	Property development and property investment	Limited liability company
武漢TCL康城房地產開發有限公司 Wuhan TCL Kangcheng Property Development Co., Ltd.*	The PRC 12 September 2012	10,000	100%	100%	Property development	Limited liability company
南京花樣城房地產開發有限公司 Nanjing Huayang City Property Development Co., Ltd*	The PRC 25 February 2011	50,000	100%	100%	Property development and property investment	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Huayangnian Properties Co., Ltd*	The PRC 29 May 2006	50,000	60%	60%	Property development and property investment	Limited liability company
成都花樣清江房地產開發有限公司 Chengdu Huangyang Qingjiang Property Development Co., Ltd*	The PRC 23 April 2018	420,000	100%	100%	Property development	Limited liability company
安寧花千里房地產開發有限公司 An'ning Huaqianli Property Development Co., Ltd. *	The PRC 20 March 2018	10,000	63%	63%	Property development	Limited liability company
成都花樣家置業有限公司 Chengdu Huayangjia Properties Co., Ltd*	The PRC 9 April 2018	180,000	100%	100%	Property development	Limited liability company
成都禦府房地產開發有限公司 Chengdu Yufu Property Development Co., Ltd.*	The PRC 2 August 2010	10,000	80%	80%	Property investment	Limited liability company

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2019	2018	Principal activities	Legal form
天津花樣年房地產開發有限公司 Tianjin Huayangnian Property Development Co., Ltd.*	The PRC 1 January 2013	306,495	100%	100%	Property investment	Limited liability company
武漢美樂居置業有限公司 Wuhan Meileju Property Development Co., Ltd. *	The PRC 21 November 2014	10,000	50.10%	50.10%	Property development	Limited liability company
北油電控燃油噴射系統（天津）有限公司 Beiyou Electronic Fuel Injection System (Tianjin) Co., Ltd.*	The PRC 12 December 2017	50,000	100%	100%	Manufacturing and sale of fuel pumps	Limited liability company
宁夏回族自治區新聖基建筑工程有限公司 Ningxia Huizu Xinshengji Engineering Project Co., Ltd.*	The PRC 22 July 2009	100,000	100%	100%	Provision of property operation services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.*#	The PRC 11 December 2000	35,000	51.69%	55.78%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd.*#	The PRC 12 June 2007	90,000	51.69%	55.78%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd.*#	The PRC 15 November 2001	5,000	51.69%	55.78%	Provision of property operation services	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.*#	The PRC 19 Oct 2000	50,000	51.69%	55.78%	Provision of property operation services	Limited liability company
花樣年（成都）生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Co., Ltd.*	The PRC 7 September 2006	1,921,386	70%	70%	Property development	Limited liability company

For the year ended 31 December 2019

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Effective interest held by the Group 2019	2018	Principal activities	Legal form
天津市花千里房地產開發有限公司 Tianjin Huaqianli Real Estate Co., Ltd.*	The PRC 22 December 2010	941,667	60%	60%	Property development and property investment	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Co., Ltd.*	The PRC 14 November 2007	357,143	70%	70%	Property development and property investment	Limited liability company
四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd.*	The PRC 23 July 2008	594,750	54.6%	54.6%	Property development and property investment	Limited liability company
萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd.*#	The PRC 8 May 2015	50,000	51.69%	55.78%	Provision of property operation services	Limited liability company
南京中儲房地產開發有限公司 Nanjing Zhongchu Property Development Co., Ltd.*	The PRC 10 January 2013	240,000	70%	70%	Property development	Limited liability company
武漢中森華永紅房地產開發有限公司 Wuhan Zhongsenhua Yonghong Property Development Co., Ltd.*	The PRC 14 June 2011	100,000	100%	100%	Property development	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Co., Ltd.*	The PRC 7 June 2004	427,500	51%	51%	Property development	Limited liability company
唐山金盛房地產開發有限公司 Tangshan Jinsheng Real Estate Co., Ltd.*#	The PRC 26 March 2016	5,000	51%	51%	Property development	Limited liability company
太倉起浩商貿有限公司 Taicang Qihao Commercial Trading Co., Ltd.*	The PRC 12 February 2007	150,000	100%	100%	Property investment	Limited liability company
成都牽銀投資有限公司 Chengdu Qianyin Investment Co., Ltd.*	The PRC 09 June 2010	60,000	80%	80%	Property investment	Limited liability company

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2019 and 2018.

△ Except for the subsidiary directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results, assets or debt securities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Fantasia China Group and Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2019	**2018**
Investment holding	BVI	20	20
	Hong Kong	19	19
	PRC	25	18
	USA	5	5
	Singapore	1	1
	Cayman	1	1
Property development	PRC	221	188
	Singapore	1	1
Property investment	PRC	2	2
	Japan	1	1
	USA	1	1
Property agency services	PRC	1	1
Property operation services	PRC	146	121
Hotel operations	PRC	5	5
	USA	1	1
Other operations	Hong Kong	5	5
	PRC	2	2
	Macao	1	1
		458	393

For the year ended 31 December 2019

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2019 and 2018 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to other non-controlling interests		Accumulated other non-controlling interests	
		2019	2018	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Colour Life and its subsidiaries	PRC	48.31%	44.22%	277,980	247,362	2,051,500	1,507,175
Chengdu Tourism	PRC	30%	30%	(17,506)	2,602	840,319	857,825
Sichuan Hanfeng	PRC	45.4%	45.4%	313,898	(30,363)	1,038,671	724,773
Sichuan Ximei	PRC	49%	49%	99,333	105,066	594,208	494,875
				673,705	324,667	4,524,698	3,584,648
Individually immaterial subsidiaries with non-controlling interests				(45,444)	115,178	2,091,628	2,680,590
				628,261	439,845	6,616,326	6,265,238

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra-group eliminations.

	Colour Life and its subsidiaries		Chengdu Tourism	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	4,975,944	5,783,563	4,390,367	3,651,737
Non-current assets	4,399,999	4,282,730	938,606	956,679
Current liabilities	(3,717,573)	(4,593,616)	(1,946,248)	(1,429,069)
Non-current liabilities	(1,606,374)	(2,216,538)	(581,659)	(319,929)
Equity attributable to owners of the Company	2,000,496	1,748,964	1,960,747	2,001,593
Non-controlling interests	2,051,500	1,507,175	840,319	857,825
Revenue	3,845,003	3,613,658	360,048	239,442
Expenses	(3,309,312)	(3,095,631)	(418,400)	(230,767)
Profit (loss) for the year	535,691	518,027	(58,352)	8,675
Profit (loss) attributable to the owners of the Company	257,711	270,665	(40,846)	6,073
Profit (loss) attributable to the non-controlling interests	277,980	247,362	(17,506)	2,602
Net cash inflow (outflow) from operating activities	544,636	525,921	227,170	(168,095)
Net cash (outflow) inflow from investing activities	(42,443)	122,270	(32,696)	(13,091)
Net cash (outflow) inflow from financing activities	(1,449,805)	162,431	234,852	161,507
Net cash (outflow) inflow	(947,612)	810,622	429,326	(19,679)

For the year ended 31 December 2019

60. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Sichuan Hanfeng		Sichuan Ximei	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets	7,724,650	5,977,095	9,178,758	7,732,717
Non-current assets	601,101	378,138	617,075	350,318
Current liabilities	(5,957,456)	(3,785,700)	(8,583,163)	(7,073,086)
Non-current liabilities	(80,473)	(973,116)	–	–
Equity attributable to owners of the Company	1,249,151	871,644	618,462	515,074
Non-controlling interests	1,038,671	724,773	594,208	494,875
Revenue	3,278,922	–	3,544,888	691,909
Change in fair value of investment properties	84,515	10,456	–	–
Expenses	(2,672,032)	(77,334)	(3,342,167)	(477,488)
Profit (loss) for the year	691,405	(66,878)	202,721	214,421
Profit (loss) attributable to the owners of the Company	377,507	(36,515)	103,388	109,355
Profit (loss) attributable to the non-controlling interests	313,898	(30,363)	99,333	105,066
Net cash inflow (outflow) from operating activities	1,337,856	(497)	1,126,744	219,972
Net cash outflow from investing activities	(139,098)	(70,782)	(175,995)	(21,559)
Net cash outflow from financing activities	(918,258)	(59,900)	(889,593)	(208,127)
Net cash inflow (outflow)	280,500	(131,179)	61,156	(9,714)

61. FINANCIAL SUMMARY OF THE COMPANY

Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	4,246,010	3,772,625
Amounts due from subsidiaries	9,966,870	11,652,927
	14,212,880	15,425,552
CURRENT ASSETS		
Other receivables	4,131	3,732
Bank balances and cash	22,154	559,313
	26,285	563,045
CURRENT LIABILITIES		
Other payables	10,012	10,159
Amounts due to subsidiaries	76,257	130,990
Senior notes	1,733,751	4,650,817
	1,820,020	4,791,966
NET CURRENT LIABILITIES	(1,793,735)	(4,228,921)
TOTAL ASSETS LESS CURRENT LIABILITIES	12,419,145	11,196,631
NON-CURRENT LIABILITIES		
Senior notes	16,553,526	13,575,990
NET LIABILITIES	(4,134,381)	(2,379,359)
CAPITAL AND RESERVES		
Share capital	498,359	497,945
Reserves	(4,632,740)	(2,877,304)
	(4,134,381)	(2,379,359)

For the year ended 31 December 2019

61. FINANCIAL SUMMARY OF THE COMPANY (continued)

Movement of reserves

	Share premium RMB'000	Accumulated losses RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2018	1,695,255	(2,387,255)	17,534	(674,466)
Loss and total comprehensive expense for the year	–	(1,874,209)	–	(1,874,209)
Issue of shares upon exercise of share options	802	–	(214)	588
Dividend distributed to shareholders of the Company (note 13)	(329,217)	–	–	(329,217)
At 31 December 2018	1,366,840	(4,261,464)	17,320	(2,877,304)
Loss and total comprehensive expense for the year	–	(1,562,490)	–	(1,562,490)
Issue of shares upon exercise of share options	4,050	–	(1,056)	2,994
Dividend distributed to shareholders of the Company (note 13)	(195,940)	–	–	(195,940)
At 31 December 2019	1,174,950	(5,823,954)	16,264	(4,632,740)

62. EVENTS AFTER THE END OF THE REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in PRC and the subsequent quarantine measures imposed by the PRC government in early 2020 have had a negative impact on the operations of the Group to a certain extent since January 2020, as most of the Group's operations are located in PRC and the major suppliers, contractors and customers of the Group are also located in PRC. The progress of the construction work of the property projects of the Group and the timing of the pre-sale of properties may be affected if the quarantine measures in different regions of PRC persisted in 2020.

As the date these consolidated financial statements are authorised for issue, construction works for some of the Group's property projects have gradually resumed and the Group is now speeding up construction progress without compromising quality. Due to the dynamic nature and unpredictability of future development and market sentiment of COVID-19, the directors of the Company consider the financial effects on the Group's consolidated financial statements in future cannot be reasonably estimated as at the date of these financial statements are authorised for issue.

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