



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code: 2868

Enjoying

New Life

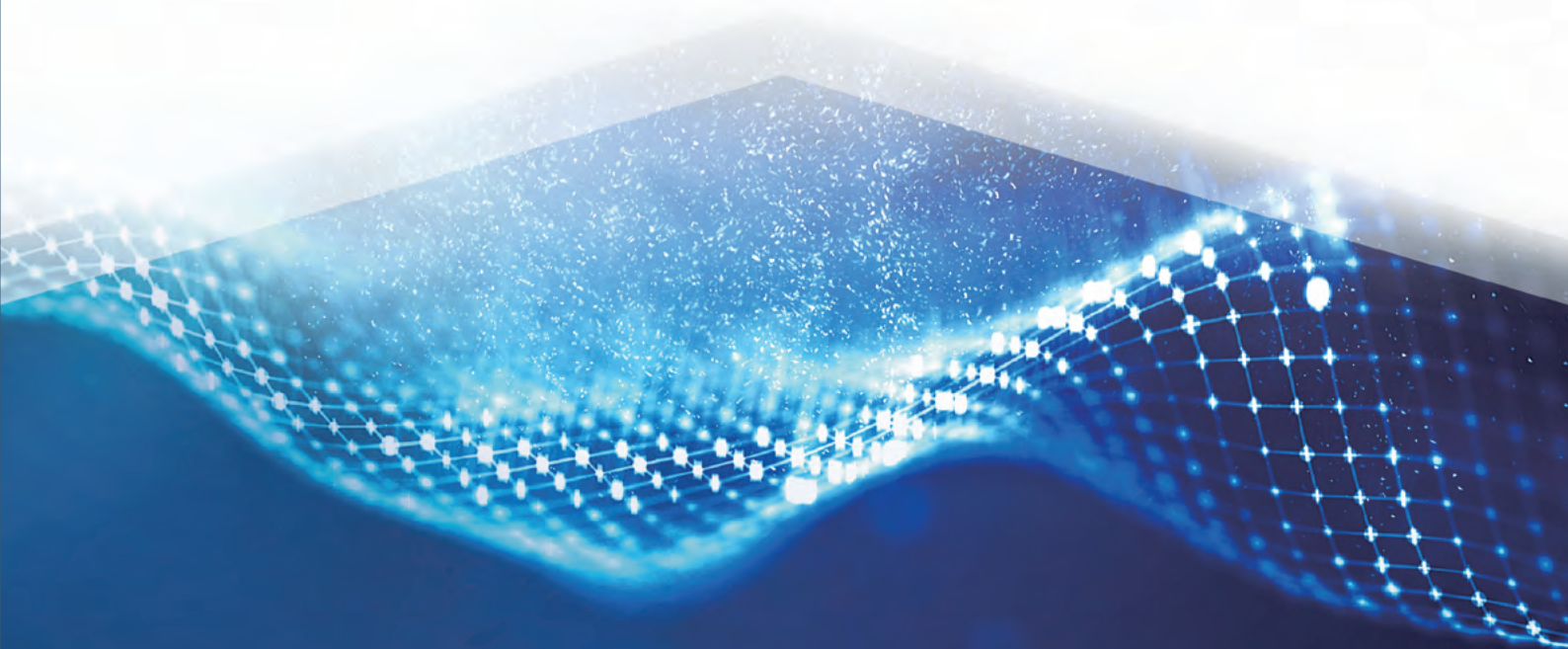
創享美好新生活



2019 ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Non-Executive Director

Mr. Li Songping (*Chairman*)

Executive Directors

Mr. Zhong Beichen (*President*)

Mr. Li Xiaobin

Mr. Hu Weimin

Mr. Fan Shubin

Non-Executive Director

Mr. Su Jian

Independent Non-Executive Directors

Mr. Li Wang

Mr. Wong Yik Chung, John

Mr. Liu Xin

AUDIT COMMITTEE

Mr. Wong Yik Chung, John (*Chairman*)

Mr. Li Wang

Mr. Liu Xin

REMUNERATION COMMITTEE

Mr. Liu Xin (*Chairman*)

Mr. Li Songping

Mr. Wong Yik Chung, John

NOMINATION COMMITTEE

Mr. Liu Xin (*Chairman*)

Mr. Li Songping

Mr. Wong Yik Chung, John

STRATEGIC COMMITTEE

Mr. Li Songping (*Chairman*)

Mr. Zhong Beichen

Mr. Liu Xin

SUPERVISORS

Mr. Deng Wenbin

Ms. Tang Yanan

Mr. Jiang Hebin

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Qin Yi

COMPANY SECRETARY

Mr. Lee Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Zhong Beichen

Mr. Lee Sze Wai

REGISTERED OFFICE

Room 3071, 3/F Office, Block 4,
No. 13 Kaifang East Road, Huairou District,
Beijing, PRC

BEIJING HEADQUARTERS

F17, Red Goldage,
No. 2, Guang Ning Bo Street,
Beijing, PRC

HONG KONG OFFICE

Suites 4602-05,
One Exchange Square, Central, Hong Kong

WEBSITE

<http://www.bjcapitalland.com>

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

As to Hong Kong law:
Norton Rose Fulbright Hong Kong

As to PRC law:
JunZeJun Law Office

PRINCIPAL BANKERS

China Construction Bank
Agricultural Bank of China
China Merchants Bank
Bank of China
Bank of Communications
Industrial and Commercial Bank of China
Industrial Bank
The Hong Kong and Shanghai Banking Corporation
SPD Bank

LISTING INFORMATION

STOCK CODE FOR H SHARE

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

BOARD LOT SIZE

H Share	2,000
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H SHARE REGISTRAR

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

Telephone: (852) 2862 8628

Fax: (852) 2529 6087

LISTED BOND INFORMATION

Hong Kong Stock Exchange

Security Code

USD500,000,000 3.875% guaranteed notes due 2021	4412
USD500,000,000 5.75% subordinated guaranteed perpetual securities	40062
USD450,000,000 3.85% guaranteed notes due 2025	40113

Shanghai Stock Exchange

Security Code

RMB3,000,000,000 4.58% corporate bonds by public offering due 2020	122376
RMB640,000,000 4.50% corporate bonds by private placement due 2021	135384
RMB750,000,000 4.40% corporate bonds by private placement due 2021	135522
RMB380,000,000 4.10% corporate bonds by private placement due 2021	135637
RMB1,000,000,000 5.70% corporate bonds by private placement due 2021	150278
RMB2,000,000,000 5.84% corporate bonds by private placement due 2023	150279
RMB1,500,000,000 5.80% corporate bonds by private placement due 2021	150540
RMB500,000,000 5.94% corporate bonds due by private placement in 2023	150541
RMB2,500,000,000 4.89% corporate bonds by public offering due 2023	143812
RMB1,500,000,000 4.16% corporate bonds by public offering due 2021	155071
RMB1,000,000,000 4.50% corporate bonds by public offering due 2023	155072
RMB1,500,000,000 4.30% corporate bonds by private placement due 2022	151402
RMB1,000,000,000 4.58% corporate bonds by private placement due 2024	151403
RMB3,460,000,000 4.37% corporate bonds by private placement due 2024	151587
RMB2,130,000,000 4.26% corporate bonds by private placement due 2024	151812

INVESTOR RELATIONS CONTACT

Email address: ir@bjcapitalland.com.cn

LISTING INFORMATION

H SHARE INFORMATION

	Year 2019			Year 2018		
	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)	Price High (HK\$)	Low (HK\$)	Total Trading Volume (No. of Shares)
First Quarter	3.37	2.49	359,724,683	5.51	3.88	392,753,849
Second Quarter	3.04	2.16	324,129,610	4.82	3.17	244,174,810
Third Quarter	2.73	2.19	125,902,575	3.61	2.77	222,168,269
Fourth Quarter	2.55	2.16	249,191,246	3.14	2.47	151,558,857

Closing share price as at 31 December 2015: HK\$3.48.

Closing share price as at 31 December 2016: HK\$2.91.

Closing share price as at 29 December 2017: HK\$4.06.

Closing share price as at 31 December 2018: HK\$2.81.

Closing share price as at 31 December 2019: HK\$2.19.

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY NOTE 1

(in RMB'000 unless otherwise stated)

Year ended 31 December	2019	2018	2017	2016 (Restated)	2015 (Restated)
Revenue	20,786,255	23,257,053	21,292,040	20,349,404	16,000,519
Total profit	3,570,224	3,159,963	3,839,317	3,938,468	3,985,486
Income tax expenses	(1,001,362)	(742,874)	(1,042,520)	(1,074,474)	(1,022,018)
Net profit	2,568,862	2,417,089	2,796,797	2,863,994	2,963,468
Attributable to:					
Equity holders of the Company	2,122,572	1,922,932	2,112,580	2,017,558	2,056,050
Non-controlling interests	446,290	494,157	684,217	846,436	907,418
	2,568,862	2,417,089	2,796,797	2,863,994	2,963,468
As at 31 December	2019	2018	2017	2016 (Restated)	2015 (Restated)
Total assets	185,269,318	169,716,823	141,421,169	119,459,640	107,791,948
Total liabilities	143,228,212	131,516,141	109,489,636	91,908,938	82,134,092
Net assets	42,041,106	38,200,682	31,931,533	27,550,702	25,657,856

Note:

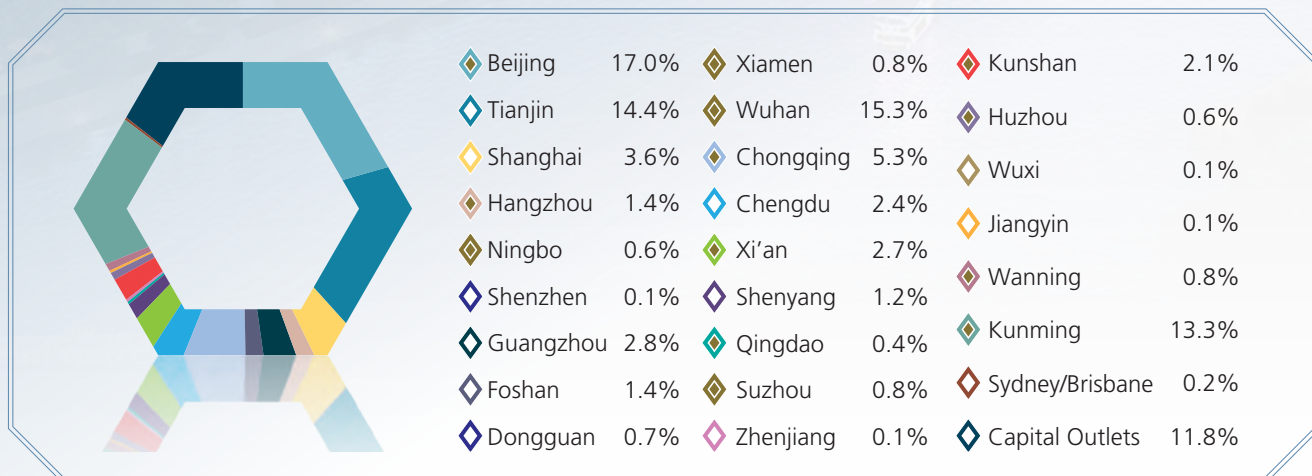
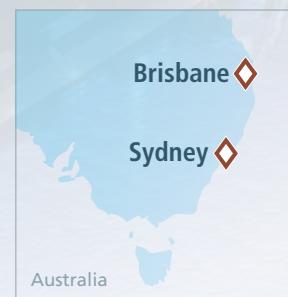
1. The table summarises the results, assets and liabilities of the Group.
2. The figures presented are prepared in accordance with Accounting Standards for Business Enterprises or CAS of PRC.
3. The Group completed the transactions of business combination involving enterprises under common control in 2017, and the financial information of the Group for the year ended 31 December 2016, the year ended 31 December 2015 were restated accordingly. The financial information of the Group for the year ended 31 December 2018 and 31 December 2017 were not restated. The published results and the statement of assets and liabilities may not comparable.

Xinjiang

Tibet

PROPERTY PORTFOLIO





PROPERTY PORTFOLIO

INVESTMENT PROPERTIES

				Attributable		Total GFA	Total Above
				Interest to	Site Area	of Land	Ground GFA
Project	Project Name	Location	Type	BCL	of Land	Bank	of Land
						(sq.m.)	(sq.m.)
1	Fangshan Capital Outlets	Fangshan District, Beijing	Commercial	71.12%	90,766	196,490	196,490
2	Wanning Capital Outlets	Liji Town, Wanning, Hainan Province	Commercial	100%	199,807	103,200	103,200
3	Huzhou Capital Outlets	Taihu Lake Resort, Huzhou, Zhejiang Province	Commercial	71.12%	214,317	97,540	97,540
4	Kunshan Capital Outlets	East New Town, Kunshan, Jiangsu Province	Commercial	71.12%	93,026	100,530	100,530
5	Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial		86,987	158,070	158,070
	Site A			71.12%	56,833	129,700	129,700
	Site B			28.45%	30,153	28,370	28,370
6	Hangzhou Capital Outlets	Fuyang District, Hangzhou, Zhejiang Province	Commercial	71.12%	101,691	112,280	112,280
7	Wuhan Capital Outlets	East Lake New Town, Wuhan, Hubei Province	Commercial	70.41%	89,757	107,560	107,560
8	Xi'an Capital Outlets	Xi'an Hi-Tech Industrial Development Zone, Xi'an, Shanxi Province	Commercial	71.12%	81,301	118,840	118,840
9	Zhengzhou Capital Outlets	Zhengzhou, Henan Province	Commercial	71.12%	80,790	96,580	96,580
10	Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	71.12%	114,929	121,520	121,520
11	Hefei Capital Outlets	Binhu New Area, Hefei, Anhui Province	Commercial	71.12%	87,913	96,270	96,270
12	Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	71.12%	74,349	110,560	110,560
13	Kunming Capital Outlets	Wuhua District, Kunming, Yunnan Province	Commercial	60.45%	67,920	136,040	136,040
14	Qingdao Capital Outlets	Qingdao High-tech Zone, Shandong Province	Commercial	71.12%	93,972	97,600	97,600
15	Nanning Capital Outlets	Xingning District, Nanning, Guangxi Zhuang, Autonomous Region	Commercial	71.12%	101,974	145,590	145,590
16	Xiamen Capital Outlets	Xiang An District, Xiamen, Fujian Province	Commercial	71.12%	55,657	124,870	124,870
17	Beijing Haidian Yongfeng Industrial Base Project Site B2	IC-Park Haidian District, Beijing	Office/Apartment	50%	59,750	96,029	63,141
18	Capital Group Plaza	Capital Group Plaza Dongcheng District, Beijing	Office/Commercial	100%	7,069	48,431	35,867

DEVELOPMENT PROPERTY

	Project	Project Name	Location	Type	Attributable Interest to BCL	Site Area of Land (sq.m.)	Total GFA of Land Bank (sq.m.)	Total Above Ground GFA of Land Bank (sq.m.)
19	Beijing Huijialou Project	Xanadu	Chaoyang District, Beijing	Residential/Commercial	100%	34,163	51,096	38,208
20	Beijing Haidian Yongfeng Industrial Base Project Site F1	Capital of Western Village	Haidian District, Beijing	Residential/Apartment/Commercial/Office	100%	65,219	31,148	6,862
21	Beijing Haidian Yongfeng Industrial Base Project Site B2	IC-Park	Haidian District, Beijing	Office/Commercial	50%	59,750	16,980	16,980
22	Lize Financial Business District Project		Fengtai District, Beijing	Office/Apartment		26,352	14,384	—
	Lize Site F02				50%	15,963	12,832	—
	Lize Site F05	Tian Yue Mansion			100%	10,389	1,552	—
23	Beijing Fengtai Qinglong Lake Project		Fengtai District, Beijing	Residential/Commercial/Office	5%	230,356	149,729	149,725
24	Beijing Chaoyang Sunhe Xidian Village Project	Xi Rui Chun Qiu	Chaoyang District, Beijing	Residential	50%	90,394	95,434	68,684
25	Beijing Chaoyang Sunhe Beidian West Village Project	Tian Rui Chen Zhang	Chaoyang District, Beijing	Residential	20%	53,526	57,760	36,723
26	Beijing Chaoyang Tuofangying Project	One Liang Ma	Chaoyang District, Beijing	Residential/Commercial	10%	61,023	100,905	66,614
27	Beijing Zhaoquanying Site F1-01 Project	Passion World	Shunyi District, Beijing	Apartment/Commercial	100%	27,121	3,631	3,631
28	Beijing Zhaoquanying Site No. 4 Project	Enjoyable Trees	Shunyi District, Beijing	Residential/Apartment	100%	104,345	97,986	60,769
29	Beijing Zhaoquanying Site No. 2 Project	Enjoyable Bay	Shunyi District, Beijing	Residential/Apartment/Commercial	100%	114,154	101,227	68,945
30	Beijing Shunyi No. 17 Project	Xanadu Mountain	Shunyi District, Beijing	Residential/Apartment	100%	85,056	12,462	2,753
31	Beijing Zhaoquanying Site F2-01 Project		Shunyi District, Beijing	Apartment/Commercial	100%	17,277	43,191	34,507
32	Beijing Shunyi New Town Block No. 26 Project	Capital Park #26	Shunyi District, Beijing	Residential/Commercial	12.5%	88,702	6,569	6,568
33	Beijing Miyun Yunfeng Villa Project	Beijing Landscape Villa	Miyun District, Beijing	Residential	100%	334,855	61,802	50,041
34	Beijing Miyun New Town Project	The Happiness	Miyun District, Beijing	Residential/Commercial	100%	56,254	33,166	8,710
35	Beijing Miyun New Town Block No. 0102 Project	Lang Garden	Miyun District, Beijing	Residential/Commercial	24%	13,868	8,497	—
36	Beijing Miyun Tanying Town Project	Yue Xin Hui	Miyun District, Beijing	Residential/Commercial	100%	60,999	81,696	41,756
37	Beijing Pinggu Changchunyuanyuan Project	Glory Mansion	Pinggu District, Beijing	Residential/Commercial	25%	220,878	110,017	81,850
38	Beijing Pinggu Jinhai Lake Hanzhuang Village B1 Project		Pinggu District, Beijing	Apartment/Commercial/Office	100%	176,100	188,391	149,882
39	Beijing Pinggu Jinhai Lake Hanzhuang Village 6014 Project		Pinggu District, Beijing	Residential	33%	58,643	97,885	58,666
40	Beijing Pinggu Jinhai Lake Hanzhuang Village 6019 Project		Pinggu District, Beijing	Residential/Commercial	49%	133,408	206,712	117,883

PROPERTY PORTFOLIO

					Attributable		Total GFA	Total Above
Project	Project Name	Location	Type	Interest to BCL	Site Area of Land (sq.m.)	of Land Bank (sq.m.)	of Land Bank (sq.m.)	
41	Beijing Pinggu Jinhai Lake World Leisure Congress Project	Pinggu District, Beijing	Commercial	49%	48,800	65,680	65,680	
42	Beijing Fangshan Higher Education Park Project	Nobles Mansion	Fangshan District, Beijing	Residential/Apartment/Commercial	100%	56,138	44,299	24,227
43	Beijing Huang Xin Zhuang Project	Ealing	Fangshan District, Beijing	Residential	95%	114,166	137,189	99,819
44	Beijing Fangshan Liangxiang Project	The Great City	Fangshan District, Beijing	Residential/Commercial/Office	11.1%	53,579	130,816	95,217
45	Beijing Daxing Sun Village Project	Enjoyable City	Daxing District, Beijing	Residential/Apartment/Commercial	100%	61,512	35,454	31,543
46	Beijing Daxing Huang Village Project		Daxing District, Beijing	Apartment/Commercial	100%	84,213	223,732	134,479
47	Beijing Daxing Yinghai Site	Grand Harmony Emerald Residence	Daxing District, Beijing	Residential/Commercial	30%	75,065	155,600	107,000
48	Beijing Daxing Yizhuang Site	Sino Ocean	Daxing District, Beijing	Residential/Commercial/Office	50%	76,286	186,690	132,041
49	Beijing Shijingshan Xihuang Village Project	Wisdom Mansion	Shi Jingshan District, Beijing	Residential	49%	48,464	127,047	92,332
50	Tianjin Shuangang No. 121 Project	Fortune Class	Jinnan District, Tianjin	Residential/Apartment/Commercial/Office	55%	255,038	43,347	38,923
51	Tianjin Shuangang No. 122 Project	Tianjin – A-Z Town	Jinnan District, Tianjin	Residential	55%	183,511	237	—
52	Tianjin Huaming Project	Noble City	Dongli District, Tianjin	Residential/Apartment/Commercial	40%	271,830	70,800	70,800
53	Tianjin Xiqing Project	Landing House	Xiqing District, Tianjin	Residential/Office	40%	151,596	17,100	17,100
54	Tianjin Hongni River Project	Tianjin Capital City	Jinnan District, Tianjin	Residential/Commercial	100%	257,093	28,889	28,889
55	Tianjin MTR Project	Tian Yue River	Hebei District, Tianjin	Residential/Apartment/Commercial/Office	100%	66,888	219,325	150,200
56	Tianjin Beiyunhe Project	Grand Canal Milestone	Hebei District, Tianjin	Residential/Apartment/Commercial	100%	62,817	152,734	74,630
57	Tianjin Zhongshan Road Project	Metropolis	Hebei District, Tianjin	Residential/Commercial/Office	100%	22,455	96,245	69,467
58	Tianjin Xinzhuang No. 3 Project		Jinnan District, Tianjin	Residential/Commercial	100%	86,088	162,889	161,078
59	Tianjin Xinzhuang No. 5 Project	Poetic Life	Jinnan District, Tianjin	Residential	20%	82,164	3,118	2,795
60	Tianjin Hongxianli Project	North Shore Center	Hongqiao District, Tianjin	Residential/Commercial/Office	25%	106,920	72,664	65,584
61	Tianjin Youzhichang Project	Xanadu Garden	Hongqiao District, Tianjin	Residential/Commercial	100%	38,704	40,830	40,830
62	Tianjin Xiqing Zhongbei Town Project	Xanadu Capital	Xiqing District, Tianjin	Residential	50%	41,175	73,610	60,380
63	Tianjin Beichen Liuyuan No. 1 Site	Oriental Mansion	Beichen District, Tianjin	Residential	24.7%	129,903	268,529	185,514
64	Tianjin Beichen Liuyuan No. 2 Site	188 Long Chau Road	Beichen District, Tianjin	Residential	17.5%	98,263	161,950	108,732
65	Tianjin Binhai New District Ninghe Project		Binhai New District, Tianjin	Residential	100%	173,988	226,068	223,619

PROPERTY PORTFOLIO

					Attributable		Total GFA	Total Above
					Interest to	Site Area	of Land	Ground GFA
Project	Project Name	Location	Type	BCL	of Land	Bank	of Land	
						(sq.m.)	(sq.m.)	Bank
								(sq.m.)
66	Tianjin Wuqing Project	Wuqing District, Tianjin	Residential/Commercial/ Office		1,783,033	750,641	734,988	
	Site 08-02	International Peninsula		100%	171,418	21,465	21,465	
	Site 01-05	International Peninsula		100%	193,496	15,680	15,680	
	Site 03-02	International Peninsula		100%	174,948	21,223	21,223	
	Site 04-02	International Peninsula		100%	187,396	48,050	48,050	
	Site 07-02	International Peninsula		100%	49,871	4,270	4,270	
	Site 06-09	International Peninsula		100%	401,601	8,526	8,526	
	Site 07-08	International Peninsula		100%	24,584	11,356	11,356	
	Jingzhu Square	Jingzhu Square		100%	18,103	18,101	18,101	
	Site 03-06/03-07	Xi Rui Shu		30%	164,005	166,858	166,858	
	Site 01-01	Xi Rui Kun Ting		50%	132,169	170,746	170,746	
	Site 06-02	Xi Rui Li		50%	92,906	69,328	69,328	
	Site 02-02			50%	145,341	138,373	138,373	
	Site 04-10			100%	27,195	56,665	41,012	
67	Shanghai Qingpu Yingpu Lane Project	The Happiness	Qingpu District, Shanghai	Residential/Commercial	100%	204,781	263,965	158,122
68	Shanghai Yangpu Pingliang Project	Capital of Vision	Yangpu District, Shanghai	Residential/Commercial/ Office	100%	32,360	23,284	3,561
69	Shanghai Zhoupu Project	Supremacy	Pudong New Area, Shanghai	Residential	51%	69,433	151,641	81,953
70	Shanghai Xinchang Project	Xana Shine	Pudong New Area, Shanghai	Residential	50%	56,887	87,752	38,049
71	Shanghai Minhang Huacao Town Site 08-05		Minhang District, Shanghai	Residential	100%	18,049	38,188	25,420
72	Shanghai Minhang Huacao Town Site 09-04		Minhang District, Shanghai	Residential	100%	16,902	40,102	27,967
73	Hangzhou Yuhang Project	Xanadu	Yuhang District, Hangzhou, Zhejiang Province	Residential/Commercial	100%	85,897	177,099	127,054
74	Hangzhou Yuhe New City Project		Gongshu District, Hangzhou, Zhejiang	Residential/Commercial	36%	40,488	62,441	50,141
75	Ningbo Ninghai New Town Project		Ninghai New Town, Ningbo, Zhejiang	Residential/Commercial	55%	48,361	101,926	65,503
76	Huzhou Taihu Project	Huzhou Integrated Outlets Project	Taihu Lake Resort, Huzhou, Zhejiang Province	Residential/Commercial	100%	145,153	97,898	86,124
77	Suzhou Qingjian Lake Project		Suzhou Industrial Park, Jiangsu Province	Residential	22.24%	71,841	134,058	105,551
78	Kunshan Capital Outlets Project	Kunshan Integrated Outlets Project	East New Town, Kunshan, Jiangsu Province	Residential/Apartment/ Commercial	100%	354,912	148,936	106,437
79	Kunshan Zhangpu Project		Zhangpuzhen District, Kunshan, Jiangsu Province	Residential	100%	68,114	201,949	166,646
80	Wuxi Dongting Town Project	Wuxi Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/Commercial	100%	162,911	16,951	14,423
81	Wuxi Airport Road Project	Wuxi Joyous House	Wuxi New District, Jiangsu Province	Residential/Commercial	100%	96,598	6,906	1,007

PROPERTY PORTFOLIO

					Attributable		Total GFA	Total Above
					Interest to	Site Area	of Land	Ground GFA
Project	Project Name	Location	Type		BCL	of Land	Bank	Bank
						(sq.m.)	(sq.m.)	(sq.m.)
82	Jiangyin Yuyue Project	Jiangyin Auspicious House	Yushan Bay, Jiangyin, Jiangsu Province	Residential/Commercial	100%	78,258	10,248	8,910
83	Zhenjiang National University Science Park Project	Joyous House	Zhenjiang Technology Development Zone, Jiangsu Province	Residential/Commercial	100%	111,364	11,636	3,211
84	Shenzhen Longhua Project	Capital Longhua Centre	Longhua District, Shenzhen	Apartment/Commercial/Office	100%	9,519	10,555	10,555
85	Guangzhou Zengcheng Shiwei Road Project		Zengcheng District, Guangdong, Guangzhou	Residential/Commercial	51%	40,778	114,796	80,077
86	Guangzhou Zengcheng Licheng Street Project		Zengcheng District, Guangdong, Guangzhou	Residential/Commercial	20%	85,336	349,830	248,850
87	Foshan Shishan Town Project	Earls Mansion	Nanhai District, Foshan, Guangdong	Residential/Commercial	100%	25,001	64,276	50,728
88	Foshan Shishan Town Xingye Road East Project	Xi Rui Hau Fu	Nanhai District, Foshan, Guangdong	Residential/Commercial	100%	74,600	170,724	121,834
89	Dongguan Wangniudun Project		Dongguan, Guangdong	Residential/Commercial	100%	38,796	120,305	93,291
90	Wuhan Jingkai Project		Wuhan Economic & Technological Development Zone, Hubei	Residential/Commercial/Office	49.5%	667,900	2,543,892	1,795,654
91	Xiamen Xiang'an New City J05 Project		Xiang'an District, Xiamen, Fujian	Residential/Commercial	65%	16,786	43,792	32,968
92	Xiamen Xiang'an New City H19 Project		Xiang'an District, Xiamen, Fujian	Residential/Commercial	100%	12,320	34,210	24,584
93	Xiamen Xiang'an New City H24 Project		Xiang'an District, Xiamen, Fujian	Residential/Commercial	100%	18,723	50,045	37,865
94	Kunming Panlong Zhongba Project		Panlong District, Kunming, Yunnan	Residential/Commercial	100%	58,687	302,448	220,525
95	Kunming Wujiaba No. 5 Site		Guandu District, Kunming, Yunnan	Residential/Commercial	49.85%	51,714	268,557	222,355
96	Kunming Dianzhong Changshui Airport A1 Project		Dianzhong New Area, Kunming, Yunnan	Residential/Apartment/Commercial	49%	508,322	1,630,814	1,247,103
97	Chongqing Hongensi Project	Hong'en International Living District	Jiangbei District, Chongqing	Residential/Commercial	100%	229,314	59,827	357
98	Chongqing Xiyong Project	Chongqing Eco Village	Shapingba District, Chongqing	Residential/Apartment/Commercial	96.39%	146,394	114,740	22,828
99	Chongqing Jialingchang Project	Chongqing Capital City	Shapingba District, Chongqing	Residential/Commercial	50.93%	218,303	372,230	193,090
100	Chongqing Dapingquan Project	Skytel Times	Yuzhong District, Chongqing	Residential/Apartment/Commercial	33%	14,447	36,891	17,829
101	Chongqing Nan'an Tea Garden Project		Nan'an District, Chongqing	Residential/Commercial	100%	95,092	190,858	138,115
102	Chongqing Xipeng Project		Jiulongpo District, Chongqing	Residential/Commercial	30%	67,855	110,211	70,098

PROPERTY PORTFOLIO

					Attributable		Total GFA	Total Above
					Interest to	Site Area	of Land	Ground GFA
Project	Project Name	Location	Type		BCL	of Land	Bank	of Land
						(sq.m.)	(sq.m.)	Bank
								(sq.m.)
103	Chengdu Qinglongchang Project	Chengdu Eco Village	Chenghua District, Chengdu, Sichuan	Residential/Commercial	100%	87,312	91,313	30,718
104	Chengdu Huaxin Village Project	Galaxy No.1	Jinjiang District, Chengdu, Sichuan	Residential/Commercial	70.47%	95,663	62,312	17,706
105	Chengdu 68 Mailbox Project	Chengdu The Palace No. 68	Chenghua District, Chengdu, Sichuan	Residential/Commercial	100%	50,836	59,467	20,844
106	Chengdu Tianfu New Area Project	Xanadu Jinjiang	Tianfu New Area District, Chengdu, Sichuan	Residential/Commercial	100%	48,322	83,379	46,469
107	Chengdu Qingyang Project		Qingyang District, Chengdu, Sichuan	Residential	100%	49,437	104,143	73,955
108	Xi'an Feng-cheng Road Project	Xi'an First City	Xi'an Economic and Technology Development Zone, Shaanxi Province	Residential/Commercial/Office	71.12%	355,909	453,133	235,098
109	Shenyang Shenyang Road Project	Shenyang First City	Hunnan New District, Shenyang, Liaoning Province	Residential/Apartment/Commercial	30%	175,348	36,207	13,040
110	Shenyang Shenzhong Street Project	Shenyang Eco Village	Hunnan New District, Shenyang, Liaoning Province	Residential/Commercial	100%	194,249	35,052	1,641
111	Shenyang Hupowan Project	Legendary Bay Project	Qi Pan Mountain District, Shenyang, Liaoning Province	Residential/Commercial	100%	231,666	40,869	40,869
112	Shenyang Tiexi District No. 3 Project	Xi Yue Da Guan	Tiexi District, Shenyang, Liaoning Province	Residential/Commercial	100%	16,338	39,155	33,696
113	Shenyang Tiexi District No. 4 Project	Xi Yue Da Jing	Tiexi District, Shenyang, Liaoning Province	Residential/Commercial	100%	16,479	41,886	34,311
114	Qingdao Chengyang Project	Airport International Centre	Chengyang District, Qingdao, Shandong Province	Commercial/Office	100%	92,455	37,300	37,300
115	Qingdao Park No. 1 Project	Qingdao Central Park No. 1	Chengyang District, Qingdao, Shandong Province	Residential/Apartment/Commercial	100%	81,016	700	700
116	Yantai Sunny Chief Yard Project	Yantai Sunny Chief Yard	Fushan District, Yantai, Shandong Province	Residential/Commercial	100%	195,609	845	285
117	Qingdao Cang'an Road Project	Xi Yue Tian Hai	Licang District, Yantai, Shandong Province	Residential/Apartment/Commercial	100%	29,219	34,181	34,172
118	Hainan Wanning Project	Hainan Integrated Outlets Project	Liji Town, Wanning District, Hainan Province	Residential/Apartment/Commercial	100%	188,514	127,125	121,222
119	Nanchang Capital Outlets (for sale)	Nanchang Capital Outlets	Nanchang, Jiangxi Province	Commercial	28.45%	30,153	24,370	24,370
120	Jinan Capital Outlets (for sale)	Jinan Capital Outlets	Tangye New Town, Licheng District, Jinan, Shandong Province	Commercial	71.12%	114,929	1,273	1,273

PROPERTY PORTFOLIO

					Attributable		Total GFA	Total Above
Project	Project Name	Location	Type	Interest to	Site Area	of Land	Ground GFA	
				BCL	of Land	Bank	of Land	
					(sq.m.)	(sq.m.)	(sq.m.)	
121	Chongqing Capital Outlets (for sale)	Chongqing Capital Outlets	Lujiao New Town, Banan District, Chongqing	Commercial	71.12%	74,349	6,571	6,571
122	Nanning Capital Outlets (for sale)	Nanning Capital Outlets	Xingning District, Nanning, Guangxi Zhuang Autonomous Region	Commercial	71.12%	101,974	8,046	8,046
123	Project Merrylands		Sydney, Australia	Residential	50%	21,043	16,472	16,472
124	Project Arden		Brisbane, Australia	Residential	50%	2,319	973	973
125	Project Max		Sydney/Brisbane, Australia	Residential	50%	37,356	5,784	5,784
126	Project Campsie Phase 2		Sydney, Australia	Residential	50%	2,612	289	289
127	Project Thornleigh		Sydney, Australia	Residential	50%	1,148	219	219
128	Project Park		Sydney, Australia	Residential	50%	2,016	785	785
129	Project Rose		Sydney, Australia	Residential	50%	4,519	1,244	1,244
Total							16,611,225	12,415,007

CORPORATE MILESTONES DURING THE YEAR

JANUARY 2019

In January, the Company successfully held a conference to release the Prime Golden Capital brand and express gratitude to BCL's financial institution partners. In the conference with the theme of "Integrating wealth, creating future", the Company launched its RMB100 billion strategic cooperation plan with a number of financial institutions. As a wholly-owned financial platform of BCL, Prime Golden Capital is a critical part of the Company's "RMB100 Billion Value Ecosystem" strategy. With a "Property & Finance" model, Prime Golden Capital primarily provides funding in five major directions for BCL, namely real estate development, asset management, cultural and creative industrial real estate, private equity and overseas real estate. It aims to boost the rapid development of BCL's main business as well as to speed up BCL's strategic transformation and upgrade.

FEBRUARY 2019

In February, the Company signed an agreement with the township government of Shibalidian under Chaoyang District, Beijing to acquire a rental housing project to be developed on collectively-owned land. The project integrates various functions of housing, leisure, entertainment and business, and will be built into a modern community. As the largest rental housing project that is developed on collectively-owned land in Beijing, the project will provide approximately 10,000 rental housing units. This marks an important step for the Company to expand its rental housing business and fulfill its responsibilities as a state-owned enterprise. It has laid a solid foundation for the Company to increase its brand awareness for rental housing and to achieve business upgrade and transformation.

MARCH 2019

In March, BCL acquired the Xiang'an New Town Project in Xiamen, the Company's first residential property project in Xiamen. The project targets customers looking for housing upgrades. Located in the mid-south of Xiang'an District Xiamen, the project is adjacent to Metro Line No. 3 and 4. It has access to a great transportation network as it is close to the major highway, Hongzhong Avenue, and the planned Xiamen International Airport. Currently, the project has access to well established auxiliary facilities nearby, including education, healthcare and commercial. Once the Capital Outlets opens for business, the project is expected to enjoy a higher value with the strong momentum in the region.

MAY 2019

In May, BCL acquired the Wangniudun Project in Dongguan, which has a planned GFA of 144,000 sq.m.. Targeted at customers with rigid housing demand and those looking for housing upgrades for the first time, the project is located at the Shuixiang New Town Area, Dongguan. It has access to a convenient transportation as it is close to Guangzhou-Dongguan-Shenzhen Intercity Railway and several major highways including Guangshen Expressway and Baohua Road, enabling fast access to Dongguan, Guangzhou and Shenzhen city area. The project also has access to well-established auxiliary facilities nearby, including education, healthcare and commercial. The acquisition of the projects marks the Company's successful entry in Dongguan and continuous expansion in Guangdong-Hong Kong-Macau Greater Bay Area.

JUNE 2019

In June, BCL launched the first intangible cultural heritage creative park “Yongyuan” in China. With the main theme of intangible cultural heritage (“ICH”), the park is developed to promote multi-industry integration and is embedded with glamour elements. Activities including industry forums, ICH innovative experiencing and boutique exhibitions will be introduced. “Yongyuan” is expected to become an ICH exhibition and exchange center in China and a new platform for cultural and creative industry development, thus empowering ICH inheritance and the industry development.

JULY 2019

In July, BCL successfully issued RMB2.13 billion of 3+2-year private corporate bond, with a coupon rate of 4.26%, representing a record low coupon for domestic 3-year private corporate bonds in the property industry this year. Leveraging the Company’s SOE background and its strong credit profile, the bond was well received by investors and was over-subscribed 2.04 times, demonstrating the recognition from the capital market.

AUGUST 2019

In August, BCL successfully launched “Beijing Capital Park” – a high-tech industrial property service platform. As the sole operator of BCL’s high-tech industrial properties, “Beijing Capital Park” provides “standardized + customized + specialized” services of industrial carrier construction for enterprises and talents. Its services cover four core areas, namely integrated circuits, 5G+ network security, intelligent and connected vehicles and commercial aerospace. Brought together high-tech industrial resources, it is positioned as a new profit driver of the company by leveraging synergies with BCL’s main businesses.

NOVEMBER 2019

In November, BCL signed a strategic cooperation agreement with Shougang Holding (Hong Kong) Limited, the overseas investment and financing platform of Shougang Group. Leveraging their respective professional advantages and resources, the two parties will jointly carry out comprehensive, multi-dimensional and deeper strategic cooperation. Specifically, both sides will proactively contribute to the development and operation of industrial parks such as “New Shougang High end Industry Comprehensive Service Park”, promote the acquisition and implementation of urban renewal projects, and explore various capital management channels in relevant cooperation areas, in order to complement each other’s advantages and forge a strong alliance. BCL and Shougang Holding together will continue to enhance strategic synergies and promote resource sharing, so as to facilitate the Company’s strategic resource acquisition and strengthen its property values.

DECEMBER 2019

In December, BCL and its subsidiary, Prime Golden Capital, signed a strategic cooperation agreement with Sunac China. Leveraging their respective competitive advantages and resources, the two parties will jointly facilitate project investment and carry out financial cooperation. Specifically, the total scale of the target investment cooperation is RMB20 billion, and the total scale of the target cooperation fund is RMB10 billion. The two parties will establish a long term and comprehensive strategic partnership, and jointly promote multi-level cooperation along the “industrial financial” value chain. Through resource sharing, both sides will complement each other’s advantages and forge a strong alliance, so as to achieve a win-win situation in areas such as property, financial and urban construction. At present, the two parties are actively promoting projects in Hangzhou, Wuhan, Zhengzhou, among other cities, and some of the projects are expected to be launched in the near future.

In December, BCL acquired Changshui Airport Project in the Dianzhong New Area, Kunming, via capital contribution and equity acquisition. With a planned GFA of 1,278,000 sq.m., the project is located in the Airport Economic Zone, the core area in the Dianzhong New Area, adjacent to the airport. The project has great access to convenient transportation as it is close to Metro Line No. 6 and No. 9 as well as several main roads, including Airport Expressway and Songkun Highway. The area is planned and constructed to become a regional new international aviation city with great appreciation potential. It is one of BCL’s core projects in key cities, with a GFA of over 1 million sq.m. which not only significantly enhances BCL’s core competitiveness in Kunming, but also effectively enriches its core land bank.

CHAIRMAN'S STATEMENT



Li Songping | *Chairman*

Dear Shareholders,

On behalf of the Board of Directors (the “Board”, or the “Directors”) of Beijing Capital Land Ltd. (“BCL” or the “Company”; together with its subsidiaries, the “Group”), I am pleased to present the Group’s annual results for the year ended 31 December 2019.

In 2019, the world underwent a number of complicated shifts with the rise of geopolitical disputes and hot-button issues amid expanding protectionism and unilateralism. This impacted and disrupted global industrial value chains, undermined the international division of labor and has created uncertainty about economic prospects. As such, the global economy and trade slowed dramatically throughout the year as a number of major economies faced downward pressure. Against a backdrop of increasing risks and challenges at home and abroad, the Chinese government maintained its general focus on pursuing progress while ensuring stability. The Chinese government continued to roll out its new development philosophy which concentrates resources on pursuing supply-side structural reform, promoting high-quality development, and taking further steps to ensure stable employment, financial, foreign trade, foreign investment, domestic investment and overall expectations. As a result, the domestic economy remained stable as growth was further enhanced. China’s GDP for the year 2019 increased 6.1% which was in-line the official target range of 6% to 6.5%.



In 2019, China continued to carefully regulate the property market in general while adopting a differentiated approach to regional markets. The Chinese government continued to implement regulations to support “houses are for people to live in, not for speculation” as part of its real estate policy. By focusing on stabilizing housing and land prices as well as market expectations, the Chinese government is stressing the importance of not using real estate as a short-term means to stimulate the economy while further tightening regulations governing financing for the real estate market. Local governments continued to roll out differentiated real estate policies according to specific situations and trends in different cities in an effort to maintain the steady development of the property market. Furthermore, efforts were made to improve China’s regulations on housing and land supply as well as a long-term mechanism for a property tax law. These combined efforts allowed the Chinese real estate industry to remain on track and generate stable and healthy development in 2019.

In 2019, the Group continued to embrace “Quality Growth” as its central goal and implement its “fast turnover” strategy. The Group’s new projects strictly follow the “3,6,9 project construction standards”. Guided by the “Endeavor Program” and driven by enhanced performance incentives, the Group accelerated the launch of new projects, cash collection, and project delivery. This resulted in record high contracted sales and cash collection. During the year, the Group recorded total contracted sales of RMB80.81 billion, representing an increase of 14.4% year-over-year. The Group’s revenue totaled approximately RMB20.79 billion. Net profit attributable to owners of the Company totaled approximately RMB2.12 billion, representing an increase of 10.4% compared with the previous year.

During the year, the Group adhered to a prudent investment strategy and adopted a differentiated approach to acquiring land resources at a flexible pace. Leveraging the synergies among its outlets business, cultural and creative business and high-tech business, BCL facilitated resource acquisition for strategic, core and major projects by strategic cooperation agreements and M&A. The Group acquired the Changshui Airport Project in the Dianzhong New Area, Kunming. This core project has a total GFA of over a million sq.m. and form part of BCL's efforts to further expand its "3+X" strategic deployments in three key metropolitan areas and key tier-2 cities with growth potential. As of January 2020, BCL had made its first foray into the residential property markets of Dongguan, Xiamen, Ningbo and Zhengzhou, among other cities. During the year, the Group invested RMB35.55 billion in land with an aggregate GFA of 77.89 million sq.m., representing an average land premium rate of 13.6%.

The Group achieved most of its strategic goals during the year which centered on deploying outlets in "Twenty Cities in Five Years" and transitioning to a leaner management structure. During the year, Capital Grand, the commercial property arm of the Group, continued to optimize and slim down its operations by employing a combined asset-heavy and asset-light business model that has helped to enhanced brand synergies and promoted digital transformation and upgrades. In addition, the Group entered into a strategic partnership with Alibaba Cloud to improve its operational performance by upgrading its digital operating systems. As of the end of 2019, the Group had deployed 17 outlets, 12 of which are open for business, solidifying its leading position in the industry in terms of both outlet deployment and operations. The Group generated annual revenue of RMB7.83 billion, representing an increase of more than 53% year-over-year.

During the year, the Group continued to proactively explore opportunities to upgrade its businesses and develop new profit drivers. This was accomplished by launching innovative businesses that are in line with industrial policies while creating new synergies across the Group's main businesses. During the year, the Group newly launched a cultural and creative industrial property project – the Beijing Yongyuan Project, which is the first-of-its-kind ICH-themed park nationwide. It joined the Group's Langyuan Vintage Project as another benchmark development that promotes Chinese culture and creativity in Beijing. Leveraging the deep experience it has gained from these two iconic projects, the Group has successfully replicated its brand management expertise by developing 9 other cultural and creative industrial parks across the country. Furthermore, the Group also leveraged its core businesses to seek out and lock down seed projects. During the year, the Group launched the "Beijing Capital Park", a high-tech industrial property service platform, and established strategic cooperation agreements with leading hi-tech-focused institutions including the Chinese Academy of Sciences and Tsinghua University. Leveraging the synergies being created across the Group's core businesses, the platform also expands access to premium resources and has also facilitated the acquisition of seed projects in Chongqing, Xiamen and Ningbo among other cities. With respect to its residential leasing business, the Group developed rental housing projects on collectively owned land and innovating a new revenue model that leverages its competitive advantage in low-cost land acquisition and diverse financing channels. During the year, BCL officially began construction on its newly acquired Chaoyang Shibalidian Project, the largest rental housing project in Beijing. In addition, the Group's Fangshan Hé Yuan Project in Beijing is now at full occupancy. The Shuanggang Hé Yu Project in Tianjin also registered close to full occupancy which reflects the effective revitalization of its inventory.

During the year, leveraging on its strong credit profile and advantages in access to capital markets, the Group deployed initiatives to create a sound financial structure. In spite of China's tightening funding policies and the overall pressure on real estate companies, the Group proactively explored new innovative funding methods, took advantage of favorable market conditions and successfully completed several benchmark-setting issuances. The Group kicked off a rights issuance which closed in January 2020, achieving breakthroughs in equity financing while optimizing its capital structure. This will support the Group's sustainable business growth going forward and lay a solid foundation for future funding and shareholder value enhancement. In addition, the Group successfully issued its first debt for equity swap of RMB1 billion and private corporate bonds totaling RMB8.09 billion. The Group was able to secure record low coupon rates compared with other similar issuances. The Group successfully issued a US\$500 million perpetual subordinated note, making it the first-of-its-kind and setting a standard in China's real estate industry following the release of new rules by the Ministry of Finance. As of the end of the year, the weighted average cost of the Company's outstanding interest-bearing debt was 5.39%, among the lowest in the industry.

During the year, the Group executed its "Endeavor Initiative", a project co-investment platform launched at the beginning of the year, which generated significant results. All of the new projects that were added during the year secured co-investments. The Group also saw remarkably faster turnover rates and increases in both contracted sales and cash collection from operations. Heading into the future, the Group will continue to execute its "Endeavor Initiative" while promoting the establishment of a multi-level incentive mechanism.

Looking ahead to 2020, the Group will actively respond to the evolving global and domestic environment as well as various risks and challenges and adhere to its core mission of driving "quality growth." The Group will continue rolling out its "fast turnover" strategy, speed up the launch and delivery of new projects, increase sales efforts, accelerate cash collection and hit its annual target of contracted sales of more than RMB80 billion. The Group will further enhance resource acquisition in a non-competitive and differentiated manner, develop further synergies between its business segments and focus on land resource acquisition for strategic, core and major projects. The Group will address the needs of a new generation consumers, fully upgrade the "BCL Intelligently Made 2025" strategy and build core competency for its products. It will also leverage its strong credit position and advantage in access to capital markets and take advantage of its well-rounded financing system to replenish its cash reserves, improve its risk resistance capability, and drive sustainable growth. The Group will forge ahead with H-share full circulation and various funding operations to protect shareholder benefits and enhance value.

On behalf of the Board, I would like to sincerely express our gratitude to all of our shareholders, partners, and customers for your long-term and determined care, support, and help. BCL will continue to forge ahead, enhance its competitive advantages, and strive to become China's most valuable integrated property developer.

Li Songping

Chairman

Beijing, 23 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the Group's revenue totaled RMB20,786,255,000, representing a decrease of approximately 11% compared with the previous year. Operating profit increased approximately 12% year-over-year to RMB3,552,458,000. Net profit attributable to owners of the Company totaled RMB2,122,572,000, representing an increase of approximately 10% compared with the previous year. Basic earnings per share (EPS) totaled RMB0.43, compared with RMB0.45 in 2018. The Board resolved to recommend the payment of a final dividend for the year ended 31 December 2019 of RMB0.17 per share (2018: RMB0.22 per share).

During the year, the Group continued to focus on its mission of generating “quality growth,” adapting to policy and market changes, and taking full advantage of its core strengths. These efforts allowed the Group to enhance its operating performance and realize significant breakthroughs in many areas.

Record contracted sales driven by “Stable Land Investment” and “Securing Major Resources” strategies

- ✓ In 2019, the Group continued to implement its “fast turnover” strategy and ensure that its projects meet the “369 project construction standards”. The Group fully upgraded its “BCL Made 2020” operating strategy that incorporates thorough market research, quality building materials, first-rate engineering technology and timely delivery. The Group continued to hone its core product lines in an attempt to take its product quality and service quality to the next level. Led by its “Endeavor Initiative”, it continued to improve its performance assessment and incentive systems and accelerated project launches, cash collection and project delivery. The Group's in-house sales team played a major role and contributed approximately 40% of contracted sales, boosting its sales performance to a new record. During the year, the Group witnessed total contracted sales rose 14.4% year-over-year to RMB80.81 billion.
- ✓ During the year, the Group continued to focus on the three key metropolitan areas and key tier-2 cities with growth potential. By employing a prudent land investment strategy and capitalizing on favorable land market opportunities, the Group flexibly adjusted the pace of land investment in a differentiated manner and diversified its land acquisition channels by creating synergies between primary and secondary land development, coordination across industries, M&A and joint development. During the year, the Group acquired 22 premium secondary land development projects with an aggregate GFA of 7.789 million sq.m. and total investment of RMB35.55 billion. As of January 2020, the Group has made its first foray into the Dongguan, Xiamen, Ningbo, Zhengzhou and other residential property markets. During the year, the Group stepped up efforts to acquire major strategic projects, and successfully acquired the Changshui Airport Project in the Dianzhong New Area of Kunming, with an aggregate GFA of 1.776 million sq.m.. As a core project with major land resources with a GFA of over 1 million sq.m. in a key city, the new project significantly expanded BCL's core land bank.

Comprehensively upgraded “BCL Made 2020” product strategy with rapid progress in innovative businesses

- ✓ In 2019, the Group comprehensively upgraded its “BCL Made 2020” product strategy and completed the upgrade of its high-end brands including “Tian Yue”, “Xi Rui” and “Xi Yue”, among others. Following the upgrade, the Group has been recognized as an industry benchmark by respected third-party assessment agencies citing the high-quality and exquisite craftsmanship of its projects. The Group also made solid progress in cost optimization, exceeding its annual targets for cost reductions. Meanwhile, the Group continued to improve the selection of suppliers and increased its strategic coverage rate to 97%. Furthermore, the Group established Beijing Capital Land Property Services Co. Ltd., a wholly-owned property management platform, to further improve the customer experience which has resulted in a 99.5% customer satisfaction rating for projects upon delivery.
- ✓ During the year, BCL continued to support the government’s masterplan of turning Beijing into “the political, cultural, international communication and technology innovation center of China.” To do so, the Group continued to explore innovative business and new profit drivers that could benefit from the resources and synergies in its core business. In terms of cultural and creative industry project development, the Group launched the Beijing Yongyuan Project, a first-of-its-kind ICH themed park in China, which joins the Group’s Langyuan Vintage Project as another benchmark development that promotes Chinese culture and creativity in Beijing. Leveraging its deep experienced garnered from the two iconic projects in the cultural and creative industries, the Group successfully replicated its brand management expertise by developing 9 cultural and creative industrial parks across the country. The synergies between the cultural and creative endeavors and the Group’s core business also enabled it to access and lock down seed projects. On the technology side, the Group launched “Beijing Capital Park”, a high-tech industrial property service platform, and established strategic cooperation agreements with the Chinese Academy of Sciences and Tsinghua University among other leading scientific and technological research institutions. Leveraging the synergies generated by the Group’s core businesses, the platform also enables expanded access to premium resources and the ability to secure potential seed projects in Chongqing, Xiamen and Ningbo and other cities. With respect to rental housing, the Group’s Fangshan Hé Yuan Project in Beijing is now at full occupancy and the Shuanggang Hé Yu Project in Tianjin registered close to full occupancy, effectively revitalizing the inventory. The Shibalidian Project, the largest rental housing project developed on collectively-owned land in Beijing, also began construction and covers a total construction area of over 410,000 sq.m. which will eventually hold over 10,000 rental housing units.

Mostly achieved the strategic goal of deploying outlet projects in “Twenty Cities in Five Years”, with improved quality and efficiency through lean operations

- ✓ In 2019, the Group expanded its outlets business by adding Beijing Fangshan Capital Outlets Phase 2, Jinan Capital Outlets, Chongqing Capital Outlets, and Xi'an Capital Outlets. By the end of 2019, the Group has developed outlet projects in 17 cities, bringing the total number of outlet projects that are open for business to 12. The Group remains No. 1 nationwide in terms of the number of outlet projects both developed and open for business which allowed it to achieve its strategic goal of deploying outlet projects in “Twenty Cities in Five Years”.
- ✓ During the year, the Group's outlets business strategy transitioned from an investment-led expansion towards a leaner operations and management structure for projects to further optimize Capital Grand's brand structure, innovate new marketing model and accelerate improvements in process of quality. The Group signed a strategic cooperation agreement with Alibaba Cloud to strengthen digital operations and big data analytics capabilities, and developed innovative and highly-targeted marketing models which will enhance brand influence and operational efficiency. During the year, the Group's outlets in operation generated an annual turnover of RMB7.83 billion, up 53% year-over-year, and customer traffic hit 41.29 million, representing an increase of 32% year-over-year. In particular, daily customer traffic to Chongqing outlets exceeded 110,000 on the opening day of 28th September, with a turnover of approximately RMB20 million, 80% of which came from membership consumption. Through unified marketing activities, the Group's outlets projects in 12 cities across the country achieved sales of RMB1.8 billion in 18 days.

Promoting the establishment of a well-rounded financial platform and achieving breakthroughs in equity financing

- ✓ In 2019, the Group actively began promoting a rights issue plan and successfully completed the issuance in January 2020 which created a new key breakthrough in equity financing. The issuance has optimized BCL's capital structure. Furthermore, the issuance also helps to boost the Group's stock liquidity and market value in preparation for full H-share circulation and entry into the Shenzhen-Hong Kong Stock Connect, as well as its future capital operations. The subscription rate of the newly issued H-shares among the existing shareholders was as high as 97%, while the remaining shares were fully subscribed by third-party investors, which reflects growing recognition the Group is receiving from capital markets.
- ✓ During the year, despite a tight financing environment in the real estate sector, the Group leveraged its solid financial performance and sound credit advantage and advanced research for precise determination to successfully secure stable funding through diversified channels, including bond issuance, insurer investment, asset securitization and supply chain finance. As of early January 2020, the Group successfully issued a 5+N-year perpetual subordinated security for an aggregate nominal amount of USD500 million with a coupon rate of 5.75%, and a 5.5-year senior notes for an aggregate nominal amount of USD450 million with a coupon rate of 3.85%. The former was the first real estate perpetual subordinated security issued under new regulations set by the Ministry of Finance which has created a new benchmark for trades of this kind. In addition, the Group successfully issued RMB8.09 billion of domestic private corporate bonds. The Group was able to secure record low coupon rates compared with other similar issuances, 4.26% at the lowest. The Group also raised RMB1 billion in equity financing with the completion of its first debt for equity swap. As of the end of 2019, the weighted average cost of the Company's outstanding debt was merely 5.39%, standing firmly in the lower band of the industry.
- ✓ During the year, Prime Golden Capital, the fast-growing financial arm of BCL, focused on enhancing the real estate financing value chain and gradually developed into a platform that combines real estate investment and financial innovation. By integrating external and internal resources, the platform efficiently drives business development and facilitates the strategic transformation of the Group. Specifically, Prime Golden Capital invested in 11 projects during the year, including residential properties, integrated commercial complexes, cultural and creative parks and rental housing on collectively owned land, among others. In total, the total assets developed and operated by the platform exceeded RMB30 billion.

PROPERTY DEVELOPMENT

In 2019, the Group, together with its joint ventures and associated companies, completed construction of projects with an aggregate GFA of approximately 2.32 million sq.m..

Project	Approximate Completed GFA (sq.m.)	Type	Attributable Interest (%)
Beijing Capital of Western Village	108,362	Commercial Housing/Office	100
Beijing IC-PARK	51,084	Office	50
Beijing Park City (F1-01)	2,365	Support Facilities	100
Beijing The Happiness House	156,916	Commercial Housing/ Relocation Housing	100
Beijing Xanadu Mountain	48,842	Retirement Housing	100
Beijing Shijingshan Xihuang Village Project	316,302	Directional Resettlement Housing	65.88
Tianjin International Peninsula 7-2	15,391	Commercial	100
International Peninsula 6-9	41,138	Commercial	100
International Peninsula 7-8	30,197	Commercial	100
Tianjin Poetic Life	89,251	Residential	20
Tianjin Beiyunhe Project	25,885	Residential	100
Tianjin Metropolis	29,072	Residential	100
Tianjin North Shore Center	257,808	Residential	25
Shanghai Xi Rui Li	35,594	Residential	100
Kunshan Novotown (south land)	140,042	Commercial	100
Kunshan Novotown (north land)	188,449	Residential	100
Kunshan Jinxi	4,399	Kindergarten	51
Chongqing Capital City	160,032	Residential	50.93
Chongqing Xijiangyue	32,126	Residential	30
Chongqing Tian Yue Times	29,443	Residential	33
Chongqing Xi Rui Lanshan	46,183	Residential	100
Chongqing China Chic	20,112	Residential	25.47
Shenyang Eco Village	85,868	Residential	100
Zhengzhou Capital Outlets	96,583	Commercial	71.12
Jinnan Capital Outlets	181,700	Commercial	71.12
Chongqing Capital Outlets	127,672	Commercial	71.12
Total	2,320,816		

MAIN PROJECT EXHIBITION

Residential Project Development

Tian Yue Series

Beijing, Capital of Western Village



The project is located between the 5th Ring Road and 6th Ring Road in Haidian District, Beijing. As a part of the key area of the Zhongguancun Development Zone, it enjoys gorgeous views of a park to its west, public green lands as well as the West Hills.

The project is a high-end residential community designed in an elegant modern style that aims to attract tech entrepreneurs from Zhongguancun. Featuring modern urban design, the buildings are situated along a central axis and create a beautiful skyline.

Total project GFA: approximately 291,000 sq.m.

Shanghai • Capital of Vision



The project is located near the Bund in eastern Yangpu district. It is positioned as a high-end project for first-time home buyers and those looking to upgrade their living situation. It also includes a Grade A office building. The project enjoys a premier location next to the central living district, near metro lines No. 4 and No. 12, and the Daliang Road Tunnel. It also has easy access to a comprehensive set of supporting facilities, including medical, education and business.

Total project GFA: approximately 119,000 sq.m.

Tianjin • Tian Yue Hai He



The project is located above a metro-station in the heart of Hebei District, Tianjin, where three rivers (Ziya, Beiyun and Xinkai) meet. This prime location gives it exclusive access to the scarce resources in the bay area. It is also adjacent to both the Tianjin Railway Station and the Tianjin West Railway Station, and has multiple subway lines and expressways nearby. The region features well-established living, education, healthcare and commercial ancillary facilities. With a complete set of residential properties, apartments, office buildings, commercial properties as well as ancillary facilities, it truly showcases the “Tian Yue” lifestyle.

Total project GFA: approximately 416,000 sq.m.

Chongqing • Tian Yue Jia Ling



The project is located at the cross of Jiaxin Road and Fenjin Road in Shapingba District, Chongqing, just 200m away from the bank of the Jialing River. It is adjacent to three green parklands and the Sanxia Square Business Zone, and features easy access to nearby educational, healthcare and transportation resources. The project is planned as a large-scale residential and commercial property. The design leverages the nearby landscape for western-style houses and high-end modern residences that cater to the urban elites of Chongqing.

Total project GFA: approximately 850,000 sq.m.

Xi Rui Series

Beijing • Xi Rui Chun Qiu



The project is located at Sunhe in Chaoyang District, Beijing, near the Wenyu River, 5th Ring Road and the Beijing Capital International Airport. With a planned wetland park that will surround the complex, the residential environment will be highly pleasing.

Inspired by consumer insights, the project contains high-end residences, such as graceful villas and duplex apartments with private gardens, and apartments with broad views to suit varying high-end customer needs.

Total project GFA: approximately 232,000 sq.m.

Beijing • Sino Ocean



Located at Yizhuang economic development zone in Beijing, within the coverage of CBD, Tongzhou sub-center, Second Beijing Capital Airport and Beijing-Tianjin-Hebei plate triangle area, the project enjoys well established commercial facilities such as Hualian Libao Plaza. It is close to Yizhuang wetland park and Yizhuang binhe forest park, Metro Line and several major highways, which also enjoys abundant educational resources.

Total project GFA: approximately 296,000 sq.m.

Beijing • Xanadu Villa



The project is located in the Shunyi Central Villa District in Beijing. It is adjacent to the exit of the Beijing-Chengde Expressway, and a 25-minute drive from the North 3rd Ring Road. The project is surrounded by renowned elite educational institutions, including Niulanshan First Secondary School and famous kindergartens. The project also features 80,000 sq.m. of top commercial facilities to help create a perfect villa experience. When complete, it will be a low-density garden villa district consisting of over a thousand villas.

Total project GFA: approximately 96,000 sq.m.

Shanghai • Xi Rui Li

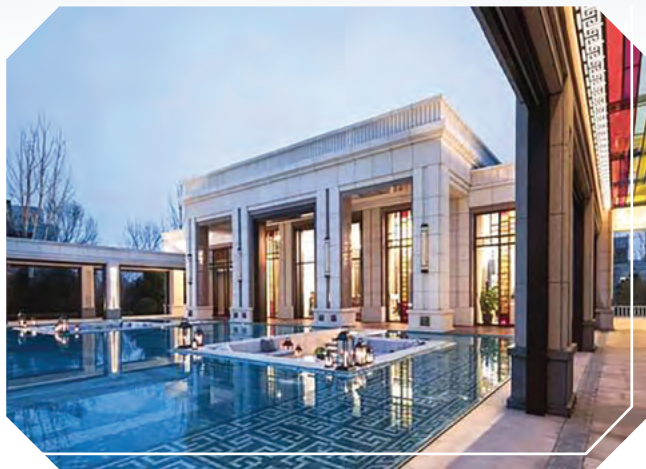


The project is located in the center of the Dahongqiao High-end Villa District in Shanghai. With a 1.1 plot ratio, it consists of stacked townhouses and low-density garden villas.

The architectural style of the project reimagines Zen-style living in Hongqiao. This is extended to the interior design, which integrates architectural and landscape elements to create a unique modern, yet fresh, sense of space.

Total project GFA: approximately 36,000 sq.m.

Tianjin • Xi Rui Kun Ting



The project is located in Wuqing District, Tianjin, adjacent to the Tongcheng exit of the Beijing-Tianjin Expressway. It contains low-density villas and garden houses, high-rise buildings, and facilities including culture, sports and education, commerce and finance, medicine and healthcare, urban parks and municipal infrastructure. The landscape is designed around two axis, three verandas, five gardens and ten views, and allows residents to experience the epitome of high-end living.

Total project GFA: approximately 192,000 sq.m.

Hangzhou • Xanadu

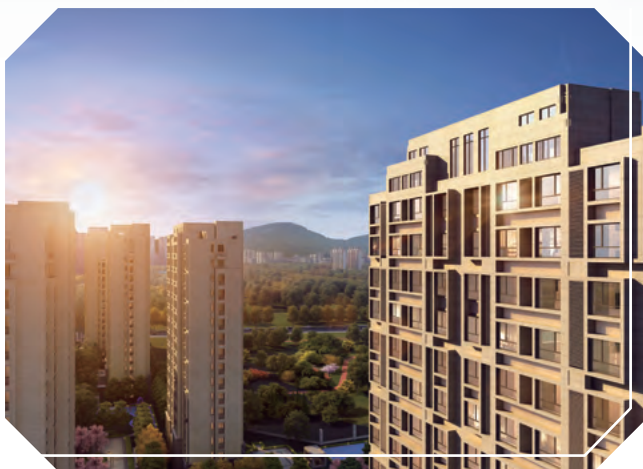


Located at core area of Linping new town in Yuhang District of Hangzhou, the project is adjacent to major highway Century Avenue, Metro Line No. 1 and 3. It has abundant educational resources nearby and enjoys urban leisure facilities such as The City Sports Park and The East Lake Park, which is positioned as quality project with low density and good educational resources.

Total project GFA: approximately 223,000 sq.m.

Xi Yue Series

Beijing • Widsom Mansion



Located at Xihuangcun area in Shijingshan District of Beijing, the project is close to the west fifth ring and Metro Line No. 6, adjacent to several educational resources such as High School of Peking University. It enjoys leisure facilities such as Badachu Park and Xiangshan Park, and has commercial facilities such as Modern Plaza. The project adopts classic metropolitan architectural style.

Total project GFA: approximately 198,000 sq.m.

Shanghai • Xiyue Fenghua



Located at Qingpu District of Shanghai, the project is positioned as the Benchmarking project in Great Hongqiao Area. It is close to Metro Line No. 17, able to get to Great Hongqiao Area within 30 minutes. It is adjacent to several educational resources such as High School of Fudan University. It enjoys commercial facilities such as Wanda Mall and medical resources such as the Qingpu branch of Zhongshan Hospital.

Total project GFA: approximately: 90,000 sq.m.

Kunming • Xiyue Chuncheng



Located at Panlong District of Kunming, the project is close to the Asia's biggest artificial waterfall park. It enjoys 15 high quality schools including 8 kindergartens, 3 primary schools, 2 middle schools and so on. It is close to Metro Line No. 2 and several major highways such as Beijing Avenue and Jiangxi Avenue, also enjoys commercial facilities of 300,000 sq.m. around Kunming Lake.

Total project GFA: approximately: 354,000 sq.m.

Urban Core Integrated Complex

Beijing, Capital Center



The project is located at the center of Beijing's Lize Financial Zone, between the West 2nd Ring Road and West 3rd Ring Road. It is adjacent to the Beijing West and Beijing South Railway Stations, the Beijing-Kaifeng Expressway, the Beijing-Hong Kong-Macao Expressway, as well as metro lines No. 14 and No. 16.

The project is positioned as a "Financial Satellite City, the Best in Lize" to provide modern enterprises with an efficient and comfortable office environment while accommodating a series of services, including shopping, entertainment and commerce and relaxation activities. The project serves as the central landmark complex in the Lize Financial District.

Total project GFA: approximately 520,000 sq.m.

Shenzhen • Capital Business Center



Located at the center of Longhua District in Shenzhen, the project achieves overall height of nearly 150 meters. It is composed by commercial podium, office tower and apartments from bottom up. It adopts green landscape platform and balcony in its design, which formulates sky park. The project aims to be the business landmark in the nearby area.

Total project GFA: approximately: 62,000 sq.m.

Integrated Outlets Projects

Beijing • Integrated Outlets Project



The project is located in Changyang Town, Fangshan District, Beijing. It is adjacent to Changyang West Station of the Fangshan line on the intercity railway and is only a 30-minute drive from Financial Street in Beijing via the Beijing-Shijiazhuang Expressway. This is a representative project of the Group's integrated "Residential + Outlet" business line in Beijing, and features discount stores of world-renowned brands.

Total project GFA: approximately 340,000 sq.m.

Hainan • Integrated Outlets Project



The project is located in Wanning city in the eastern part of Hainan, an island province that is an international tourist destination. Wanning is a coastal city in Southern China, and is surrounded by the South China sea, Qiongzong, Lingshui and Qionghai. The project presents an international tourist and cultural area in a unique environment, featuring many nearby shopping and tourist attractions.

Total project GFA: approximately 310,000 sq.m.

Kunshan • Integrated Outlets Project



The project is located at the south-east corner of the East New Town of Kunshan City, next to the South High Technology Enterprise Park. The project is BCL's first in Kunshan, a region with a large customer base and significant market demand. Approximately 180,000 sq.m. of the site area will be occupied by commercial buildings, such as outlets, and some sidewalk shops, all in an art deco style that expresses the elegance and style of the development. Nearly 40% of the land will be designated green space.

Total project GFA: approximately 1.3 million sq.m.

Hangzhou • Integrated Outlets Project



The project is located by the major road that links downtown Hangzhou and Fuyang District, taking advantage of the dynamic urban development of both cities. The project is conveniently located next to the Hangzhou-Huangshan high-speed railway station and metro line No. 6. The project opened in November 2017 and achieved opening-day traffic of nearly 90,000 customers and approximately RMB13 million in sales.

Total project GFA: approximately 110,000 sq.m.

Wuhan • Integrated Outlets Project



The project is adjacent to the South-east 3rd Ring Road and 5km from Optics Valley Central City in Wuhan. The project features a convenient transportation network, superior natural environment and an entrepreneurial culture given that it's surrounded by universities and is located opposite the Olympic Sports Center. The project integrates the graceful style of Tuscany into the architectural design, uses various spatial levels to create opulent supporting facilities, and features a broad outlet shopping experience that caters to families throughout the year.

Total project GFA: approximately 107,600 sq.m.

Cultural and Creative Industries Projects

Beijing • Langyuan Vintage



The project is located in the core area of the CBD with a total GFA of nearly 30,000 sq.m. The project features a great location and convenient transportation network as it is adjacent to the new site of the Beijing TV station, Chang'an Street and Wanda Plaza. The project is positioned as a cultural and creative industrial park. Besides preserving historical buildings in the park, the Group plans to set up eight platforms providing soft service in the cultural and creative industrial park. It has been fully affirmed by the leaders of the Beijing Municipal Government. The park is fully rented out through the year. Enterprise customers include Luogic Talkshow, Mimmon, Qyer.com, Guokr.com.

Beijing • Yongyuan



The project is located southeast of the 2nd Ring Road and in a priority development zone of the capital city with a total GFA of 12,000 sq.m. It is positioned as a demonstration heritage site that shows off the nation's intangible cultural heritage. The project provides heritage-related design, planning, research, exhibition, investment and financing, and the specific businesses are classified in three segments, namely innovation, experience marketing and practice. The project has been marketed under the theme of "meeting people, seeing artifacts and living life", and sets a new benchmark for heritage sites in Beijing and nationwide.

Beijing • Media Elite Headquarters



The project is located in Gaobeidian, Chaoyang District, Beijing with a total GFA of 20,000 sq.m. It is adjacent to several main urban roads, such as the East 5th Ring Road and Jingtong Expressway, as well as metro lines Batong and No. 6. The park is positioned as a cultural and creative industrial park, and is divided into four functional zones, including for business support, incubation, industrial acceleration, and scientific research and talent training. It has served more than 60 enterprises from various industries, including radio, film and television, press and publishing, new media, exhibition and art trading, animation and games, and performing arts and entertainment.

High-tech industrial property

Beijing • IC PARK



The Beijing IC PARK project, which officially opened in November 2018, is located on Beiqing Road in Haidian District, Beijing with a floor area of 60,000 sq.m. and a total GFA of 220,000 sq.m.. The park integrates industry and urbanization, and caters to innovative-integrated circuit companies, such as Bitmain and GigaDevice, that own independent intellectual property. Currently, more than 30 influential global IC companies that own more than 1,700 patents are based in the park and generate over RMB27 billion in revenue.

Rental Housing

Beijing • Fangshan Hé Yuan



The project is located in Liangxiang Town, Fangshan District, Beijing, adjacent to the University Town, LonghuTian Road and Liangxiang University Town Station on the Fangshan Metro Line. BCL worked with the coworking company UCOMMUNE to create the first multi-use office and residential project for younger residents who like to combine work and living.

Beijing • Shibaidian Hé Yuan



The Project is located in Xizhihe Village, Shibaidian Town, Chaoyang District, Beijing, east to the 5th Ring Road (southeastern section). It is located about 10km from the CBD and 4km from the Yizhuang Development Zone, and is adjacent to metro lines No. 7 and No. 17. With a total GFA of 430,000 sq.m., the project is expected to provide nearly 10,000 rental apartment units.

Tianjin • Shuanggang Hé Yuan



The project is located in Shuanggang Town, Jinnan District, Tianjin. It features a convenient transportation network as it's adjacent to the outer-ring road, several expressways, as well as many bus lines that go downtown. The metro line No. 8 that is currently under construction is also near the site. The project is located in a mature area with a number of supporting business facilities. It's also adjacent to an industrial park that has strong rental demand.

PROPERTY SALES PERFORMANCE

In 2019, the Group, together with its joint ventures and associated companies, achieved total contracted sales of RMB80.81 billion, up 14.4% from the same period last year. Total contracted sales area was approximately 3.163 million sq.m., up 3.3% from the same period last year. The average selling price was RMB26,000 per sq.m., up 10.8% year-over-year.

Geographic Distribution of Contracted Sales in 2019

City	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Average Selling Price (RMB/sq.m.)	Approximate Contracted Sales Revenue (RMB'000)
Beijing-Tianjin-Hebei Region	1,461,191	33,561	49,039,433
Yangtze River Delta cities	979,283	19,878	19,466,534
Guangdong-Hong Kong-Macao Region	75,528	40,061	3,025,754
Others	646,690	14,345	9,276,778
Total	3,162,692	25,550	80,808,499

- Three key metropolitan areas continued to dominate in terms of contracted sales, highlighting the power and effectiveness of its focused efforts in the area. During the year, contracted sales in the three key metropolitan areas were RMB71.53 billion, accounting for roughly 90% of the total. In particular, contracted sales in the Beijing-Tianjin-Hebei region, the Group's home turf, were RMB49.04 billion, accounting for 60.7% of the total; The contracted sales in the Yangtze River Delta were up 155.6% year-over-year.
- Deployments of core product lines and key high-end brands, boosting its brand value. During the year, multiple high-end projects from its core product line, such as "Tian Yue", "Xi Rui" and "Xi Yue", among others, were well received by the market. The Beijing Sunhe twin projects generated turnover of RMB7.6 billion, ranking No.1 in the Sunhe region; the "Xi Yue Da Cheng" project in the Qingpu District of Shanghai generated turnover of RMB3.2 billion, making it the top performer in the Qingpu District; and the "Xi Yue Wisdom Mansion" project in the Shijingshan District of Beijing generated close to RMB3 billion in sales on the day of its launch.
- The proprietary sales platform took a dominant role in expanding the Group's sales capabilities. During the year, BCL established a proprietary vertical management structure for sales in an effort to promote the standardization of its in-house salesforce. It also strengthened dual assessment of signed contracts and cash collection to make sure key deadlines and performance indicators were met. Meanwhile, thanks to its integrated big data resources and internal and external channels, leveraging its deep dive into key regions and synergies among its diversified businesses, the Group made significant progress improving its sales and operational capabilities. During the year, contracted sales contributed from the Group's in-house sales platform increased 115% year-over-year to RMB30.1 billion, accounting for 37% of the total annual contracted sales.

- In an effort to accelerate turnover and destocking, the Group continued to implement its “fast turnover” strategy and “369 construction time limit standards”, which helped to further shorten project launch cycle and improve project sell-through rate. During the year, 10 projects, including “Tian Yue Yun He Yuan” in Hangzhou, “Xi Yue Wisdom Mansion” in Beijing and “Xi Yue Da Guan Da Jing” in Shenyang, among others, were launched within the same year the land for the projects was acquired. The projects such as “Capital of Vision” Phase II in Shanghai, “Novotown” in Kunshan, and “Auspicious House” Phase II in Jiangyin were all sold out upon launch.

Land Bank

In 2019, the Group added 22 new projects, with an aggregate investment of RMB35.55 billion, and a total GFA of 7.789 million sq.m., representing an average land premium of 13.6%. During the period, BCL continued to strengthen its strategic position in key metropolitan areas and key tier-2 cities with growth potential, and entered the Dongguan, Xiamen, Ningbo, Zhengzhou and other residential property markets for the first time.

During the year, the Group acquired strategic core projects with major resources and significantly replenished its land bank by leveraging strategic cooperation agreements, M&A, and synergies across its businesses as part of its efforts to strengthen its core competency. In December 2019, the Group acquired the Changshui Airport Project in the Dianzhong New Area of Kunming, with a total GFA of 1.776 million sq.m.. In January 2020, the Group added the Pingyuan Demonstration Zone Project located in Xinxiang City north of Zhengzhou Henan Province, at the core of the Greater Zhengzhou Metropolitan Area, with a total GFA of 1.521 million sq.m..

As of 31 December 2019, the Group had land bank with an aggregate GFA of 16.61 million sq.m., (10.76 million sq.m. was attributable to Company’s equity interests) and had a total ground area of 12.42 million sq.m. (8.01 million sq.m. was attributable to the Company’s equity interests). Of the total land bank GFA, approximately 88% is for property development projects, and 12% is for investment properties and other use. The existing land bank is considered to be of optimal scale and the Group believes its resources in core cities are sufficient. Moreover, the Group believes that its current land bank will be sufficient to meet its growth expectations and performance goals for the next three years.

Projects Invested in 2019

City	Project	Site Area of Land (sq.m.)	Total GFA (sq.m.)	Ground GFA (sq.m.)
Beijing	Beijing Shijingshan Xihuang Village Project	48,464	196,113	116,359
Beijing	Pinggu Jinhai Lake Hanzhuang Village 6019 site	133,408	230,450	133,671
Beijing	Beijing Pinggu Jinhai Lake Han Village 6014 site	58,643	106,624	59,230
Beijing	Beijing Fengtai Qinglong Lake Project	230,356	530,948	249,999
Tianjin	Tianjin Binhai New District Ninghe Project	173,988	288,547	232,035
Tianjin	Tianjin Jinnan Xinzhuang Village Project	86,088	245,945	170,145
Tianjin	Tianjin Wuqing Plot 04-10	27,195	65,565	43,512
Shanghai	Shanghai Minhang Huacao Plot 09-04	16,902	47,047	30,425
Suzhou	Suzhou Qingjian Lake Project	71,841	167,376	109,950
Ningbo	Ningbo Ninghai New Town Project	48,361	148,869	106,394
Kunshan	Kunshan Zhangpu Plot	68,114	240,496	170,725
Foshan	Foshan Shishan Town Project	74,600	224,692	162,430
Dongguan	Dongguan Wangniudun Project	38,796	141,295	96,991
Chengdu	Chengdu Qingyang Project	49,437	119,701	76,924
Xiamen	Xiamen Xiang'an New Town J05 Plot	16,786	50,391	33,600
Xiamen	Xiamen Xiang'an New Town H19 Plot	12,320	38,694	24,700
Xiamen	Xiamen Xiang'an New Town H24 Plot	18,723	58,350	37,500
Shenyang	Shenyang Tiexi District No.3 Site	16,479	51,203	36,255
Shenyang	Shenyang Tiexi District No.4 Site	16,338	48,423	34,311
Kunming	Kunming Wujia Dam Project	51,714	306,365	230,270
Kunming	Kunming Dianzhong Changshui Airport Project	508,322	1,776,448	1,277,819
Wuhan	Wuhan Jingkai Project	667,900	2,705,869	1,821,380
Total		2,434,775	7,789,411	5,254,625

HUMAN RESOURCES

As of 31 December 2019, the Group employed 3,768 professionals with median age of 33.5. In term of education level, 77.9% of employees held a bachelor's degree or higher, and 11.9% of employees hold a master's degree or higher. Employees with intermediate or senior professional titles accounted for 17%.

In 2019, with "quality growth" as its guideline for management, the Group proactively explored ways to optimize its organizational management model by further strengthening the support services provided by the headquarters, and gradually establishing multi-business platform management. Meanwhile, the Group also led and promoted the expansion and strengthening of its regional businesses, optimize innovative new businesses, and support the realization of the Group's "13th Five-Year" strategic goal.

In order to meet the requirements of "quality growth", the Group adhered to "value contribution" as its guiding principle and continued to improve its performance assessment and incentive systems. It also actively promoted risk sharing and win-win partnerships that are built on collaboration and innovation. Meanwhile, the Company further explored the use of incentive mechanisms for newer businesses such as fund management, cultural and creative project developments, and science and technology projects, and well-played the role of performance assessment and incentive systems in order to support the Company's strategic upgrading.

The Group consistently adheres to the vision that “talent is the most crucial capital” and endeavors to establish comprehensive practices to develop the workforce needed to meet the Group’s strategic requirements. By continually enhancing the organizational effectiveness and ratio of inputs to outputs, BCL focused on building human capital for key functions and diversified businesses. Externally, it stepped up efforts to recruit talents with high potential. Internally, it offered various training programs to arm employees with the needed skills. Together with job rotation and on-the-job training practices, the Group was able to continually update its human capital structure and provide support for its long-term sustainable growth.

BUSINESS MODEL

1. Four Core Business Lines

Residential Property Development

Investments are focused on the three core metropolitan areas of Beijing-Tianjin-Hebei, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area and single core key tier-2 cities with growth potential, which facilitated the integration of prime resources and advanced development of key regions. Led by mid-to-high end residential projects, the Group continues to carry out its “BCL Made 2020” product strategy, advance its product research and development capabilities, and promote product standardization for first-time home buyers and those looking for upgrades. The Group also enhanced its product quality and improved its customer service in order to enhance the overall brand.

Representative product lines of BCL’s residential development include “Tian Yue”, “Xi Rui” and “Xi Yue”.

Integrated Outlets

Leveraging Capital Grand, the commercial property development arm of Beijing Capital Land, the Group implemented a combined asset-heavy and asset-light business model to rapidly and strategically expand its outlet projects in target cities through construction, M&A and joint development. The objective is to build the largest outlet operating platform in Mainland China and to distinguish the Group from its competitors with its growth potential. Meanwhile, the Group provided a wide array of brands with direct access to consumers through these outlets by strategically connecting consumers to those commercial brands, and ultimately helped all parties achieve great success.

Representative projects of BCL’s outlets include the Beijing Fangshan Capital Outlets, Hainan Wanning Capital Outlets, Zhejiang Hangzhou Capital Outlets and Hubei Wuhan Capital Outlets.

Urban Core Integrated Complex

High-end urban commercial complexes that are developed above metro stations in the central areas of key cities such as Beijing, Shanghai and Shenzhen remain a key business focus. By introducing top-tier business partners and integrating resources such as land, capital and brands, the Group endeavors to develop landmark projects that will bring value-added returns and securitized assets. The Group will continue to drive growth of its urban core complex business line and establish an asset expansion platform on top of it.

Representative projects of BCL’s urban complexes include the Beijing Lize Financial Business District Project and Shenzhen Capital Business Center Project.

Primary Land Development (Including Shantytown Redevelopment)

The primary land development business (including shantytown redevelopment) mainly focuses on BCL's residential development area, which allows the Company to benefit from land value growth and enables the Company to acquire prime land resources at lower costs. In addition, large scale development allows the Group to explore and develop industry-city integration models in an effort to underpin its core competencies through a differentiated development strategy.

Representative projects of BCL's primary land development projects (including shantytown redevelopment) include the Beijing Hujialou shantytown redevelopment project, the Beishicao shantytown redevelopment project and the Tianjin Wuqing primary land development project.

2. Three Innovative Business Lines

Cultural and Creative Industries

The Group's mission in this business segment is to build and develop high quality projects that cater to the creative and high-tech markets and to provide services to the urban healthcare industry. With projects focused on "big culture", "big information technology" and "big health", the Group's cultural and creative industries business comprises three strategic segments, namely industrial park operation, industrial investment and content creation. With a strong presence in Beijing, the Group has created an industrial park management and investment platform to integrate resources and build an ecosystem for cultural and creative industries.

Representative projects of BCL's cultural and creative industries include the Langyuan Vintage Project, the Yongyuan Project and the Media Elite Headquarters Project in Beijing.

High-tech Industrial Property

BCL has positioned itself as an innovative and integrated service provider, and a platform for the rapidly growing wave of high-tech industries. With an "industrial + property" model, it is working to build a business ecosystem that is able to integrate innovation, industrial development and value creation. The Group's industrial park development covers industrial development, space management, environmental programs, human resources, operations, investment and fund raising, with the aim of building four ecosystems and nine service platforms.

A representative project of BCL's high-tech industrial property business is the Beijing Zhongguancun IC Park ("IC Park") in Beijing.

Rental Housing

In response to the government's directives that "housing is for people to live in, not for speculation", and "new developments should have units to both buy and rent", BCL has been actively pushing forward its expansion into the rental housing market. While transforming and upgrading some of its existing projects into rental housing units and revitalizing its inventory, the Group also leveraged its advantages and forged partnerships to acquire collectively-owned land on which to develop rental housing projects. Under the brand "Hé Cohesive Hub" and based on an "apartment + common area + services" model, the Group provided premium "3+2+X" rental space to younger urban residents in collaboration with the co-working brand UCOMMUNE, and BCL's outlets business.

Representative projects of BCL's rental housing projects include the Chaoyang Shibidian rental housing project on collectively owned land, Fangshan Hé Yuan Project in Beijing, and the Shuanggang Hé Yu Project in Tianjin.

3. Financial Platform: Prime Golden Capital

Prime Golden Capital is positioned as the financial platform under BCL. As a critical part of the Group's "RMB100 Billion Value Ecosystem" strategy, Prime Golden Capital has strong shareholder support and possesses professional operation capabilities. It integrates finance and property, and looks for both investment and fund raising, and aims to boost the rapid development of BCL's main business as well as to speed up BCL's strategic transformation across finance, property and urban development. Prime Golden Capital concentrates on "property × finance" and primarily invests in real estate development, asset management, cultural and creative industries, private equity and overseas real estate.

DEVELOPMENT AND OUTLOOK

Looking out to 2020, the global and Chinese economies will continue to face multiple risks and challenges. For the Chinese real estate industry, tightened policies are not expected to be loosened in the short term. The government's directive of "housing is for people to live in, not for speculation" and city-specific measures will remain its core focus. As such the market will gradually establish a long-term mechanism for stable development. With the impact of COVID-19 which broke out at the beginning of 2020, construction sites are suspended, several sales offices are closed and contracted sales are postponed, as a result, the performance of the year will be potentially affected. Against a backdrop of deleveraging and a moderate tightening of industry-specific monetary policy, property developers as a whole will continue to face a funding squeeze. More M&A opportunities will arise as the sector's consolidation continues. In addition, real estate companies that adopt a differentiated development approach should stand out as the room left for incremental expansion arising from traditional residential sales will be slim. In 2020, the Group will continue to generate "quality growth" as its core mission, being stability-oriented along with further progress as well as some optimized changes and continue to execute the following development strategies:

1. The Group will adhere to a "fast turnover" strategy and further execute the "369 project construction standards" to further improve the pace of launch and delivery of new projects and accelerate destocking. Leveraging the Group's in-house salesforce as a core driver to significantly improve sell-through rates and accelerate destocking, BCL expects to hit its annual sales target of more than RMB80 billion. It will also accelerate cash collection by enhancing its performance evaluation system and increase incentives for cash collection from cooperative projects.
2. The Group will continue to deploy its 3+X land investment strategy, which will focus on three core metropolitan areas and key tier-2 cities with growth potential. The Group will also acquire projects with a non-competitive and differentiated approach, including investments in projects that have synergies with existing core businesses, M&A, and strategic cooperation. BCL will continue to leverage the advantages of its primary land development platform with RMB100 million in value in the Beijing-Tianjin-Hebei region to select the best projects among new investment targets and strengthen its strategic resource acquisition.

3. To further develop its “BCL Intelligently Made 2025” operating strategy, the Group will apply smart operating processes across its business lines and embrace technological innovation as a key driver to achieve “quality growth”, so as to continuously upgrade its core product lines. Fully taking advantage of its big data platform, BCL will conduct market research and rollout targeted product designs to address the market demand of a new generation of customers. The Group will further optimize cost controls, improve strategic procurement and refine its standardization levels to achieve economies of scale. Beijing Capital Land Property Services Co. Ltd., a new property management subsidiary of BCL, will continue to improve its service quality and fully implement its strategic development plan to generate significant growth opportunities powered by capital investment.
4. The Group will continue to explore business innovations and upgrades, and seek new profit drivers. Centering around strategies of “property + culture” and “property + technology”, BCL will further focus on its innovative business lines including projects in the cultural and creative industries, high-tech industrial properties and rental housing. By leveraging synergies with Beijing Capital Group and competitive advantage in resources, BCL will employ a combined asset-heavy and asset-light business model by adopting various approaches including M&A, joint development, self-operation and management expansion in order to accelerate the project implementation. BCL will strive to create a sustainable and profitable business model based on its strong advantages, persistently enhance its capabilities in property operation and value creation, and further strengthen the synergies between its innovative new and traditional business lines.
5. Leveraging its strong credit position and advantage in access to capital markets and take advantage of its well-rounded financing system, the Group will expand its access to high-quality financial resources and maintain diverse and smooth financing channels with a focus on direct financing from the capital markets. BCL will also forge ahead with H-share full circulation to lay a solid foundation for its future funding and shareholder value enhancement. Additionally, the Group will develop funding plans for its property management arm in order to drive business breakthroughs. The Group will also further accelerate the development of its financial platform Prime Golden Capital to make full use of its advantages in finance and property integration, which will expand the Group’s core resource acquisition and generate high-quality growth.

FINANCIAL ANALYSIS

In 2019, the operating revenue of the Group was approximately RMB20,786,255,000 (2018: RMB23,257,053,000), representing a decrease of approximately 11% as compared with 2018. Such decrease in operating revenue was mainly attributable to the decrease in sales revenue of property development during the period. In 2019, the Group achieved a gross profit margin after business tax of approximately 33%, representing an increase of 7 percentage points as compared to 26% in 2018, which was mainly attributable to an increase of gross profit margin in property development and sale business during the period. In 2019, the operating profit of the Group was approximately RMB3,552,458,000 (2018: RMB3,160,047,000), representing an increase of approximately 12% as compared to 2018.

1. Financial Resources, Liquidity and Liability Position

During the period under review, the Group maintained a healthy liquidity position and a reasonable appropriation of financial resources. As at 31 December 2019, the Group's total assets were RMB185,269,318,000 (31 December 2018: RMB169,716,823,000), of which current assets were RMB155,377,694,000 (31 December 2018: RMB137,511,685,000) and non-current assets were RMB29,891,624,000 (31 December 2018: RMB32,205,138,000); the total liabilities were RMB143,228,212,000 (31 December 2018: RMB131,516,141,000), of which current liabilities were RMB69,262,690,000 (31 December 2018: RMB63,777,213,000) and non-current liabilities were RMB73,965,522,000 (31 December 2018: RMB67,738,928,000); and the total equity was RMB42,041,106,000 (31 December 2018: RMB38,200,682,000).

The Group has sound liquidity and solvency. Current ratio of the Group as at 31 December 2019 was 2.24 (31 December 2018: 2.16).

As at 31 December 2019, the Group's cash at bank and on hand amounted to RMB27,035,244,000 (31 December 2018: RMB22,526,602,000), which represented sufficient funds for operations. As at 31 December 2019, loans and debentures of the Group amounted to RMB94,670,594,000 (31 December 2018: RMB88,549,769,000) in aggregate, of which the long-term loans and debentures amounted to RMB70,935,863,000 (31 December 2018: RMB65,130,175,000). The bank loans were mainly used to satisfy the capital requirements of the Group's property development projects.

As at 31 December 2019, the Group's gearing ratio was approximately 77% (31 December 2018: 77%). The gearing ratio of the Group is calculated as the total liabilities divided by the total assets.

2. Changes in major subsidiaries, principal jointly controlled entities and associates

Kunming Shouzhi Xinye Real Estate Development Co., Ltd. (昆明首置新業房地產開發有限公司), a subsidiary of the Group, was established in February 2019, and 100% of its equity interest was held by the Group.

Tianjin Tianke Real Estate Co., Ltd. (天津天科置業有限公司), a subsidiary of the Group, was established in February 2019, and 100% of its equity interest was held by the Group.

Foshan Shourui Real Estate Development Co., Ltd. (佛山首瑞房地產開發有限公司), a subsidiary of the Group, was established in February 2019, and 100% of its equity interest was held by the Group.

Hangzhou Langyuan Culture Development Co., Ltd. (杭州郎園文化發展有限公司), a subsidiary of the Group, was established in April 2019, and 100% of its equity interest was held by the Group.

Xiamen Shouzhi Xiangfa Real Estate Development Co., Ltd. (廈門首置翔發房地產開發有限公司), a subsidiary of the Group, was established in May 2019, and 65% of its equity interest was held by the Group.

Kunming Kunlun Mountains First Real Estate Co., Ltd. (昆明崑崙首置房地產有限公司), a subsidiary of the Group, was established in July 2019, and 49.85% of its equity interest was held by the Group.

Chengdu Shouyue Huachuang Real Estate Co., Ltd. (成都首閱華創置業有限公司), a subsidiary of the Group, was established in August 2019, and 100% of its equity interest was held by the Group.

Xiamen Shoujing Real Estate Co., Ltd. (廈門首京置業有限公司), a subsidiary of the Group, was established in July 2019, and 100% of its equity interest was held by the Group.

During the period, the Group acquired 100% equity interest of Shoujin Yingchuang Investment Management (Zhuhai) Co., Ltd. (首金盈創投資管理(珠海)有限公司) ("Shoujin Yingchuang"). Following the completion of the acquisition, Shoujin Yingchuang became a subsidiary of the Group.

During the period, the Group acquired 100% equity interest of Kunshan Guangsheng Real Estate Development and Management Company Limited (昆山市廣盛房地產開發經營有限公司) ("Kunshan Guangsheng"). Following the completion of the acquisition, Kunshan Guangsheng became a subsidiary of the Group.

During the period, the Group acquired 100% equity interest of Chongqing Angdi Construction Limited (重慶昂迪建設工程有限公司) ("Chongqing Angdi"). Following the completion of the acquisition, Chongqing Angdi became a subsidiary of the Group.

During the period, the Group acquired 80% equity interest of Beijing Xilangyuan Culture Development Limited (北京西朗園文化發展有限公司) ("Xilangyuan"). Following the completion of the acquisition, Xilangyuan became a subsidiary of the Group.

During the period, the Group disposed of 50% equity interest held in Beijing Tiancheng Yongyuan Investment Management Co., Ltd. (北京天城永元置業有限公司) ("Tiancheng Yongyuan"). Following the completion of transfer, the Group will no longer hold any interests in Tiancheng Yongyuan.

Beijing Yuechuang Real Estate Development Co. Ltd. (北京悅創房地產開發有限公司), a joint venture of the Group, was established in March 2019, and 49% of its equity interest was held by the Group.

Beijing Jingu Chuangzhan Real Estate Co., Ltd. (北京金谷創展置業有限責任公司), a joint venture of the Group, was established in April 2019, and 49% of its equity interest was held by the Group.

During the period, the Group entered into an agreement with a partner in relation to the joint development project of the property on the land at No. 2-2, Wuqing through Tianjin Ruihe Real Estate Co., Ltd. (天津瑞和置業有限公司) ("Tianjin Ruihe"), as the platform. Tianjin Ruihe was the vehicle for project development. 50% equity interest of Tianjin Ruihe was held by the Group and the partner respectively.

3. Entrusted Deposits and Overdue Time Deposits

As of 31 December 2019, the Group did not have any entrusted deposits in financial institutions in the PRC. Most of the Group's cash was held in commercial banks in the PRC in compliance with applicable laws and regulations. The Group has no bank deposits which are not recoverable upon maturity.

4. Borrowings

As at 31 December 2019, bank borrowings of RMB35,627,681,000 (31 December 2018: RMB26,296,597,000) were from credit facilities obtained by the Group, of which, RMB34,005,681,000 (31 December 2018: RMB23,881,615,000) were secured by guarantees provided by the Group for its subsidiaries; and RMB1,622,000,000 (31 December 2018: RMB2,414,982,000) were general credit facilities obtained by the Group.

As at 31 December 2019, the Group's guaranteed bank borrowings amounted to RMB4,131,000,000 (31 December 2018: RMB6,393,000,000), of which, RMB1,631,000,000 (31 December 2018: RMB1,893,000,000) were secured by the guarantees provided by the Company and the third parties for the subsidiaries; and RMB2,500,000,000 (31 December 2018: RMB4,500,000,000) were guaranteed by Beijing Capital Group Co., Ltd. ("Capital Group"), the controlling shareholder of the Company.

As at 31 December 2019, the Group's mortgaged bank borrowings amounted to RMB8,565,668,000 (31 December 2018: RMB8,843,807,000). Of them, RMB4,487,151,000 (31 December 2018: RMB3,763,000,000) were secured by certain relevant properties under development; RMB198,000,000 (31 December 2018: RMB2,274,007,000) were secured by investment properties and land use rights; RMB877,262,000 (31 December 2018: RMB1,116,800,000) were secured by guarantees provided by the Group for its subsidiaries and by certain relevant properties under development of the subsidiaries; RMB1,265,000,000 (31 December 2018: RMB1,600,000,000) were secured by guarantees provided by the Group for its subsidiaries and by investment properties and land use rights of the subsidiaries; RMB1,738,255,000 (31 December 2018: nil) were secured by inter-company guarantees between subsidiaries of the Group and by certain relevant properties under development of the subsidiaries. Nil (31 December 2018: RMB90,000,000) were secured by inter-company guarantees between subsidiaries of the Group and by investment properties and land use rights of relevant subsidiaries.

As at 31 December 2019, the Group's pledged bank borrowings amounted to RMB2,333,263,000 (31 December 2018: RMB3,907,822,000). Of them, RMB833,263,000 (31 December 2018: RMB1,350,000,000) were secured by the entitlement to the receivables to be generated from the sales of properties under development of the Group; RMB1,500,000,000 (31 December 2018: RMB1,130,000,000) were secured by the trade receivables of subsidiaries of the Group. Nil (31 December 2018: RMB286,470,000) were secured by guarantees provided by the Group for its subsidiaries and by the trade receivables of subsidiaries of the Group; and Nil (31 December 2018: RMB1,141,352,000) were secured by inter-company guarantees between subsidiaries of the Group and by bank deposits of the Group.

As at 31 December 2019, the Group's mortgaged and pledged bank borrowings amounted to RMB1,055,000,000 (31 December 2018: RMB1,073,000,000), which were secured by guarantees provided by the Group for its subsidiaries, investment properties and land use rights of the subsidiaries of the Group and the entitlement to trade receivables of the Group.

5. Corporate Bonds

In May 2015, the Group issued 5-year RMB listed bonds in a principal amount of RMB3,000,000,000 with an interest rate of 4.58% per annum.

In April 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB700,000,000 with a prevailing interest rate of 6.1% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year. The bonds had been fully settled in April 2019.

In April 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 4.5% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year. The current balance is RMB640,000,000.

In June 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,300,000,000 with a prevailing interest rate of 5.7% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year. The bonds had been fully settled in June 2019.

In June 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,700,000,000 with a prevailing interest rate of 4.4% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year. The current balance is RMB750,000,000.

In July 2016, the Group issued 3-year RMB private bonds in a principal amount of RMB2,000,000,000 with a prevailing interest rate of 5.9% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year. The bonds had been fully settled in July 2019.

In July 2016, the Group issued 5-year RMB private bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 4.10% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year. The current balance is RMB380,000,000.

In September 2017, the Group non-publicly issued 3-year RMB corporate bonds in a principal amount of RMB500,000,000 with a prevailing rate of 5% per annum. The current balance is RMB250,000,000.

In November 2017, the Group non-publicly issued RMB corporate bonds in a principal amount of RMB500,000,000 with a maturity in September 2020 and an interest rate of 5.7% per annum. The current balance is RMB250,000,000.

In January 2018, the Group non-publicly issued RMB corporate bonds in a principal amount of RMB1,000,000,000 with a maturity in September 2020 and an interest rate of 5.7% per annum. The current balance is RMB700,000,000.

In April 2018, the Group issued 5-year RMB denominated private corporate bonds in a principal amount of RMB2,000,000,000 with a prevailing interest rate of 5.84% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In April 2018, the Group issued 3-year RMB denominated private corporate bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 5.7% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year.

In July 2018, the Group issued 3-year RMB denominated private bonds in a principal amount of RMB1,500,000,000 with a prevailing interest rate of 5.8% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year.

In July 2018, the Group issued 5-year RMB denominated private bonds in a principal amount of RMB500,000,000 with a prevailing interest rate of 5.94% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In September 2018, the Group issued 5-year RMB denominated listed corporate bonds in a principal amount of RMB2,500,000,000 with a prevailing interest rate of 4.89% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In September 2018, the Group non-publicly issued 3-year RMB corporate bonds in a principal amount of RMB1,500,000,000 with a prevailing interest rate of 6%.

In December 2018, the Group issued 3-year RMB listed corporate bonds in a principal amount of RMB1,500,000,000 with a prevailing interest rate of 4.16% per annum.

In December 2018, the Group issued 5-year RMB listed corporate bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 4.50% per annum.

In January 2019, the Group non-publicly issued 3-year RMB corporate bonds in a principal amount of RMB1,500,000,000 with an interest rate of 6.00% per annum.

In April 2019, the Group issued 3-year RMB private bonds in a principal amount of RMB1,500,000,000 with a prevailing interest rate of 4.30% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the second year.

In April 2019, the Group issued 5-year RMB private bonds in a principal amount of RMB1,000,000,000 with a prevailing interest rate of 4.58% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In May 2019, the Group issued 5-year RMB private bonds in a principal amount of RMB3,460,000,000 with a prevailing interest rate of 4.37% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In July 2019, the Group issued 5-year RMB private bonds in a principal amount of RMB2,130,000,000 with a prevailing interest rate of 4.26% per annum. The issuer shall be entitled to an option to adjust the coupon rate and the investors shall be entitled to an option to sell back the bonds at the end of the third year.

In September 2019, the Group non-publicly issued 3-year RMB corporate bonds in a principal amount of RMB2,000,000,000 with an interest rate of 5.40% per annum.

6. Notes

In February 2014, Central Plaza Development Ltd. ("Central Plaza") established a Guaranteed Medium Term Notes and Perpetual Securities Scheme (the "Scheme"), pursuant to which International Financial Center Property Ltd. ("IFC") or, as the case may be, the Company would provide guarantees for securities to be issued thereunder. Under the Scheme, Central Plaza may offer and issue securities in a principal amount up to USD1,000,000,000.

In February 2014, Central Plaza made a drawdown under the Scheme to offer and issue 5-year notes in a total principal amount of RMB250,000,000 at an interest rate of 6.875% per annum. In February 2019, the notes have been repaid.

In January 2017, Central Plaza renewed the Scheme, pursuant to which IFC or, as the case may be, the Company would provide guarantees for securities to be issued thereunder. Under the renewed Scheme, Central Plaza may offer and issue securities in a principal amount of up to USD1,000,000,000.

In January 2017, Central Plaza made a drawdown under the renewed Scheme to offer and issue 3-year notes in a total principal amount of USD400,000,000 at an interest rate of 3.875% per annum.

In July 2017, Central Plaza made a drawdown under the renewed Scheme to offer and issue 3-year notes in a total principal amount of USD100,000,000 at an interest rate of 3.7% per annum.

In January 2018, Central Plaza renewed the Scheme, pursuant to which IFC or, as the case may be, the Company would provide guarantees for securities to be issued thereunder. Under the renewed Scheme, Central Plaza may offer and issue securities in a principal amount of up to USD2,000,000,000.

In January 2018, Central Plaza made a drawdown under the renewed Scheme to offer and issue 3-year notes in a total principal amount of USD500,000,000 at an interest rate of 3.875% per annum.

In August 2018, Trade Horizon issued 3-year notes in a total principal amount of USD400,000,000 at a prevailing interest rate of 4.84% per annum.

7. Equity Instrument

In November 2014, Central Plaza issued USD450,000,000 perpetual securities under the Medium Term Notes and Perpetual Securities Scheme at a distribution rate of 7.125%. Such securities were guaranteed by certain subsidiaries of the Group including IFC. Such securities have no maturity date and are redeemable at the option of Central Plaza as the issuer. Central Plaza as the issuer may elect to defer distribution with no times limit only if Central Plaza or the Company does not declare or pay a dividend. The securities are classified as equity instrument. In November 2019, the perpetual securities mentioned above have been repaid in full.

In July 2016, the Group raised a total amount of RMB3,000,000,000 through Xinghan Assets. According to the terms of the Investment Agreement, the amount of other equity instruments recognized amounted to RMB2,895,291,000 after deducting the inevitable dividend payable in the foreseeable future. In March 2019, the Group issued a prepayment announcement in accordance with the Investment Agreement to redeem 50% of principal of the Assets Management Plan in July 2019. Since the Group had the inevitable payment obligation, such amount did not meet the definition of equity instrument any longer and was reclassified to and audited as long-term borrowings due within a year after issue of prepayment announcement, and a decrease in capital reserve amounted to RMB52,355,000 was recognized accordingly. In July 2019, the Company repaid the remaining other equity instruments amounted to RMB1,447,646,000, and a decrease in capital reserve amounted to RMB52,354,000 was recognized accordingly.

In September 2017, the Group through Huaxin International Trustee raised a total amount of RMB2,000,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB1,970,027,000 after deducting the inevitable dividend payable in the foreseeable future.

In December 2017, the Group through Sino-Australian International Trust raised a total amount of RMB1,100,000,000. According to the terms of Investment Agreement, the amount of other equity instruments recognized amounted to RMB1,024,650,000 after deducting the inevitable dividend payable in the foreseeable future.

In March 2018, the Group issued a debt financing plan of RMB600,000,000. According to the terms of the Prospectus, other equity instruments recognized amounted to RMB553,800,000 after deducting the inevitable dividend payable in the foreseeable future.

In April 2018, the Group issued a debt financing plan of RMB200,000,000. According to the terms of the Prospectus, other equity instruments recognized amounted to RMB184,600,000 after deducting the inevitable dividend payable in the foreseeable future.

In June 2018, the Group issued perpetual medium-term notes of RMB2,000,000,000. Other equity instruments recognized amounted to RMB1,988,000,000 after deducting issue expenses.

In August 2018, the Group issued perpetual medium-term notes of RMB2,000,000,000. Other equity instruments recognized amounted to RMB1,991,000,000 after deducting issue expenses.

In August 2018, the Group issued a debt financing plan of RMB1,800,000,000. Other equity instruments recognized amounted to RMB1,735,200,000 after deducting the inevitable dividend payable in the foreseeable future.

In September 2018, the Group issued perpetual debt notes of RMB870,000,000 through Sino-Australian International Trust. Other equity instruments recognized amounted to RMB796,050,000 after deducting the inevitable dividend payable in the foreseeable future.

In September 2018, the Group issued a debt financing plan of RMB350,000,000. Other equity instruments recognized amounted to RMB337,400,000 after deducting the inevitable dividend payable in the foreseeable future.

In April 2019, the Group issued perpetual debt notes of RMB1,800,000,000 through AVIC Trust Co., Ltd. Other equity instruments recognized amounted to RMB1,685,347,000 after deducting the inevitable dividend payable in the foreseeable future.

In April 2019, the Group issued a debt financing plan of RMB2,000,000,000. Other equity instruments recognized amounted to RMB1,862,842,000 after deducting the inevitable dividend payable in the foreseeable future.

In April 2019, the Group issued perpetual medium-term notes of RMB1,000,000,000. Other equity instruments recognized amounted to RMB995,500,000 after deducting relevant expenses.

In November 2019, Central Plaza issued USD500,000,000 perpetual securities under the Medium Term Notes and Perpetual Securities Scheme at a distribution rate of 5.75%. Recognized amounted to RMB3,470,846,000 after deducting the relevant fees. Issuer Central Plaza may elect to defer the distribution with no times limits, only if Central Plaza or our Company do not declare or pay dividends. The Group has no contractual obligation to repay its principal or to pay any distribution interest in combination level. Therefore, the securities do not meet the definition of financial liabilities and minority interests RMB3,470,846,000 were recognized by the Group in combination level, subsequent distribution declared will be treated as dividend to minority shareholders.

8. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB6,919,548,000 at 31 December 2019 (31 December 2018: RMB7,284,277,000). Such guarantees will be terminated upon: (i) the issuance of the real estate interestship certificate which will generally be available within six months to two years after the Group transfers the ownership of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate other right certificate relating to the relevant property.

As at 31 December 2019, the Group provided an irrevocable and joint and several guarantee expiring in May 2020 in respect of a long-term borrowing of RMB747,950,000 borrowed by a subsidiary of a joint venture from AVIC Trust Co., Ltd. in March 2018.

As at 31 December 2019, the Group provided a guarantee of RMB252,000,000 for a long term borrowing borrowed by a subsidiary of a joint venture.

As at 31 December 2019, the Group provided a guarantee of RMB357,000,000 for a long term borrowing borrowed by a subsidiary of a joint venture.

As at 31 December 2019, the Group provided a guarantee of RMB43,850,000 for a long term borrowing borrowed by a subsidiary of a joint venture.

As at 31 December 2019, the Group provided a guarantee of RMB569,292,000 for a long term borrowing borrowed by an associate.

Save for the above, the Group had no other material external guarantee.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Li Songping (李松平), aged 57, was appointed as non-executive Director in February 2016 and was appointed as Chairman of the Company in August 2016. Mr. Li is a senior economist and senior accountant. Mr. Li joined Capital Group in March 2006, and has served as a member of standing party committee, director and deputy general manager, and held the position of deputy party secretary, director and general manager of Capital Group since November 2015. Mr. Li has also served as a non-executive director of Capital Grand from February 2016 to December 2016. Prior to joining Capital Group, Mr. Li worked at State-owned 761 Factory from August 1984 to March 1995, successively served as the deputy director and the director of the finance department, and became the accountant and assistant of Finance Section, deputy plant manager since 1994. From March 1995 to April 1996, he was the deputy director of Electronics Industry Office of the People's Government of Beijing Municipality. From April 1996 to July 1997, he was the director and the general accountant of Beijing Jingzhi Electronics Co., Ltd. From July 1997 to March 2000, he was the director and the general accountant of Beijing Electronic Information Industry (Group) Co., Ltd.. From March 2000 to March 2006, he was the director, the general accountant and member of standing committee of Beijing Electronics Holdings Co., Ltd.. Mr. Li obtained a Master's degree in Management from Changchun University of Science and Technology in 2009.

EXECUTIVE DIRECTORS

Zhong Beichen (鍾北辰), aged 45, was appointed as executive Director of the Company in April 2018, and was appointed as President of the Company in April 2018. Mr. Zhong served as architect of the Planning and Design Institute of the Department of Light Industry of the PRC from June 1996 to May 2000. Mr. Zhong served as architect of Beijing Sunshine Real Estate Comprehensive Development Company from May 2000 to December 2002, served as sales manager of Beijing Heng Yang Hualong Real Estate Co., Ltd. from December 2001 to December 2003, and served as deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd., a subsidiary of the Company, deputy general manager of the Commercial Property Development Department of Beijing Sunshine City Real Estate Development Co., Ltd., and general manager of the Product R&D Centre of the Company from December 2003 to May 2010 successively. Mr. Zhong served as vice president of Outlets Investment Management Limited from June 2010 to August 2011. Mr. Zhong served as Assistant President and general manager of Real Estate Development Department, Vice President and general manager of Real Estate Development Department from September 2011 to December 2013. Mr. Zhong was appointed as executive director and chief executive officer of Capital Grand from January 2014 to January 2017 and was appointed as Vice President of the Company from Jan 2017 to April 2018. He was appointed as executive director and chairman of the board of Capital Grand since January 2017. Mr. Zhong obtained his Bachelor's degree in Architecture from Xiamen University in 1996.

Li Xiaobin (李曉斌), aged 50, was appointed as executive Director of the Company in June 2017 and served as the Party Committee Secretary of the Company since May 2017. Mr. Li joined Capital Group in April 2003 and served as a staff member, deputy general manager and general manager of human resources department of Capital Group from April 2003 to October 2013. Mr. Li served as the secretary of the board of directors of Capital Group from August 2007 to May 2017 and also the head of the board office of Capital Group from August 2013 to April 2017. He was also the general manager of collaborative development department of Capital Group from January 2014 to December 2016. Prior to joining Capital Group, Mr. Li served as secretary of the president office, chief secretary, deputy head of the president office and branch party committee secretary of China National Packaging Import & Export Corporation from August 1992 to March 2001; deputy head of general office, secretary to the board, manager of human resources department, human resources and administration director, assistant to the chairman of the board of Zhuojing Investment Holdings Co., Ltd. from March 2001 to July 2002; administrative director of Beijing Junshi Investment Holdings Group Co., Ltd. from July 2002 to October 2002; human resources and administrative director of Beijing Dadi Investment Co., Ltd. from October 2002 to January 2003; and head of human resources and administration office of Stellar Megamedia Co., Ltd. from January 2003 to April 2003. Mr. Li obtained a Bachelor of Arts degree from Peking University in July 1992 and a Master's degree in Public Administration from Peking University in July 2012.

Hu Weimin (胡衛民), aged 55, was appointed as executive Director of the Company in April 2018, and was appointed as Vice President of the Company since December 2008. From 1988 onwards, Mr. Hu served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd. successively, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the investment banking department of Beijing Guanwei Investment Management and Consultancy Company. Mr. Hu joined the Company in 2003, and was appointed as Assistant President of the Company in January 2007. Mr. Hu served as Secretary of the Board of Directors from August 2007 to March 2016. Mr. Hu obtained his master degree in engineering from Northeastern University in 1988.

Fan Shubin (范書斌), aged 51, was appointed as executive Director of the Company in April 2018, and was appointed as Vice President and Chief Financial Officer in October 2016. Mr. Fan served as the head of the Accounting Department of China Nonferrous Metals Industry Technology Development Company Limited from August 1992 to February 1995. He served as the manager of the Financial Department of China Rare Earth Development Company from March 1995 to April 2002. He joined Capital Group in May 2002 and served as the general manager of the Financial Management Department of Beijing Capital Co., Ltd., deputy general manager of the Planning and Financial Department and the general manager of the Financial Management Department of Capital Group. He served as Supervisor of the Company from December 2011 to October 2016. He obtained a Bachelor's degree in Accounting of Industrial Enterprises from North China University of Technology in July 1991 and an MBA degree from Guanghua School of Management, Peking University in July 2000.

NON-EXECUTIVE DIRECTOR

Su Jian (蘇健), aged 47, was appointed as non-executive Director of the Company in August 2016. Mr. Su is an engineer. Mr. Su joined Capital Group since July 2004, and served as an assistant to the general manager of Beijing Ark garden Real Estate Development Company Limited, the senior manager of the Real Estate Operations Management Department, general manager of the Investment Development Department, deputy general manager of the Operations Management Department, and deputy general manager of the Real Estate Department of Capital Group; and has been the general manager of the Real Estate Department of Capital Group since June 2014. Mr. Su has served as a non-executive director of Capital Grand from December 2016 to May 2018. Prior to joining Capital Group, Mr. Su served as person in charge of Infrastructure Department of the Sanlian Group in Jinan, Shandong, the person in charge of infrastructure projects of Sanlian Urban Construction Co., Ltd. in Jinan, Shandong, the real estate project manager of Sanlian Urban Construction Co., Ltd. in Jinan, Shandong respectively from July 1995 to May 2002. Mr. Su graduated from the Department of Construction Engineering at Yantai University in July 1995, and received an MBA degree from the School of Economics and Management of Tsinghua University in July 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Wang (李旺), aged 56, was appointed as an independent non-executive Director of the Company in December 2014. Mr. Li is a professor and a mentor for doctoral students in the School of Law of Tsinghua University, and a director of both Beijing Law Society and Chinese Society of International Law. From April 1993 to March 1994, Mr. Li has served as an assistant lecturer in the School of Law of Kyoto University in Japan. Mr. Li has been a lawyer in Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing since April 1994 to November 1997 successively. Since November 1997, Mr. Li has been a lecturer, associate professor and a mentor for doctoral students in the School of Law of Tsinghua University. From October 2000 to October 2015, Mr. Li has been a lawyer in the TCHHF Law Firm in Beijing. Mr. Li has been a lawyer in the Tian Tai Law Firm in Beijing since October 2015. Mr. Li has been an external supervisor of Agricultural Bank of China since June 2015. Mr. Li obtained his Bachelor degree in Laws from China University of Political Science and Law in 1986, Master degree in Laws from Kyoto University in Japan in 1990, and Doctoral degree in Laws from Kyoto Sangyo University in Japan in 2005.

Wong Yik Chung, John (黃翼忠), aged 53, has been appointed as independent non-executive Director in April 2016. Mr. Wong obtained his Bachelor degree in Economics from the University of Melbourne, Australia in 1991. Mr. Wong is a fellow member of Hong Kong institute of Certified Public Accountants and a fellow member of Australian Society of Certified Practicing Accountants. He also obtained a PRC Certificate of Independent Directorship in 2011. Mr. Wong has been the director of Vantage Capitals Ltd. since January 2011, Mr. Wong was appointed as director of Green Park Greater Dynamic Growth Fund since August 2018. Mr. Wong was appointed as the independent non-executive director of Perfect Optronics Limited (Stock Code: 8311) with effect from January 2014 and EcoGreen International Group Limited (Stock Code: 2341) with effect from June 2004 and Long Ji Tai He Holding Limited (Stock Code: 1281) with effect from October 2015 and Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 03833) with effect from May 2019.

Liu Xin (劉昕), aged 50, was appointed as independent non-executive Director of the Company in December 2017. Mr. Liu is a professor and a PhD tutor of the Institute of Public Organisation and Human Resources at the School of Public Administration and Policy in Renmin University of China, and he is also a researcher at the Institute of Development and Strategy in Renmin University of China. During 1987 to 1997, he studied in the School of Labour and Human Resources in Renmin University of China and was the first student in the PRC who obtained a Doctorate in Labour Economics (Human Resources Stream). He has been teaching in Renmin University of China since his graduation in 1997. From August 1998 to July 1999, Mr. Liu served as a visiting tutor at Ghent University in Belgium. From August 2009 to July 2010, Mr. Liu served as a senior visiting tutor of the Fulbright Program at Harvard University in the US. From September 2011 to January 2012, Mr. Liu served as a postgraduate course professor of Gerald R. Ford School of Public Policy, University of Michigan in the US. From 2003 to 2013, he served as a chief expert and senior partner of Beijing Boom HR Consulting Co., Ltd to participate in the management and operation of the company. Mr. Liu is currently a deputy chairman and chief secretary of China's Association of Human Resource Management Teaching and Practicing, a senior technical titles review expert of Ministry of Human Resources and Social Security of the PRC, a member of Performance Assessment Committee of State Administration of Taxation. Mr. Liu was appointed as the independent non-executive director of Sinic Holdings (Group) Company Limited (Stock Code: 2103) with effect from November 2019.

SUPERVISORS

Deng Wenbin (鄧文斌), aged 43, was appointed as Supervisor of the Company in April 2018. Mr. Deng joined Capital Group in October 2013 and served as the deputy general manager of the Strategic Planning Department from October 2013 to June 2016. Mr. Deng was the general manager of Corporate Management Department from June 2016 to April 2017. Since April 2017, Mr. Deng became the general manager of Strategic Planning Department. Since May 2019, Mr. Deng became the Director of Strategic of Capital Group, the Director of Scientific and Technological Innovation Promotion Office and Group Spokesman. Prior to joining Capital Group, Mr. Deng was a staff member of China Siwei Surveying and Mapping Technology Co., Ltd from July 1999 to July 2000. He worked as a translator at Beijing Chuansi Technology Co., Ltd. from July 2000 to September 2001. Mr. Deng served as a staff member and the deputy general manager of the Financing and Constructing Department of Beijing Infrastructure Investment Co., Ltd. from July 2004 to May 2008. He was the deputy chief engineer of Beijing Transportation Development & Research Center from May 2008 to April 2011, during which time he was seconded to the Infrastructure Office of the Beijing Municipal Commission of Development and Reform from September 2006 to May 2010, and subsequently to the Enterprise Reform Department of the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government from June 2010 to April 2011. Mr. Deng served as the deputy research officer of the Enterprise Reform Department of the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government from April 2011 to October 2013. Mr. Deng obtained his master's degree in Road and Railway Engineering from School of Civil Engineering of Beijing Jiaotong University.

Jiang Hebin (蔣和斌), aged 49, was appointed as Supervisor of the Company in December 2011. Mr. Jiang served as a project budget engineer of Beijing Central Iron & Steel Research Institute, a senior supervisor of the Planning and Consultation Department of China Energy Conservation Investment Corporation, and a budget engineer of Beijing Sunshine Real Estate Development Comprehensive Development Company from 1993 to 2002. He joined the Company in December 2002 and served as a tendering supervisor of the Department of Operation Management, a contractual budget manager, assistant to general manager and deputy general manager of Beijing Anhua Shiji Real Estate Development Company Limited, and a senior professional manager and the general manager of the Cost Control Center successively. Mr. Jiang served as the general manager of the Risk Control Center of the Company from January 2011 to July 2014. Mr. Jiang is the general manager of the Strategic Procurement Center of the Company from July 2014 to February 2017. Mr. Jiang is the general manager of Beijing Lize Financial Business District Holdings Company since October 2016. Mr. Jiang was appointed as the safety officer of the Company from November 2017 to February 2019. Mr. Jiang obtained a Bachelor degree in Works Pricing Management from Jiangxi University of Science and Technology in 1993 and obtained a Master degree in Management Science and Engineering from the Graduate University of Chinese Academy of Sciences in 2007.

Tang Yanan (湯亞楠), aged 39, was appointed as Supervisor of the Company in July 2018. Ms. Tang is an intermediate accountant. Ms. Tang joined Capital Group since February 2006 and had served as head of accounting of the Accounting Information Department of Beijing Capital Co., Ltd., accountant and assistant to general manager of the Financial Management Department of Capital Group, and served as deputy general manager of the Financial Management Department of Capital Group since January 2017. Ms. Tang served as Supervisor of the Company from November 2016 to April 2018. Prior to joining Capital Group, Ms. Tang served as an auditor of Beijing Jingdu Certified Public Accountants from August 2003 to February 2006. Ms. Tang obtained a Bachelor's degree in Management from the School of Business Administration of the Jingdezhen Ceramic Institute, Jiangxi Province in 2003 and a Master of Science from Hong Kong Baptist University in 2013.

SENIOR MANAGEMENT

Li Xuhua (李旭華), aged 43, was appointed as Vice President in January 2017. Mr. Li was a civil engineer of Beijing Urban Construction and Construction Engineering Co., Ltd. from July 1998 to November 2000, and a service manager of Beijing Vanke Enterprise Co., Ltd. customer service center from November 2000 to March 2004. Mr. Li joined the Company in April 2004 and served as senior manager of Marketing Department, assistant general manager of Brand Marketing Center of the Company, assistant general manager and deputy general manager of Chongqing Company and deputy general manager and general manager of Qingdao Company and deputy general manager of Shanghai Company successively. He was appointed as the Assistant President from May 2016 to December 2016, and served as a general manager of the Company in Eastern China region since October 2018. Mr. Li obtained a bachelor's degree in engineering from Harbin University of Architecture in 1998.

Xu Kai (徐鐸), aged 44, was appointed as Vice President of the Company in January 2018. Mr. Xu served in Zhongxie Shenzhen Investment Company Limited and engaged in investment management from July 1997 to October 1998. Mr. Xu served as a property consultant at WorldUnion Property Consultancy Co., Ltd. from October 1998 to September 2001. He later served as a marketing manager at Beijing Vantone Real Estate Co., Ltd from September 2001 to June 2005. Mr. Xu joined the Company in June 2005 and had served as the specialized manager and senior manager of Investment Management Center, senior manager of the Brand Marketing Center and the project manager of the Wanning Project of the Company successively. Mr. Xu served as the general manager of Strategic Investment Center of the Company since July 2014. He also served as the general manager of the Operation Management Center of the Company from September 2015 to May 2016. He appointed as Assistant President of the Company from June 2016 to January 2018. Mr. Xu also served as the general manager of Shenzhen Company from June 2016 to February 2017 and from July 2017 to October 2018. He was also appointed as the general manager of Beijing Capital Land Guangdong-Hong Kong-Macao Area Co., Ltd. from October 2018 to December 2019. Mr. Xu obtained a bachelor's degree in Economics from Wuhan University in 1997.

SECRETARY OF THE BOARD OF DIRECTORS

Qin Yi (秦怡), aged 41, was appointed as Secretary of the Board of Directors since March 2016. Ms. Qin served in the financial department of Beijing Saikhe Pharmaceutical Co., Ltd. from 2000 to 2001. Ms. Qin joined the Company in July 2004 and served as a professional supervisor of business development department, senior manager of Strategy Development Centre, assistant general manager and deputy general manager of Capital Management Centre respectively. Ms. Qin has served as general manager of Capital Management Centre since February 2014, and Ms. Qin also served as a non-executive director of Capital Grand since December 2018. Ms. Qin obtained a Bachelor degree in Economics from China Institute of Finance and Banking in 2000 and a Master degree in Economics from School of Economics from Peking University in 2004.

COMPANY SECRETARY

Lee Sze Wai (李斯維), aged 37, was appointed as Company Secretary since November 2014. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants, The Chartered Governance Institute (formerly known as Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries. He is a charterholder of Chartered Financial Analyst. From February 2010 to August 2011, he served as financial controller and company secretary of Greenfield Chemical Holdings Limited (Stock Code: 582). From August 2011 to November 2014, he worked with Allied Group Limited (Stock Code: 373) as an assistant company secretary. He was the company secretary of Allied Overseas Limited (Stock Code: 593) from March 2012 to January 2014. He was the company secretary of Capital Grand from October 2015 to August 2019. Mr. Lee obtained his Bachelor degree in Economics and Finance from the University of Hong Kong in 2004.

DIRECTORS' REPORT

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in real estate development and investment, commercial real estate operation, property consulting services and investment holding.

BUSINESS REVIEW

The business review of the Group in accordance with Schedule 5 of Hong Kong Companies Ordinance is set out in "Management Discussion and Analysis" section of this annual report. A discussion of the Company's environmental policies and performance and an account of the Company's relationship with its key stakeholders will be disclosed in detail in the 2019 Environmental, Social and Corporate Governance Report to be published separately by the Company, which will be available for shareholders' inspection at the websites of the Company (<http://www.bjcapitalland.com>) and the Stock Exchange of Hong Kong (www.hkexnews.hk).

RESULTS

The results of the Group for the year ended 31 December 2019, prepared in accordance with China Accounting Standards for Business Enterprises and its financial position as at the same date are set out on pages 101 to 108 of the annual report.

DIVIDENDS

At a Board meeting held on 23 March 2020, the Board proposed a final dividend of RMB0.17 per share based on the Company's total issued number of shares of 4,362,940,850 on the same day and the total amount payable will be approximately RMB741,699,944.50. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

(a) 2019 Annual General Meeting

2019 Annual General Meeting is expected to be convened on 13 May 2020. The register of members will be closed from Wednesday, 6 May 2020 to Wednesday, 13 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 5 May 2020.

CLOSURE OF REGISTER OF MEMBERS *(Continued)*

(b) Proposed Final Dividend

The register of members will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates of the H shareholders must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 25 May 2020. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting, will be paid on or before the end of June 2020.

ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and other relevant implementation regulations which come into effect in 2008, the Company is required to withhold corporate income tax at the rate of 10% when it distributes the proposed 2019 final dividend to non-resident enterprises (as defined in the Enterprise Income Tax Law of the People's Republic of China) whose names are registered on the H-share register of members of the Company at 4:30 p.m. on Monday, 25 May 2020. Such non-resident enterprises shall include HKSCC Nominees Limited.

No withholding of enterprise income tax will be made in respect of dividends payable to natural persons whose names are registered on the H-share register of members of the Company. The Company will withhold enterprise income tax for payment pursuant to, and in accordance with, the relevant Chinese tax laws and regulations and based on the information as appeared on the H-share register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the Shareholders and for any claims arising from any delay in or inaccurate determination of the identity of the Shareholders or any dispute over the withholding mechanism.

OTHER RESERVES

Details of movements of other reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 107 of this annual report and the Company Statement of Changes in Equity on page 108 of this annual report.

As at 31 December 2019, the distributable reserves of the Company amounted to approximately RMB790 million.

FINANCIAL HIGHLIGHTS AND FIVE YEAR FINANCIAL SUMMARY

The Group's results and summary of assets and liabilities for the last five years are set out on page 5 of this annual report.

KEY RISK FACTORS

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

Policy Risks:

As one of the pillar industries for China's national economic development, the real estate sector is closely correlated to factors such as the development of the national economy and the growth of residents' income, and hence is to a large extent subject to the macroeconomic regulation and control as well as industrial policies. In light of a series of regulatory policies on the real estate sector launched by the central and local governments in recent years in response to any changes in China's macroeconomic situation and structural adjustments made in the real estate sector, the policies regarding the real estate industry, financial and credit policies, taxation policies and land policies imposed on the Company may be subject to adjustment. The uncertainty associated with those policies may expose the Group to risks and in turn cause adverse effects to the Group's investment, operation and sales.

In order to better cope with the opportunities and challenges brought about by policy changes, the Company paid close attention to industry policies and responded to the call of the state in a timely manner so as to grasp the opportunities of transformation and upgrading, and continuously innovated and expanded its business, thereby spreading risks and seizing the market development opportunities.

Capital Risks:

The real estate sector is a capital-intensive industry. In recent years, with the tightened control of the state over the real estate finance, the real estate enterprises had limited access to the financing channels and the financing costs had been rising continuously. The Company is facing an extremely tough financial environment.

The Company had been actively exploring diversified financing channels and innovating its financing methods. In addition to quickening turnover and accelerating payback, the Company strengthened the centralized management of funds by establishing a fund department, which was responsible for coordinating the management of the Company's funds used for investment, financing and business chains, ensuring the safety of the Company's funds and meeting the funds needed for the Group's projects development. The Company also established a finance platform Prime Golden Capital, to facilitate the deep integration between the real estate and finance sectors and attract more public funds for the project development.

KEY RISK FACTORS *(Continued)*

Market Risks:

The real estate enterprises compete for the land purchase intensely; local governments introduced various policies designed to impose restrictions on the real estate pricing, purchase and mortgage; the property buyers' demand for real estate products and related services is increasingly diversified and customized while desiring higher quality of products and related services; and the products in the real estate market are becoming more diversified. Accordingly, the market competition becomes fiercer. If the Company can not launch any real estate products that meet consumer's demands by timely understanding the geographical location, planning design, product pricing, ancillary services and product features and accurately responding to changes in consumers' demands, it may record poor sales from some of such products because of unclear positioning or scant demand, which will in turn do harm to the economic benefits of the Company.

The Company strategically focuses on the three city-clusters (namely Beijing-Tianjin-Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area), and proactively deployed resources to second-tier single-core cities with huge potential, thereby reducing the risk of relying on particular markets.

Operational Risks:

As for the real estate project, the lengthy development cycle, the complicated construction environment, the substantial amount of investment, lots of cooperation companies from various industries involved, any default of clients, suppliers and business partners and insufficiency or errors of the internal controls may have an adverse impact on the Company's business operation.

The Company adopted strict supplier selection standards and strategic and collective procurement while under-performing suppliers would be eliminated; it strengthened the overall management of construction schedule, quality and safety, reduced construction risks and emphasized safe development; and it fully carried out the product strategy of "BCL Made 2020" to commit itself to offering high-quality products and comprehensively improving the construction quality. Despite those measures that the Company have in place to reduce operation risks, some accidents may occur anyway, which may in turn result in a decrease in our results of operation and even tarnish our reputation.

Foreign Exchange Risks:

As the business scale of the Company in Australia and France had been gradually expanding and the overseas financing channels continued to expand, the two-way fluctuations of the RMB against the US dollar stepped up the foreign exchange risks faced by the Company when conducting investment and financing activities.

In order to minimize the exchange rate risks and ensure the security of investment and financing funds, the Company purchased a variety of foreign exchange products for Australian-dollar investments and new foreign currency financings. Moreover, a foreign exchange risk management committee had been established as the decision-making body for the foreign exchange risk management, setting up a three-level foreign exchange risk management structure composed of the committee, the headquarter center of the Group and all the front-line staff.

KEY RISK FACTORS *(Continued)*

COVID-19 risk:

Since the beginning of 2020, the epidemic of COVID-19 has spread rapidly and continuously triggered a chain reaction, subjecting the global market to sharp fluctuation, reducing the macroeconomic and industrial environment into uncertainty, and challenging the real estate industry severely. The Company's business has been affected in many aspects, with suspension of work and production in many places and delay in the resumption of work; the sales office and the business have been suspended; the contracted sales and operating returns have dropped significantly; if the epidemic continues, the Company's operating results may be further affected.

As at the reporting date, the epidemic has not ended, the risk of imported cases from abroad has increased, which imposes continuing impact on housing enterprises, and the final impact cannot be accurately assessed. The Company has implemented various measures such as online marketing platform, project development milestones adjustment, and prudent and safe investment strategy to minimize the impact of the epidemic and ensure the Company's steady operation. So far, the Company has resumed construction for most projects and reopened most sales offices.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's total purchase of goods and services from its five largest suppliers accounted for about 28.78% and the Group's total revenue from sales of goods and services to its five largest customers accounted for about 20.76%. The Group's total purchase of goods and services from the largest supplier accounted for about 7.78% and the Group's total revenue from sales of goods and services to the largest customers accounted for about 6.41%.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

FIXED ASSETS

Details of the movement of fixed assets of the Group during the year are set out in note 4(14) to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 8 to 14 of the annual report.

INVESTMENT PROPERTIES

Details of the movement of investment properties of the Group during the year are set out in note 4(13) to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

In the year ended 31 December 2019, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

DEBENTURES

Details of the debentures issued by the Company and subsidiaries of the Company during the year are set out in note 4(27) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

As of 31 December 2019, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year and up to the date of this report are as follows:

Directors

Non-Executive Director

Mr. Li Songping (*Chairman*)

Executive Directors

Mr. Zhong Beichen (*President*)

Mr. Li Xiaobin

Mr. Hu Weimin

Mr. Fan Shubin

Non-Executive Directors

Mr. Su Jian

Independent Non-Executive Directors

Mr. Li Wang

Mr. Wong Yik Chung, John

Mr. Liu Xin

Supervisors

Mr. Deng Wenbin

Ms. Tang Yanan

Mr. Jiang Hebin

The biographical details of directors, supervisors and senior management are set out on pages 56 to 61 of the annual report.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE EMOLUMENTS

Details of directors, supervisors and chief executive emoluments are set out in note 9(8)(a) to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

Details of the five individuals with the highest remuneration of the Group during the year are set out note 9(9) of the consolidated financial statements.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31 December 2019, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2)(b) of the Listing Rules, the Company discloses that during the year and up to the date of this report, the following directors of the Company are also directors of Beijing Capital Grand Limited ("Capital Grand"):

Name of Director	Position held in Capital Grand
Zhong Beichen	executive director and chairman of the board

Capital Grand is a listed subsidiary of the Company, which is principally engaged in commercial property development, with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlet retail-property projects in PRC. As the board of directors of the Company and the board of directors of Capital Grand operate independently, the businesses of the Company and Capital Grand can be operated independently on a fair basis.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS *(Continued)*

Non-competition undertaking between the Company and Capital Grand

On 28 June 2016, the Company entered into the amended non-competition deed (the "First Amended Non-Competition Deed") with Capital Grand to delineate the business of the Company and Capital Grand by cities and businesses, the details of which are set out in the circular of the Company dated 30 June 2016, and the First Amended Non-Competition Deed has come into effect on 18 July 2016.

On 10 October 2018, the Company entered into the second amended non-competition deed (the "Second Amended Non-Competition Deed") with Capital Grand to replace the First Amended Non-Competition Deed in its entirety and to delineate their businesses according to (i) usage of the land and properties to be developed and (ii) the business models, the details of which are set out in the circular of the Company dated 14 November 2018, and the Second Amended Non-Competition Deed has come into effect on 30 November 2018.

The Company confirms that it has complied with the non-competition undertaking under the Second Amended Non-Competition Deed during the year of 2019.

SHARE CAPITAL

As at 31 December 2019, There is a total issued share capital of 3,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares (Note 1)	1,649,205,700	54.47%
Non-H Foreign Shares	357,998,300	11.82%
H Shares (Note 1)	1,020,756,000	33.71%

Note 1: As disclosed in the announcements dated 9 December 2019 and 22 January 2020 and the prospectus dated 24 December 2019 relating to the Company's proposed rights issue of 5 rights shares for every 10 existing Shares (the "Rights Issue"), 824,602,850 domestic rights shares and 510,378,000 H rights shares were issued on 22 January 2020 in accordance with the relevant terms and conditions of the Rights Issue. Hence, the total issued shares of the Company's was 4,362,940,850 Shares.

Note 2: The changes in share capital during the year are set out in note 4(31) of the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Beijing Capital Group Co., Ltd. ("Capital Group")	2,473,808,550 (Note 1)	Non-listed Shares	150 (long position)	—	150	81.70 (long position)	—	81.70
	290,414,000 (Note 5)	H-Shares	—	28.45 (long position)	28.45	—	9.59	9.59
Beijing Rongtong Zhenghe Investment Management Co., Ltd.	357,998,300 (Note 2)	Non-listed Shares	—	17.83 (long position)	17.83	—	11.82 (long position)	11.82
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	—	17.83 (long position)	17.83	—	11.82 (long position)	11.82
China Resource Products Limited	357,998,300 (Note 4)	Non-listed Shares	13.71 (long position)	4.12 (long position)	17.83	9.09 (long position)	2.73 (long position)	11.82
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	4.12 (long position)	—	4.12	2.73 (long position)	—	2.73
BCG Chinastar International Investment Limited ("BCG")	290,414,000 (Note 5)	H-Shares	28.45 (long position)	—	28.45	9.59 (long position)	—	9.59
Reco Pearl Private Limited	121,814,000	H Shares	11.93 (long position)	—	11.93	4.02 (long position)	—	4.02
Recosia China Pte Ltd.	121,814,000 (Note 6)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02
Recosia Pte Ltd.	121,814,000 (Note 7)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02
Government of Singapore Investment Corporation (Realty) Pte Ltd.	121,814,000 (Note 8)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Continued)*

Notes:

1. As at 31 December 2019, Capital Group is directly interested in 2,473,808,550 Shares. China Resource Products Limited is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO.
2. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited and China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
3. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resources Products Limited and Yieldwell International Enterprise Limited.
4. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Yieldwell International Enterprise Limited.
5. As at 31 December 2019, BCG was interested in 290,414,000 Shares pursuant to its underwriting obligations under the underwriting agreement in the Rights Issue, and BCG is a wholly-owned subsidiary of Capital Group. The relevant percentages of the interests of Capital Group and BCG reflect the interests of Capital Group and BCG above based on the existing issued shares of the Company as at 31 December 2019 prior to the issuance of the rights shares under the Rights Issue on 22 January 2020. As disclosed in the Company's announcement on 22 January 2020, as the H rights shares have been accepted, applied for or placed or sold as fractional H rights shares under the Rights Issue, the underwriting obligations of BCG were fully discharged and BCG did not take up any of the 290,414,000 Shares upon completion of the Rights Issue.
6. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
7. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
8. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31 December 2019, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31 December 2019, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31 December 2019, the Group had 3,768 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund.

The Group has also adopted, and was subsequently amended in 2018, the Long Term Incentive Fund Scheme, details of which have been disclosed in the circular dated 7 February 2018 and approved in the Extraordinary General Meeting held on 24 February 2018.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

- (a) On 26 February 2019, Shoujin Capital Management (Tianjin) Company Limited (首金資本管理(天津)有限公司) ("Shoujin Capital") and Beijing Wan'an Jinrui Investment Management Co., Ltd. (北京萬安金瑞投資管理有限公司) ("Wan'an Jinrui") (both wholly-owned subsidiaries of the Company) entered into the Partnership Agreement with Beijing Capital New Town Construction Investment Fund (Limited Partnership) (北京首創新城鎮建設投資基金(有限合夥)) and Beijing Capital New Town Construction Investment Fund Management Company Limited (北京首創新城鎮建設投資基金管理有限公司) (both connected persons of the Company) in relation to the establishment of the Partnership for the development of shanty town renovation and environmental remediation projects in the cluster of Langezhuang Village — Dianshang Village, Dongxiaokou Town, Changping District, Beijing through investment in Project Company. The Partners contributed an aggregate amount of RMB700,000,000 to the registered capital of the Partnership. Wan'an Jinrui and Beijing Capital New Town Construction Investment Fund Management Company Limited (北京首創新城鎮建設投資基金管理有限公司), as general partners, contributed RMB700,000 respectively (each representing 0.1% of the registered capital of the Partnership), while Shoujin Capital and Beijing Capital New Town Construction Investment Fund (Limited Partnership) (北京首創新城鎮建設投資基金(有限合夥)), as limited partners, contributed RMB349,300,000 in currency or/and equivalent (shares in project company) respectively. Details have been disclosed in the announcement dated 26 February 2019.
- (b) On 27 March 2019, the Company entered into the Underwriting Agreement with Capital Securities Company Limited (首創證券有限責任公司) ("Capital Securities") (a connected person of the Company) and the Other Underwriters in relation to the underwriting of the Company's proposed issue of the Domestic Corporate Bonds in the PRC, with an aggregate principal amount of not more than RMB10 billion in one or more tranches by Capital Securities as one of the underwriters. The total underwriting commission payable by the Company to Capital Securities shall be no more than RMB35,000,000. Details have been disclosed in the announcement dated 27 March 2019.

CONNECTED TRANSACTIONS *(Continued)*

- (c) On 17 May 2019, the Company entered into the Letter of Undertaking with Capital Group (a connected person of the Company) in relating that Capital Group has undertaken that it or its subsidiary will, alongside independent underwriter(s), if any, act as the underwriters of H Share Right Issue. On 10 December 2019, the Company entered into the Underwriting Agreement with BCG Chinastar International Investment Limited (首創華星國際投資有限公司) ("BCG") (a connected person of the Company) and other independent underwriters in relating to the underwriting arrangement for the H Share Rights Issue. Pursuant to which, BCG shall underwrite no more than 290,414,000 H Right Shares and the Company shall pay it a fixed commission of 3% (based on the subscription price multiple maximum number of H Right Share underwritten by it). Details have been disclosed in the announcement and circular dated 17 May 2019 as well as the announcement dated 9 December 2019.
- (d) On 4 July 2019, Shoujin Yingchuang Investment and Management (Zhuhai) Company Limited (首金盈創投資管理(珠海)有限公司) ("Shoujin Yingchuang") (a wholly-owned subsidiary of the Company) has entered into the Shoujin Dechuang Partnership Agreement with Shouzheng Zefu Innovation Investment (Beijing) Co., Ltd. (首正澤富創新投資(北京)有限公司) ("Shouzheng Zefu") (a connected person of the Company) in relation to the formation of Shoujin Dechuang Fund. The initial registered capital of Shoujin Dechuang Fund was RMB100,000,000, including RMB20,000,000 (representing 20% of the capital contribution) subscribed by Shoujin Yingchuang as a general partner, and RMB80,000,000 (representing 80% of the capital contribution) subscribed by Shouzheng Zefu as a limited partner. In addition, Shoujin Yingchuang has entered into the Shouzheng Dejin Partnership Agreement with Shouzheng Desheng Capital Management Co., Ltd. (首正德盛資本管理有限公司) ("Shouzheng Desheng") (a connected person of the Company) in relation to the formation of Shouzheng Dejin Fund. The initial registered capital of Shouzheng Dejin Fund is RMB100,000,000, including RMB20,000,000 (representing 20% of the capital contribution) subscribed by Shouzheng Desheng as a general partner, and RMB80,000,000 (representing 80% of the capital contribution) subscribed by Shoujin Yingchuang as a limited partner. The main purpose of the formation of Shoujin Dechuang Fund and Shouzheng Dejin Fund is to jointly invest in real estate projects including urban renewal projects, commercial property projects, long-term rental housing projects, real estate-related cultural and creative projects and other real estate-related equity projects. Details have been disclosed in the announcement dated 4 July 2019.
- (e) On 12 September 2019, the Company, Capital Group, Beijing Capital Venture Investment Co., Ltd (北京首創創業投資有限公司) ("Capital Venture") (a connected person of the Company), and Capital Jingzhong (Tianjin) Investment Co., Ltd. (首創經中(天津)投資有限公司) ("Capital Jingzhong") (a connected person of the Company), have entered into the Partnership Agreement in relation to the formation of the Partnership Fund. The initial registered capital of the Partnership Fund was RMB500,000,000, including RMB20,000,000 (representing 4% of the capital contribution) subscribed by Capital Venture as a general partner, RMB280,000,000 (representing 56% of the capital contribution) subscribed by Capital Group as a limited partner, and RMB100,000,000 (each representing 20% of the capital contribution) subscribed by each of the Company and Capital Jingzhong as a limited partner. The Partnership Fund mainly engaged into investment in the cultural and creative industries and projects therein. Details have been disclosed in the announcements dated 12 September 2019 and 15 October 2019.

CONNECTED TRANSACTIONS *(Continued)*

- (f) On 18 October 2019, the Company disposed of 50% interests of Beijing Tiancheng Yongyuan Investment Management Co., Ltd. (北京天城永元置業有限公司) to Bantex Investments Limited (a connected person of the Company) by means of equity transfer through public tender in China Beijing Equity Exchange at a consideration of RMB3,025,130,808. Beijing Tiancheng Yongyuan Investment Management Co., Ltd. holds the office building of area F-03 in Beijing Lize Financial Business District. Details have been disclosed in the announcements dated 10 September 2019, 18 October 2019 and the circular dated 21 October 2019.

CONTINUING CONNECTED TRANSACTION

- (a) (i) On 3 June 2016, the Company announced that the acquisition of equity interest in Beijing Donghuan Xinrong Investment Management Limited (北京東環鑫融投資管理有限公司) ("Donghuan Xinrong") at a consideration of RMB1,297,830,000 and the shareholders' loan in the amount of approximately RMB269,412,000 has been completed. Donghuan Xinrong is a company established in the PRC with limited liability and is primarily engaged in the property management and leasing of offices in Capital Building (首創大廈). Prior to completion, Donghuan Xinrong and Capital Group and its subsidiaries had entered into certain lease agreements, pursuant to which Donghuan Xinrong had agreed to lease certain units in Capital Building to Capital Group and its subsidiaries for their own use. Therefore, the transactions under the lease agreements constitute the continuing connected transactions. On 4 May 2018, Donghuan Xinrong (a wholly-owned subsidiary of the Company and as the lessor) entered into the New Lease Agreement and Supplemental Lease Agreement with Capital Group (a connected person of the Company). Hence, the transactions under the New Lease Agreement and Supplemental Lease Agreement constitute continuing connected transactions. Donghuan Xinrong annual caps for the rental amounts received for the financial years as of 31 December 2018 and 31 December 2019 were revised to be RMB27,000,000 and RMB29,700,000, respectively. Details have been disclosed in the announcements dated 3 June 2016 and 4 May 2018.
- (ii) On 27 January 2017, the Company announced that it has completed the acquisition of all equity transfer in Donghuan Xinrong. Prior to completion, Donghuan Xinrong and Capital Group and its subsidiaries have entered into certain lease agreements, pursuant to which Donghuan Xinrong has agreed to lease certain units in Capital Building to Capital Group and its subsidiaries for their own use. Hence, the transactions under the lease agreements constitute continuing connected transactions. Donghuan Xinrong annual caps for the rental amounts received for the financial years as of 31 December 2017, 31 December 2018 and 31 December 2019 were RMB10,274,000, RMB11,301,400 and RMB12,431,540, respectively. Details have been disclosed in the announcement dated 27 January 2017.

CONTINUING CONNECTED TRANSACTION *(Continued)*(a) *(Continued)*

(iii) On 6 December 2019, Donghuan Xinrong and Capital Group have entered into the Framework Lease Agreement, pursuant to which Donghuan Xinrong shall lease the Properties in Capital Building to Capital Group and its subsidiaries, for a term of three years. The annual caps (including the property management fees) for the amounts to be received by Donghuan Xinrong from Capital Group, calculated on an aggregate basis, as for the period from 6 December 2019 to 31 December 2019, for the year ended 31 December 2020, for the year ended 31 December 2021, for the period from 1 January 2022 to 5 December 2022 will be RMB3,918,000, RMB57,503,000, RMB61,729,700 and RMB61,437,000 respectively. Details have been disclosed in the announcement dated 6 December 2019.

(b) On 10 February 2017, the Company, Capital Securities and Bank of Communications Corporation Limited (Beijing Branch) (交通銀行股份有限公司北京市分行) ("Custodian Bank") entered into the Asset Management Agreement, pursuant to which, among others, Capital Securities shall manage and invest the Entrusted Assets of an amount up to RMB350,000,000 of the Company for a term of three years commencing from the Initial Date (as defined in the relevant announcement). Pursuant to the Asset Management Agreement, the maximum daily balance managed by Capital Securities (including any accrued investment returns), being the annual caps for the Entrusted Assets, shall not exceed RMB350,000,000 for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019. Capital Securities shall receive the Performance Fee (as defined in the relevant announcement) in return and the annual caps for the Performance Fee payable by the Company to Capital Securities for each of the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 shall be RMB6,510,000. Details have been disclosed in the announcement dated 10 February 2017.

(c) Reference is made to the continuing connected transactions mentioned in paragraph (b) above. On 20 February 2017, the Company, Capital Securities and the Custodian Bank entered into the Supplemental Agreement, pursuant to which (among others) the maximum amount of the Entrusted Assets (as defined in the relevant announcement) was revised to not more than RMB2,000,000,000. Pursuant to the Supplemental Agreement, the maximum daily balance (including any accrued investment returns) managed by Capital Securities, being the annual caps for the Entrusted Assets, shall not exceed RMB2,000,000,000 for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and for the period from 1 January 2020 to 15 February 2020. The annual caps for the Performance Fee payable by the Company to Capital Securities for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and for the period from 1 January 2020 to 15 February 2020 shall be RMB32,105,000, RMB37,200,000, RMB37,200,000 and RMB4,689,000, respectively. Details of which have been disclosed in the announcements dated 20 February 2017, 13 March 2017, 7 April 2017 and 13 April 2017 and the circular dated 4 May 2017.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions (a) were in the ordinary and usual course of business of the Group; (b) were undertaken on normal commercial terms or better terms; and that (c) the relevant transaction agreements were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole and such transactions have been carried out in accordance with the transaction agreements.

CONTINUING CONNECTED TRANSACTION *(Continued)*

Pursuant to Rule 14A.56 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to conduct an examination of the above continuing connected transactions. The auditor has issued a letter setting out their conclusion of the continuing connected transactions of the Group disclosed above and it is concluded that they have not identified any matter that shows non-compliance with the Rule 14A.56 of the Listing Rules. The Board further wishes to add that the auditor of the Company has confirmed that the Continuing Connected Transactions (i) were approved by the Board; (ii) were conducted pursuant to the relevant agreements entered into; and (iii) were undertaken without caps being exceeded.

The Company confirms that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

RELATED PARTIES TRANSACTION

During the year ended 31 December 2019, the Group had entered into certain related party transactions as set out in note 9(5) of the Notes to the Financial Statements and save and except for those connected transactions or continuing connected transactions under the Listing Rules in the sections headed "Connected Transactions" and "Continuing Connected Transaction" set out above, the other transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS AFTER THE REPORTING PERIOD

On 17 February 2020, the Company and Capital Securities entered into the Financial Services Framework Agreement, Capital Securities shall provide underwriting and/or management services to the Group for the Group's future offering of bonds and/or products in relation to asset securitisation as the case may be, on terms to be provided in separate service agreements to be entered into. Pursuant the Financial Services Framework Agreement, the annual caps for the service fees payable by the Group to Capital Securities shall be RMB35,000,000 for each of the financial years ending 31 December 2020, 31 December 2021 and 31 December 2022. Details have been disclosed in the announcement dated 17 February 2020.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

On 10 August 2015, the Company and Capital Group entered into a subscription agreement, pursuant to which Capital Group subscribed 1 billion new domestic shares of the Company in cash at a subscription price of RMB3.08 per share. The fund raising was completed on 22 October 2015, with net proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES *(Continued)*

According to the circular regarding the private issue of domestic shares of the Company dated 11 September 2015, approximately RMB1,342 million out of the proceeds was intended to be applied to investment into the three projects in the Beijing-Tianjin area, namely Phase I of Wuqing Project, Xanadu Building No. 5 Project and Shijingshan Project; approximately RMB1,116 million to be applied to investment and development of potential projects on the near future; and the remaining proceeds, representing approximately 20% of the total net proceeds, to be applied to enhance general working capital of the Company. As at 31 December 2019, the net proceeds were utilised for the following purposes:

The use of proceeds from the private issue of domestic shares in 2019

Unit: (RMB'million)

Intended use of proceeds as set out in the circular	Intended amounts to be utilized as set out in the circular	Actual amounts intended to be utilized (Note 1)	Actual amounts utilized as at 31 December 2019	Amounts not yet utilized as at 31 December 2019 (Note 2)
Phase I of Wuqing Project	313.5	313.5	313.5	—
Xanadu Building No. 5 Project	519.3	519.3	61.1	485.2
Shijingshan Project	510.1	510.1	510.1	—
Enhancement of general working capital	614.1	609.0	609.0	—
Investment and development of potential projects	1,116.0	1,116.0	717.2	398.8

Note 1: As mentioned in the circular regarding the private issue of domestic shares of the Company in 2015, approximately RMB3,073 million out of the gross proceeds after deducting the estimated issuance expenses was expected to be utilized for the aforesaid projects. On 22 October 2015, the fund raising was completed, with the actual proceeds amounting to RMB3,068 million in aggregate after deducting the issuance expenses.

Note 2: As at 31 December 2019, the unutilized proceeds of the Company was deposited into the bank account opened with the Company. The remaining proceeds will be utilized according to the use of proceeds disclosed in the circular and the actual development plan of projects.

LONG-TERM BORROWINGS

Details of the long-term borrowings of the Group are set out in note 4(26) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUBSIDIARIES

Details of the Company's significant subsidiaries are set out in note 6(1) to the consolidated financial statements.

POLICIES ON INCOME TAX

The Company and its subsidiaries paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 79 to 94.

The Board has, among other things, reviewed the training and continuous professional development of Directors, the Company's compliance with the respective code provisions of the CG Code for the year ended 31 December 2019 and made disclosures in this Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the directors of the Company (whether made by the company or otherwise) or an associated company (if made by the Company).

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Li Songping
Chairman

Beijing, 23 March 2020



CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management.
- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.
- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

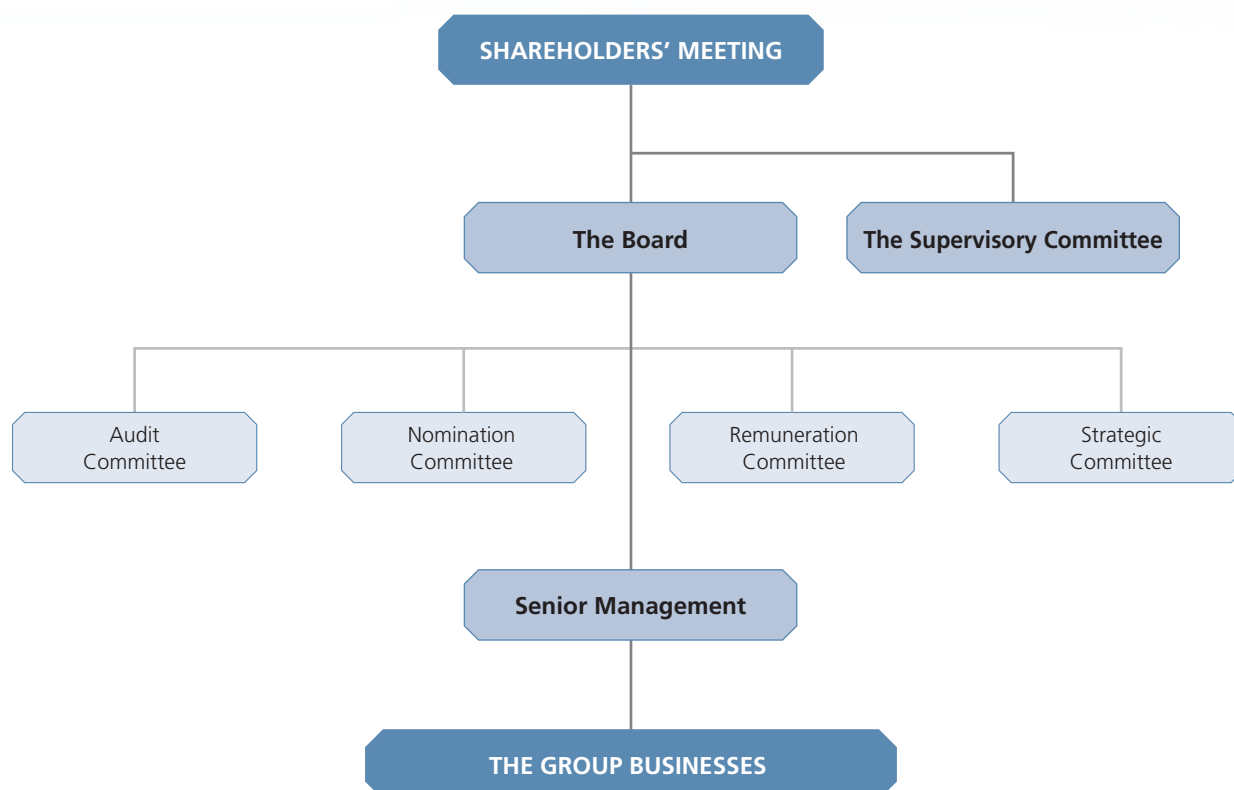
The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEX") (the "Listing Rules") in the year ended 31 December 2019.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code.

The status and details of the Company's corporate governance practices are set out below.

CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance structure sets below:



DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions (the "Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises 9 Directors, including four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 56 to 59 under the section of Biographical Details of Directors, Supervisors and Senior Management. The majority of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business, legal and financial expertise to the Board, which contribute to the effective stewardship of the Group.

RESPONSIBILITIES OF DIRECTORS

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's Articles of Association (the "Articles of Association") are as follows:

1. Authority in respect of the Company's development strategies and plan management:
 - (1) those requiring approval from the shareholders' general meeting:
 1. To work out mid-and-long term goals and strategies for the development of the Company;
 2. To propose plans related to the increase/decrease of registered capital of the Company or repurchase of the Company's shares;
 3. To propose plans related to the increase of the capital and shares of the Company;
 4. To propose plans for merger, spin-off or dissolution of the Company;
 5. To file an application for bankruptcy of the Company;
 6. To propose modifications to the Articles of Association;
 7. To consider the proposals for asset acquisition, purchase by third parties or asset disposal that shall be proposed at the General Meeting as required by the Listing Rules, the Measures for Administration of Related Party Transactions and the Articles of Association; and
 8. To propose detailed plans for changing the purpose of the funds raised by the Company.
 - (2) those that may be exercised by the Board at its discretion:
 1. To determine the plans related to the improvement of management and operation results of the Company;
 2. To determine the operation plans and audit work plans of the Company;
 3. To determine plans about the adjustment of important bodies within the Company or determine the working structure of the Board;

RESPONSIBILITIES OF DIRECTORS *(Continued)*

4. To determine the establishment of committees within the Board, or appointment or dismissal of committee members;
 5. To determine all investment plans within the authority of the Board; and
 6. To determine other important business management issues such as those which are not, by the laws, regulations and normative documents of securities regulatory authorities and stock exchanges, the Listing Rules, the Measures for Administration of Related Party Transactions and the Articles of Association or by these Rules, required to be determined by the General Meeting.
2. Authority in respect of the financial management of the Company is as follows:
- (I) Authority subject to approval of the General Meeting:
1. To consider the annual financial budget plans and final accounts plans of the Company;
 2. To formulate the Company's profit distribution policies, profit distribution plans or plans for loss recovery;
 3. To consider the Company's plans for issuing bonds;
 4. To consider the proposals for disposition of assets (such as asset pledge, lease or transfer) and financial assistance that shall be proposed at the General Meeting as required by the Listing Rules, the Measures for Administration of Related Party Transactions, the Articles of Association and other corporate governance documents.
- For the purposes of these Rules, "Financial assistance" includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;
5. To propose plans for appointment/dismissal by the Company of an accounting firm.
- (II) Authority exercised by the Board independently is as follows:
1. To manage disclosure of financial information of the Company; and
 2. To consider connected transactions, major transactions or financial assistance such as those which are not, by laws, regulations, normative documents of securities regulatory authorities or stock exchanges or the Listing Rules, the Measures for Administration of Related Party Transactions, the Articles of Association and other corporate governance documents, required to be considered by the General Meeting.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

3. Authority in respect of the management of personnel affairs of the senior management of the Company:
 - (1) those requiring approval from the shareholders' general meeting:
 1. To establish allowance standards for directors and prepare equity/option incentive (or similar incentives) plans;
 2. To consider qualifications of the candidates for the post of director or independent non-executive director; and
 3. To put forward proposals for removal of directors.
 - (2) those that may be exercised by the Board at its discretion:
 1. To determine policies and planning related to the development and use of human resources of the Company;
 2. To define major roles and authority of the General Manager, person in charge of finance, Secretary of the Board, authorised representative (as defined in the Listing Rules) and company secretary and the Audit Department;
 3. To appoint or dismiss the General Manager of the Company, authorised representative (as defined in the Listing Rules) and company secretary of the Company; to appoint or dismiss the Deputy General Manager or person in charge of finance of the Company based on nomination by the General Manager; to appoint or dismiss Secretary of the Board of the Company based on nomination by the Chairman of the Board; and
 4. To evaluate the work performance of the General Manager.
4. Authority in respect of supervision and inspection of the development and operation of the Company:
 1. To supervise the implementation of the development strategies of the Company;
 2. To supervise and inspect the implementation of the annual financial budget and final accounts of the Company; and inspect the completion of various plans;
 3. To evaluate the business performance of the Company on an annual basis so as to identify problems in the operation in a timely manner; give suggestions for improvement; and supervise the implementation of the same by the senior management of the Company;
 4. To evaluate as appropriate the plans for the improvement of the Company's operation and the effect thereof; and to investigate significant problems identified from operation results of the Company;

RESPONSIBILITIES OF DIRECTORS *(Continued)*

5. To identify obstacles encountered in the development of the Company, perceive the development tendency of the Company and give suggestions about the correction of the Company's development direction; and
6. To discuss all opportunities and risks for the development of the Company and changes in objective factors that have an extensive impact on the Company.

The Board held four on-site Board meetings and passed 81 written resolutions in 2019. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, project investment, financial transactions and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's Articles of Association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2019:

	Number of attendance/ Number of meeting
<i>Non-Executive Director</i>	
Mr. Li Songping	4/4
<i>Executive Directors</i>	
Mr. Zhong Beichen (<i>President</i>)	4/4
Mr. Li Xiaobin	4/4
Mr. Hu Weimin	4/4
Mr. Fan Shubin	4/4
<i>Non-Executive Director</i>	
Mr. Su Jian	4/4
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	4/4
Mr. Wong Yik Chung, John	4/4
Mr. Liu Xin	4/4

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executives.

For the year ended 31 December 2019, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least one-third of independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31 December 2019 are disclosed in the Directors' Report on page 68 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

Directors should keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to the Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Since 1 April 2012, the Company prepares monthly operation updates to all directors to enable them to aware the Company's latest business development, competition and supervisory environment and provide other relevant information that may affect the Company and the real estate sector so as to strengthen the directors understanding of the business and the market.

RESPONSIBILITIES OF DIRECTORS *(Continued)*

During the year 2019, the Directors also participated in the following trainings:

	Types of training
<i>Non-Executive Director</i>	
Mr. Li Songping <i>(Chairman)</i>	A/B/C
<i>Executive Directors</i>	
Mr. Zhong Beichen <i>(President)</i>	A/C
Mr. Li Xiaobin	A/C
Mr. Hu Weimin	A/C
Mr. Fan Shubin	A/C
<i>Non-Executive Director</i>	
Mr. Su Jian	A/C
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	A/C
Mr. Wong Yik Chung, John	A/C
Mr. Liu Xin	A/C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities, etc.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

CHAIRMAN AND PRESIDENT

The Chairman and President are held separately by Mr. Li Songping and Mr. Zhong Beichen respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

BOARD COMMITTEES

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

AUDIT COMMITTEE

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Wong Yik Chung, John (Chairman), Mr. Li Wang and Mr. Liu Xin. The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group;
- to monitor integrity of the issuer's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditor to supply non-audit services, and the audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed.

The Audit Committee's procedural rules are posted on the websites of the Company and HKEX.

During the year under review, the Audit Committee held a total of three on-site meetings and total of fifteen written resolutions. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019, considered and approved the work of the auditors, reviewed the business and financial performance of the Company, and review and made recommendation to the Board for the connected transactions of the Company.

AUDIT COMMITTEE *(Continued)*

Attendance of individual members at Audit Committee meetings in 2019:

	Number of Attendance/ Number of Meeting
Mr. Wong Yik Chung, John	3/3
Mr. Li Wang	3/3
Mr. Liu Xin	3/3

NOMINATION COMMITTEE

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors, supervisors of the Company and senior executives and succession planning for directors in particular executive directors and senior executives. Majority members of the Nomination Committee are Independent Non-executive Directors. It is chaired by Mr. Liu Xin with two other members, namely, Mr. Li Songping and Mr. Wong Yik Chung, John.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held one on-site meeting for annual review of the current Board structure, assessment of the independence of independent non-executive directors, reviewing the Nomination Committee's procedural rules.

The Nomination Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Nomination Committee meeting in 2019:

	Number of Attendance/ Number of Meeting
Mr. Liu Xin	1/1
Mr. Li Songping	1/1
Mr. Wong Yik Chung, John	1/1

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Liu Xin with two other members, namely, Mr. Li Songping and Mr. Wang Yik Chung, John.

During the year under review, the Remuneration Committee held one on-site meeting to review the remuneration of the directors, supervisors and senior management, the Long Term Incentive Fund Scheme and relevant matters, and made recommendation to the board.

The Remuneration Committee's procedural rules are posted on the websites of the Company and HKEX.

Attendance of individual members at Remuneration Committee meeting in 2019:

	Number of Attendance/ Number of Meeting
Mr. Liu Xin	1/1
Mr. Li Songping	1/1
Mr. Wong Yik Chung, John	1/1

Major written terms of reference of the current remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations;
- The remuneration levels should tally with the Company's competitors in the human resources market;
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years. The Non-Executive Directors of new session will not receive any fees.

REMUNERATION COMMITTEE *(Continued)*

3. Executive Directors

Components of Remuneration

The Executive Directors of the Company will not receive directors' fees, and their remunerations of the position are determined by the Company by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards.

The Company does not adopt any share option scheme.

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

STRATEGIC COMMITTEE

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the Company. It is composed of Mr. Li Songping as Chairman of the Strategic Committee and Mr. Zhong Beichen and Mr. Liu Xin as members of the committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is primarily responsible for performing the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and
- evaluating and determining the issuer's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place, and disclosed in the ESG Report.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

During the year, the Board performed the following corporate governance matters:

- review of the effectiveness of the internal controls and risk management systems of the Company; and
- to amend the Company's Corporate Governance Code and practices and to make recommendations.

INTERNAL CONTROLS

With the continuous efforts of the Board, management and all staff, the Company has established a more comprehensive and effective internal control system and prepared a "BCL's Internal Controls Manual" (首創置業內控手冊) so as to safeguard the corporate operating management regulations, asset security, financial reporting and the fairness, accuracy and completeness of the relevant information in a rational manner.

1. For the internal condition, the Company has formulated a clear strategic plan by adhering to the fundamental operating philosophy of "Built to Last", and established the corporate culture with distinct BCL characteristics and promoted the overall awareness of risk management.
2. For the risk management, the Company has expressed our continued concern on the changes in internal and external situations and conducted various risk assessment on an ongoing basis so as to establish a BCL's database meeting our business requirement and facilitating the actual operation.
3. For the control activities, the Company has established a better business process system and included the risk control points into our business process so as to realise the implementation of risk management.
4. For the information and communication, the Company has established an industry-leading Enterprise Resource Planning (ERP), covering financial, human resources, overall cost management, business management and overall budgeting management etc., which generally enhanced the corporate internal controls through informationisation and promoted the implementation of business process.
5. For the internal controls, the Company has established an internal control functional structure, of which divided into three classes from top to bottom and formed three lines of defense for the risk controls, including three aspects such as self-supervision of the Company, operational supervision of the headquarters operations centre and auditing supervision of risk control centre, as well as covering the whole chain of the Company's business to ensure overall supervision. The audit department has submitted its report to the audit committee.

The audit department has submitted the report to the Audit Committee. The Audit Committee and the Board consider that the risk management and internal control system of the Company operates smoothly.

EXTERNAL AUDITORS

The Board agreed with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the Group's external auditors. The recommendation will be put forward for the approval of shareholders at the forthcoming Annual General Meeting.

The Group has established a Policy on Appointment of External Auditor in providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers Zhong Tian LLP and other PwC firms for providing audit and audit related services and non-audit services for the year ended 31 December 2019 amounted to RMB11,801,000 and RMB1,283,000. The amount of fee payable to other audit firms for providing audit and audit related services for the year ended 31 December 2019 amounted to RMB8,670,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. For the year under review, the Company Secretary has confirmed that he has undertaken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHT

According to the Articles of Association of the Company, when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's Articles of Association.

The Group communicates with its shareholders through different channels, including annual general meetings, extraordinary general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the HKEX.

The Company's website provides shareholders with corporate information, such as principal business activities, major property projects and the latest development of the Group. Shareholders are provided with contact details of the Company, such as 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 through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

SHAREHOLDERS' RIGHT *(Continued)*

The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend. The Company's annual general meeting allows the Directors to meet and communicate with the shareholders. The chairman of the annual general meeting proposes separate resolution for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor should attend the annual general meeting (as the case may be) to answer questions from shareholders. The 2018 annual general meeting was held on 23 April 2019. During the year, the Company held five extraordinary general meetings. The attendance records of the Directors at the general meetings are set out below:

	AGM and EGM attended/held
<i>Non-Executive Director</i>	
Mr. Li Songping (<i>Chairman</i>)	1/6
<i>Executive Directors</i>	
Mr. Zhong Beichen (<i>President</i>)	5/6
Mr. Li Xiaobin	0/6
Mr. Hu Weimin	0/6
Mr. Fan Shubin	0/6
<i>Non-Executive Director</i>	
Mr. Su Jian	0/6
<i>Independent Non-Executive Directors</i>	
Mr. Li Wang	0/6
Mr. Wong Yik Chung, John	0/6
Mr. Liu Xin	0/6

DIVIDEND POLICY

The Company has adopted dividend policy to provide returns to shareholders. The specific amount declared each year will take into account the Company's indicators such as business performance, financial performance and cash level etc., subject to the relevant requirement of laws and regulations and Articles of Association.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Articles of Association during the financial year 2019. A copy of the latest Articles of Association are posted on the websites of the Company and HKEX.

INVESTOR RELATIONS

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much effort in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group has issued a monthly newsletter on a continuing basis since March 2009, the newsletter set out the latest project development and sales performance of the Group. The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for downloading from the Group's website at <http://www.bjcapitaland.com>. During the year, the Company also launched official investor relation WeChat channel for investors' subscription, so that investor can receive up-to-date news of the Group in advance.

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Li Songping
Chairman

Beijing, 23 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2019, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual General Meeting. The Supervisory Committee is satisfied that the Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Accounting Standards for Business Enterprises and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2019 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Deng Wenbin
Chairman

Beijing, 23 March 2020

AUDITOR'S REPORT

PwC ZT Shen Zi (2020) No. 15015

To the Shareholders of Beijing Capital Land Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Beijing Capital Land Ltd. (hereinafter "BCL"), which comprise:

- the consolidated and company balance sheets as at 31 December 2019;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- the notes to the consolidated and company financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of BCL as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of BCL in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit is related to valuation of investment properties.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to note 2(14), note 2(31)(ii) and note 4(13) to the consolidated financial statements for the disclosure of investment properties for BCL. BCL adopts the fair value model for subsequent measurement of investment properties. As at 31 December 2019, investment properties measured at fair value amounted to RMB14,855,841,000 and fair value gains on investment properties for the year then ended recognized in gains arising from changes in fair value were RMB91,991,000. The fair value was determined based on the valuation performed by an independent professional valuer (the "valuer") as a third party engaged by BCL.</p> <p>The valuations of investment properties involved critical accounting estimates and judgements, which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation technique is income capitalisation approach. The inputs adopted usually include market rental prices and discount rates;</p> <p>Considering the above mentioned critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.</p>	<p>We assessed the competence, professional capability and objectivity of the valuer.</p> <p>We communicated with the management of BCL about the valuation techniques adopted for each investment property, obtained and read the valuation reports for all the investment properties measured at fair value delivered by the valuer, and assessed the relevance and reasonableness of valuation techniques used by the valuer in consideration of the actual construction or operation status.</p> <p>We selected some of the investment properties measured at fair value by sampling and performed the following procedures: We assessed the reasonableness of key inputs used under income capitalisation approach, including market rental prices and discount rates, by comparing the market rental prices with comparative cases in active markets and the information of the rental prices in management's records, and by comparing the discount rates with the average discount rates in the industry.</p> <p>Based on the above, we obtained supportive evidence for critical accounting estimates and judgements made by management on the valuation techniques and key inputs used in the valuations of investment properties.</p>

OTHER INFORMATION

Management of BCL is responsible for the other information. The other information comprises the information included in 2019 annual report of BCL, but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management of BCL is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing BCL'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 management either intend to liquidate BCL or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing BCL's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

(Continued)

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

- Identify and assess the risks of material misstatement of the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 BCL'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 these 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 BCL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 BCL 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

(Continued)

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

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

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA: **Chen Jing (Engagement Partner)**

Signing CPA: **Wang Doudou**

Shanghai, the People's Republic of China

23 March 2020

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Assets	Notes	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Current assets					
Cash at bank and on hand	4(1);16(15)	27,035,244	22,526,602	10,003,378	8,580,020
Trading financial assets	4(2)	3,761,342	3,024,250	189,198	73,845
Trade receivables	4(3)	5,218,581	3,610,558	159	159
Advances to suppliers	4(4)	2,443,991	872,313	1,444	3,596
Other receivables	4(5);16(1)	22,350,997	20,245,009	89,277,050	67,358,127
Inventories	4(6)	85,928,699	75,403,717	33,544	33,544
Contract assets	4(7)	5,734,719	4,436,823	–	–
Assets classified as held-for-sale		–	73,244	–	–
Current portion of non-current assets	4(9)	311,975	4,397,880	–	–
Other current assets	4(8)	2,592,146	2,921,289	6,064	1,560
Total current assets		155,377,694	137,511,685	99,510,837	76,050,851
Non-current assets					
Derivative financial assets	4(30)	95,931	262,202	–	–
Long-term receivables		2,000	–	–	–
Long-term equity investments	4(11);16(3)	5,700,367	5,108,373	7,892,784	6,942,155
Other equity instrument investments	4(12)	288,283	288,283	50,000	50,000
Other non-current financial assets	4(10);16(2)	3,450,024	3,226,200	1,133,245	80,000
Investment properties	4(13)	16,743,273	20,570,240	–	–
Fixed assets	4(14)	324,203	314,770	52,698	51,853
Right-of-use assets	4(15)	915,045	–	825	–
Intangible assets		38,508	–	–	–
Long-term prepaid expenses	4(16)	453,144	244,117	–	–
Deferred income tax assets	4(17);16(6)	1,870,925	1,534,029	1,360,255	1,297,316
Other non-current assets		9,921	656,924	–	–
Total non-current assets		29,891,624	32,205,138	10,489,807	8,421,324
Total Assets		185,269,318	169,716,823	110,000,644	84,472,175

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Liabilities and equity	Notes	31 December 2019 Consolidated	31 December 2018 Consolidated (Restated)	31 December 2019 Company	31 December 2018 Company (Restated)
Current liabilities					
Short-term borrowings	4(19);16(7)	1,717,672	2,748,664	930,113	1,750,000
Trading financial liabilities		–	15,849	–	–
Notes payables		51,817	32,706	–	–
Trade payables	4(20)	8,551,640	9,442,087	40,049	10,814
Contract liabilities	4(21)	19,475,282	17,102,209	807	807
Employee benefits payables	4(22)	258,554	218,546	162,862	126,793
Taxes payable	4(23)	5,204,477	3,140,045	26,404	22,096
Other payables	4(24);16(4)	11,184,175	10,406,177	51,253,319	29,728,404
Current portion of non-current liabilities	4(25);16(8)	22,819,073	20,670,930	11,228,269	14,544,427
Total current liabilities		69,262,690	63,777,213	63,641,823	46,183,341
Non-current liabilities					
Derivative financial liabilities	4(30)	–	32,871	–	–
Long-term borrowings	4(26);16(9)	39,728,054	38,212,972	–	1,532,000
Debentures payable	4(27);16(10)	28,490,333	25,310,202	22,247,516	15,739,993
Lease liabilities	4(28)	875,318	–	–	–
Long-term payables	4(29)	2,717,476	1,607,001	–	–
Provisions		–	4,123	–	–
Deferred income tax liabilities	4(17)	2,153,741	2,571,759	–	–
Other non-current liabilities		600	–	–	–
Total non-current liabilities		73,965,522	67,738,928	22,247,516	17,271,993
Total liabilities		143,228,212	131,516,141	85,889,339	63,455,334
Equity					
Share capital	4(31)	3,852,563	3,027,960	3,852,563	3,027,960
Other equity instruments	16(5)	15,124,416	13,476,018	15,124,416	13,476,018
<i>Including: Perpetual bonds</i>	16(5)	15,124,416	13,476,018	15,124,416	13,476,018
Capital reserve	4(32);16(11)	395,293	469,930	3,515,341	3,059,320
Other comprehensive income	4(33)	289,943	438,746	–	–
Surplus reserve	4(34)	829,151	665,381	829,151	665,381
Retained earnings	4(35)	11,412,652	11,037,357	789,834	788,162
Total equity attributable to owners of the Company		31,904,018	29,115,392	24,111,305	21,016,841
Non-controlling interests		10,137,088	9,085,290	–	–
Total equity		42,041,106	38,200,682	24,111,305	21,016,841
Total liabilities and equity		185,269,318	169,716,823	110,000,644	84,472,175

The accompanying notes form an integral part of these financial statements

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED AND COMPANY INCOME STATEMENTS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Notes	2019 Consolidation	2018 Consolidation	2019 Company	2018 Company
Revenue	4(36);16(12)	20,786,255	23,257,053	49,268	25,295
Less: Cost of sales	4(36);16(12)	(13,713,906)	(16,949,443)	–	–
Taxes and surcharges	4(37)	(2,036,764)	(2,172,662)	(2,845)	(170)
Selling and distribution expenses	4(38)	(743,768)	(609,167)	–	–
General and administrative expenses	4(38)	(1,425,045)	(1,069,626)	(340,328)	(297,895)
Financial expenses	4(39);16(13)	(3,097,009)	(2,869,242)	(1,858,294)	(1,874,497)
including: Interest expenses		(3,224,465)	(2,570,885)	(1,955,508)	(1,909,327)
Interest income		325,625	285,730	197,122	133,358
Add: Other income	4(40)	95,238	54,414	3,313	–
Investment income	4(41);16(14)	3,579,237	3,235,429	3,720,244	2,639,549
Including: Share of profit of associates and joint ventures		355,430	513,780	7,598	46,448
Gains on net exposure hedges		17,605	7,199	–	–
Gains arising from changes in fair value	4(42)	102,338	410,997	1,612	503
Credit impairment losses		–	(141,219)	–	–
Asset impairment losses		(10,086)	–	–	–
(Loss)/Gains on disposal of assets		(1,637)	6,314	167	–
Operating profit		3,552,458	3,160,047	1,573,137	492,785
Add: Non-operating income	4(43)	32,375	15,808	1,620	7,206
Less: Non-operating expenses	4(44)	(14,609)	(15,892)	–	(150)
Profit before income tax		3,570,224	3,159,963	1,574,757	499,841
Less: Income tax expenses	4(45)	(1,001,362)	(742,874)	62,939	434,831
Profit for the year		2,568,862	2,417,089	1,637,696	934,672
Classified by operating continuity					
Profit from continuing operations		2,568,862	2,417,089	1,637,696	934,672
Profit from discontinuing operations		–	–	–	–
Classified by attributions of the ownership					
Attributable to owners of the Company		2,122,572	1,922,932	N/A	N/A
Attributable to non-controlling interests		446,290	494,157	N/A	N/A

CONSOLIDATED AND COMPANY INCOME STATEMENTS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Notes	2019 Consolidation	2018 Consolidation	2019 Company	2018 Company
Other comprehensive (loss)/income for the year, net of tax	4(33)	(148,803)	26,585	–	(9,407)
Attributable to owners of the Company		(148,803)	26,585	–	(9,407)
Items that cannot be reclassified to profit or loss thereafter		–	38,283	–	–
Changes in fair value of other equity instrument investments		–	38,283	–	–
Items that may be reclassified to profit or loss thereafter		(148,803)	(11,698)	–	(9,407)
Share of other comprehensive loss in the investees can be reclassified into profit or loss at equity method		–	(31,984)	–	(9,407)
Changes in fair value of investments properties transferred from inventories		–	781	–	–
Recycling of changes in fair value of investment properties previously recognized in other comprehensive income		(62,073)	(50,301)	–	–
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(81,690)	78,713	–	–
Currency translation differences		(5,040)	(8,907)	–	–
Attributable to non-controlling interests		–	–	–	–
Total comprehensive income for the year		2,420,059	2,443,674	1,637,696	925,265
Attributable to owners of the Company		1,973,769	1,949,517	N/A	N/A
Attributable to non-controlling interests		446,290	494,157	N/A	N/A
Earnings per share for profit attributable to ordinary shares of the Company	4(46)				
Basic earnings per share (RMB Yuan)		0.43	0.45	N/A	N/A
Diluted earnings per share (RMB Yuan)		0.43	0.45	N/A	N/A

The accompanying notes form an integral part of these financial statements

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Notes	2019 Consolidation	2018 Consolidation	2019 Company	2018 Company
Cash flow from operating activities					
Cash received from sales of goods and rendering of services		26,347,804	16,659,719	47,962	11,580
Cash received relating to other operating activities	4(47)(a)	873,378	511,541	21,787,044	9,488,044
Sub-total of cash inflows		27,221,182	17,171,260	21,835,006	9,499,624
Cash paid for goods and services		(21,266,177)	(16,041,434)	–	–
Cash paid to and on behalf on employees		(1,303,440)	(1,244,064)	(221,988)	(185,062)
Payments of taxes and surcharges		(2,974,583)	(3,416,509)	(39,310)	(57,085)
Cash paid relating to other operating activities	4(47)(b)	(1,430,962)	(2,563,982)	(20,535,620)	(18,617,782)
Sub-total of cash outflows		(26,975,162)	(23,265,989)	(20,796,918)	(18,859,929)
Net cash flows generated from/(used in) operating activities		246,020	(6,094,729)	1,038,088	(9,360,305)
Cash flow from investing activities					
Cash received from refund of investments		5,443,803	4,990,000	5,259,175	4,990,000
Cash received from returns of investments income		66,413	59,978	14,771	59,978
Net cash received from acquisition of subsidiaries		–	66,513	–	–
Net cash received from disposal of fixed assets and other long-term assets		842,534	80,889	–	–
Net cash received from disposal of subsidiaries and other companies		3,752,302	1,585,756	2,735,628	948,158
Cash received relating to other investing activities	4(47)(c)	8,385,770	3,664,157	2,612,285	1,476,515
Sub-total of cash inflows		18,490,822	10,447,293	10,621,859	7,474,651
Cash paid to purchase fixed assets and other long-term assets		(1,816,735)	(2,111,981)	(844)	(1,615)
Cash paid to acquire investments		(6,898,446)	(5,919,100)	(6,423,245)	(6,358,555)
Net cash paid for acquisition of subsidiaries and other companies		(1,425,842)	(1,826,604)	–	–
Cash paid relating to other investing activities	4(47)(d)	(11,732,156)	(12,312,030)	(3,129,881)	(2,868,403)
Sub-total of cash outflows		(21,873,179)	(22,169,715)	(9,553,970)	(9,228,573)
Net cash flow (used in)/generated from investing activities		(3,382,357)	(11,722,422)	1,067,889	(1,753,922)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Notes	2019 Consolidation	2018 Consolidation	2019 Company	2018 Company
Cash flows from financing activities					
Cash received from capital contributions		6,759,938	507,150	1,385,333	–
<i>Including:</i> Cash received from owners		1,385,333	–	1,385,333	–
Cash received from investments of the non-controlling interests		1,903,759	507,150	–	–
Cash received from Senior Perpetual Securities	6(1)(b)(b2)	3,470,846	–	–	–
Proceeds from other equity instruments issued by the Company		4,778,342	9,299,000	4,778,342	9,299,000
Cash received from borrowings		25,937,516	30,937,037	–	2,220,000
Proceeds from bonds issued		11,527,685	18,270,935	11,527,685	12,445,000
Cash received relating to other financing activities	4(47)(e)	3,516,788	2,106,341	36,000	3,374,143
Sub-total of cash inflows		52,520,269	61,120,463	17,727,360	27,338,143
Cash repayments of borrowings		(30,940,943)	(28,857,595)	(12,710,737)	(11,136,322)
Cash payments for interests expenses and distribution of dividends or profit		(7,342,193)	(5,511,881)	(3,608,460)	(1,363,777)
Cash paid for repayments of senior perpetual securities issued by subsidiaries		(3,270,095)	(2,510,000)	–	–
Cash paid for repayments of other equity instruments		(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Cash paid relating to other financing activities	4(47)(f)	(2,402,603)	(1,196,836)	(590,782)	–
Sub-total of cash outflows		(45,455,834)	(39,576,312)	(18,409,979)	(14,000,099)
Net cash flows generated from/(used in) financing activities		7,064,435	21,544,151	(682,619)	13,338,044
Effect of foreign exchange rate changes on cash		114,801	(28,631)	–	(9,827)
Net increase in cash and cash equivalent	4(48)	4,042,899	3,698,369	1,423,358	2,213,990
<i>Add:</i> Cash and cash equivalent at beginning of year		21,748,206	18,049,837	8,580,020	6,366,030
Cash and cash equivalent at end of year	4(48)	25,791,105	21,748,206	10,003,378	8,580,020

The accompanying notes form an integral part of these financial statements

Legal representative: Person in charge of accounting: Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Other equity instruments Perpetual bond	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings			
Balance at 1 January 2018		3,027,960	5,889,968	653,652	412,161	570,905	10,392,692	11,000,218	31,947,556	
Movement for the year end 31 December 2018		–	7,586,050	(183,722)	26,585	94,476	644,665	(1,914,928)	6,253,126	
Comprehensive income for the year										
Profit for the year		–	–	–	–	–	1,922,932	494,157	2,417,089	
Other comprehensive income	4(33)	–	–	–	26,585	–	–	–	26,585	
Total comprehensive income		–	–	–	26,585	–	1,922,932	494,157	2,443,674	
Capital contribution and withdrawal by owners										
Capital contribution from owners		–	–	–	–	–	–	565,956	565,956	
Capital withdrawal by owners		–	–	–	–	–	–	(279,805)	(279,805)	
Capital contribution by owners of other equity instruments		–	7,586,050	–	–	–	–	–	7,586,050	
Equity transaction with non-controlling interests		–	–	(129,601)	–	–	–	(2,437,144)	(2,566,745)	
Others		–	–	–	–	–	–	(22,251)	(22,251)	
Profit distribution										
Appropriations	4(35)	–	–	–	–	93,467	(93,467)	–	–	
Profit distribution to owners	4(35)	–	–	–	–	–	(635,872)	(235,841)	(871,713)	
Profit distribution to owners of other equity instruments	4(35)	–	–	–	–	–	(547,919)	–	(547,919)	
Repayment of other equity instruments		–	–	(54,121)	–	–	–	–	(54,121)	
Others	4(35)	–	–	–	–	1,009	(1,009)	–	–	
Balance at 31 December 2018		3,027,960	13,476,018	469,930	438,746	665,381	11,037,357	9,085,290	38,200,682	
Add: Changes in accounting policies		–	–	–	–	–	(8,131)	–	(8,131)	
Balance at 1 January 2019		3,027,960	13,476,018	469,930	438,746	665,381	11,029,226	9,085,290	38,192,551	
Movement for the year end 31 December 2019		824,603	1,648,398	(74,637)	(148,803)	163,770	383,426	1,051,798	3,848,555	
Comprehensive income for the year										
Profit for the year		–	–	–	–	–	2,122,572	446,290	2,568,862	
Other comprehensive loss	4(33)	–	–	–	(148,803)	–	–	–	(148,803)	
Total comprehensive income		–	–	–	(148,803)	–	2,122,572	446,290	2,420,059	
Capital contribution and withdrawal by owners										
Capital contribution from owners	4(31)	824,603	–	560,730	–	–	–	1,903,759	3,289,092	
Capital contribution by owners of other equity instruments	16(5)	–	4,543,689	–	–	–	–	–	4,543,689	
Recycling of other equity instruments	4(32);16(5)	–	(1,447,645)	(52,355)	–	–	–	–	(1,500,000)	
Equity transaction with non-controlling interests		–	–	(530,658)	–	–	–	(970,210)	(1,500,868)	
Profit distribution										
Appropriations	4(35)	–	–	–	–	163,770	(163,770)	–	–	
Profit distribution to owners	4(35)	–	–	–	–	–	(666,151)	(328,041)	(994,192)	
Profit distribution to owners of other equity instruments	4(35)	–	–	–	–	–	(806,103)	–	(806,103)	
Repayment of other equity instruments	4(32);16(5)	–	(1,447,646)	(52,354)	–	–	–	–	(1,500,000)	
Others	4(35)	–	–	–	–	–	(103,122)	–	(103,122)	
Balance at 31 December 2019		3,852,563	15,124,416	395,293	289,943	829,151	11,412,652	10,137,088	42,041,106	

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019 (all amounts in thousands of RMB unless otherwise stated)

Items	Note	Share capital	Other equity instruments Perpetual bond	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2018		3,027,960	5,889,968	3,113,441	9,407	570,905	1,121,670	13,733,351
Movement for the year end								
31 December 2018		-	7,586,050	(54,121)	(9,407)	94,476	(333,508)	7,283,490
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	934,672	934,672
Other comprehensive loss		-	-	-	(9,407)	-	-	(9,407)
Total comprehensive income		-	-	-	(9,407)	-	934,672	925,265
Capital contribution and withdrawal by owners								
Capital contribution by owners of other equity instruments		-	7,586,050	-	-	-	-	7,586,050
Profit distribution								
Appropriations	4(35)	-	-	-	-	93,467	(93,467)	-
Profit distribution to owners	4(35)	-	-	-	-	-	(635,872)	(635,872)
Profit distribution to owners of other equity instruments	4(35)	-	-	-	-	-	(547,919)	(547,919)
Repayment of other equity instruments		-	-	(54,121)	-	-	-	(54,121)
Others		-	-	-	-	1,009	9,078	10,087
Balance at 31 December 2018		3,027,960	13,476,018	3,059,320	-	665,381	788,162	21,016,841
Movement for the year end								
31 December 2019		824,603	1,648,398	456,021	-	163,770	1,672	3,094,464
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	1,637,696	1,637,696
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	1,637,696	1,637,696
Capital contribution and withdrawal by owners								
Capital contribution from owners	4(31)	824,603	-	560,730	-	-	-	1,385,333
Capital contribution by owners of other equity instruments	4(32);16(5)	-	4,543,689	-	-	-	-	4,543,689
Recycling of other equity instruments	4(32)	-	(1,447,645)	(52,355)	-	-	-	(1,500,000)
Profit distribution								
Appropriations	4(35)	-	-	-	-	163,770	(163,770)	-
Profit distribution to owners	4(35)	-	-	-	-	-	(666,151)	(666,151)
Profit distribution to owners of other equity instruments	4(35)	-	-	-	-	-	(806,103)	(806,103)
Repayment of other equity instruments	4(32);16(5)	-	(1,447,646)	(52,354)	-	-	-	(1,500,000)
Balance at 31 December 2019		3,852,563	15,124,416	3,515,341	-	829,151	789,834	24,111,305

The accompanying notes form an integral part of these financial statements.

Legal representative: Person in charge of accounting: Head of accounting department:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

Beijing Capital Land Ltd. (hereinafter “the Company”) was established by seven companies (hereinafter “the promoters”) on 23 July 2002, namely Beijing Capital Group Co., Ltd. (hereinafter “Capital Group”), Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Sunshine Real Estate Development Co., Ltd., Beijing Capital Technology Investment Co., Ltd., Beijing Capital Hangyu Economic Development Co., Ltd. (renamed “Beijing Capital Investment & Development Co., Ltd.” as at 4 December 2013, hereinafter “Beijing Capital Investment”), China Resource Products Limited and Yieldwell International Enterprise Limited. The Company’s place of registry is Beijing, the People’s Republic of China (hereinafter “the PRC”) and is headquartered in Beijing, China.

The Company’s parent company and the ultimate controlling party is Capital Group, a state-owned enterprise established in Beijing.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited in June 2003. As at 31 December 2019, the total share of the Company is RMB3,852,563,000 with RMB1 per share.

The Company and its subsidiaries (hereinafter “the Group”) are principally engaged in the real estate development and investment, primary land development, commercial real estate operation and property consulting services.

These consolidated financial statements were approved by the Board of Directors on 23 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”).

The financial statements were prepared on basis of going concern.

The new Hong Kong “Companies Ordinance” came into effect in 3 March 2014 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as at 31 December 2019 and of their financial performance, cash flows and other information for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December.

(4) Functional currency

The functional currency of the Company and most of its subsidiaries is Renminbi (RMB). The functional currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate, the functional currency of certain subsidiaries of the Group incorporated in France and Australia are local currency, the consolidated financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the acquirer in a business combination are measured at the carrying amount, but measured on the basis of the acquiree's carrying amount of assets and liabilities (including the goodwill generated from the acquisition of the acquiree by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party, under the condition that the acquiree was acquired from a third party by the ultimate controlling party in previous years. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is recognized in the capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is recognized in retained earnings. Costs directly attributable to the combination shall be recognized in profit or loss in the period when occurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The consideration paid and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statements.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the acquisition date.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity, the portion of a subsidiary's net profits and losses and comprehensive income for the year not attributable to the Company are recognized as non-controlling interests and income attributed to non-controlling interests as presented separately in the consolidated financial statements within equity, net profits and comprehensive income respectively. Unrealized inter profit or loss in transactions where the Company sells assets to its subsidiaries are fully eliminated to the net profits attributable to owners of the Company. Unrealized inter profit or loss in transactions where a subsidiary sells assets to the Company are eliminated between the net profits attributable to owners of the Company and the profit or loss of the non-controlling interest in proportion to the Company's allocation to the subsidiary. Unrealized inter profit or loss in transactions between subsidiaries selling assets are eliminated between the net profits attributable to owners of the Company and the profit or loss of non-controlling interest in proportion to the Company's allocation to the selling side.

A transaction will be adjusted from the perspective of the Group in condition that assertions are different when accounting entities are the Group and the Company or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(7) Cash and cash equivalent

Cash and cash equivalent comprises cash on hand, deposits that can be readily drawn on demand and short term highly liquid investments that are readily convertible into known amounts of cash, and subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into functional currency using the spot exchange rates at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "retained earnings" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates on the transaction dates. The differences arising from the above translation are presented separately in the owners' equity, as other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments

Financial instruments are contracts forming financial assets of a party and financial liabilities or equity instruments of other parties. When the Group becomes a party to the financial instrument contract, the Group recognizes the related financial asset or financial liability.

(a) Financial assets

(i) Classification and measurement

Financial assets are classified into the following three categories depends on the Group's business mode of managing financial assets and cash flow characteristics of financial assets: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. The relevant transaction costs of financial assets at fair value through profit or loss are recognized in profit or loss for the current period. Transaction costs related to other financial assets are included in their initial recognition amounts. Trade receivables or notes receivables arising from the sale of products or rendering of services, which do not contain or do not take into account significant financing elements, are initially recognized by the Group in accordance with the amount of consideration expected to be entitled to receive.

Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the issuer's point of view and are measured at the following three ways:

at amortized cost:

The Group's business model for managing such financial assets is aimed at collecting contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, i.e. cash flow generated on a specific date is only payment of principal and interest based on the amount of outstanding principal. The Group recognizes interest income for such financial assets in accordance with the effective interest rate method. Such financial assets mainly include cash at bank and on hand, trade receivables, other receivables, and long-term receivables. The Group lists the long-term receivables maturing within one year (including one year) since the balance sheet date as current portion of non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(i) *Classification and measurement (Continued)*

Debt instruments (Continued)

at fair value through other comprehensive income:

The Group's business model for managing such financial assets is aimed at collecting contractual cash flow and selling, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, while impairment losses or gains, exchange gain or loss and interest income calculated according to the effective interest rate method are recognized in profit or loss for the current period. Such financial assets mainly include other equity instrument investments.

at fair value through profit or loss:

The Group lists debt instruments which are not measured by amortized cost or at fair value through other comprehensive income as trading financial assets at fair value through profit or loss. Those that are maturing over one year and expected to be held for more than one year since the balance sheet date are recognized as other non-current financial assets.

Equity instruments

Investments in equity instruments which are not controlled, jointly controlled or significantly affected by the Group will be measured at fair value through profit or loss and presented as trading financial assets; those that are expected to be held for more than one year since the balance sheet date will be recognized as other non-current financial assets.

In addition, the Group designates some non-tradable equity instrument investments as financial assets which are measured at fair value through other comprehensive income and are presented as other equity instrument investments. The relevant dividend income of the financial assets is included in the current profit or loss when certain conditions are met.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(ii) Impairment

The Group accounts for the impairment of contract assets, lease receivables, financial guarantee contracts and financial assets at amortized cost based on expected credit loss. The Group takes into account reasonable and valid information on past events, current conditions and forecasts of future economic conditions, with the risk of default as the weight, to calculate the probabilistic weighted amount of the present value of the difference between the cash flow receivable from contract and the expected cash flow to be received and recognize the expected credit loss.

On each balance sheet date, the Group measures the expected credit losses of financial instruments at different stages. The financial instrument is in the first stage if its credit risk has not increased significantly since the initial recognition. The Group measures loss provision according to the expected credit loss in the next 12 months. The financial instrument is in the second stage if its credit risk has increased significantly since the initial recognition, but no credit impairment has occurred. The Group measures loss provision according to the lifetime expected credit loss. The financial instrument is in the third stage if credit impairment has occurred. The Group measures loss provision according to the lifetime expected credit loss.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition, and measures the loss provision according to the expected credit loss over the next 12 months.

For financial instruments in the first and second stage and with lower credit risk, the Group calculates interest income on the basis of their book value without deducting the provision for impairment and using effective interest rates. For financial instruments in the third stage, interest income is calculated on the basis of their book value deducting the amortized cost after the provision for impairment has been made and using the effective interest rates.

For trade receivables and contract assets generated from sales of goods and rendering of services, the Group measures loss provisions in accordance with lifetime expected credit loss whether or not significant financing elements exist. For lease receivables, the Group also measures loss provisions in accordance with lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(ii) Impairment *(Continued)*

When it is unable to evaluate the information of expected credit loss of a single financial asset at a reasonable cost, the Group divides the receivables into portfolios according to the characteristics of credit risk, calculates the expected credit losses on the basis of the portfolio, and determines the portfolio on the basis of the following:

Portfolios of receivables from related parties and joint bidding	Receivables from joint ventures, associates and other cooperate companies
Portfolios of receivables from customers	Receivables from property buyers
Property tenant Portfolio 1	Receivables from lessee of Outlets
Property tenant Portfolio 2	Receivables from lessee of other investment properties
Portfolios of other receivables	Others

For trade receivables and lease receivables divided into portfolios, the Group refers to the experience of historical credit losses and combines the current situation with the forecast of future economic conditions to calculate expected credit loss by using default risk exposure and the lifetime expected credit loss rate. For other receivables divided into portfolios, the Group refers to the experience of historical credit losses and combines the current situation with the forecast of future economic conditions to calculate expected credit loss by using default risk exposure and the expected credit loss rate over the next 12 months or over the lifetime.

The Group recognized the accrued or reversed loss provision in profit or loss for the current period.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(iii) Derecognition

A financial asset is derecognized when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of other equity instrument investments, the difference between the carrying amount and the sum of the consideration received along with the cumulative changes in fair value that had been recognized directly in other comprehensive income, is recognized in retained earnings; On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received along with the cumulative changes in fair value that had been recognized directly in other comprehensive income, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at amortized cost and financial liabilities at fair value through profit or loss at initial recognition.

The Group's financial liabilities are mainly financial liabilities at amortized cost, including notes payables, trade payables, other payables, long-term payables, borrowings and debentures payable which are initially recognized at fair value deducting transaction costs and recorded at amortized cost using effective interest rate in subsequent measurement. Financial liabilities with repayment period within 1 year (including 1 year) are stated as current liabilities; other financial liabilities with repayment period over 1 year but repayment date within 1 year since balance sheet date are stated as current portion of non-current liabilities; others are stated as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or has been partly discharged. The difference between the carrying amount of the derecognized part of the financial liabilities and the consideration paid is recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(9) Financial instruments *(Continued)*

(c) Determination of fair value of financial instrument

The fair value of a financial instrument that is traded in an active market is determined by the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

(10) Hedging activities

The Group sets financial instruments as hedging instrument to manage exposure to foreign exchange risks. Changes in fair value or cash flow of the hedging instrument are expected to offset all or part of the changes in fair value or cash flow of hedged items. The Group accounts the hedging by using hedge accounting method.

Fair value of the hedging derivatives would be classified as a non-current asset or liability when the residual maturity of the hedged item is longer than 12 months.

The Group continuously evaluates, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective, analyses the cause for ineffective portion of hedging which will influence hedging relationship within the remaining period of hedging, and evaluates hedging relationship at the balance sheet date and when significant changes in relevant circumstances will affect the effectiveness requirements of hedging. The Group adopts ratio analysis to assess subsequent effectiveness of cash flow hedge.

Gain or loss on the cash flow hedging instrument relating to the effective portion is recognized in other comprehensive income. Gain or loss relating to the ineffective portion, that is gain or loss deducting the portion recognized in other comprehensive income, is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(10) Hedging activities *(Continued)*

The amount of cash flow hedging reserve shall be treated in accordance with the following provisions: (1) When the hedged item is an anticipated transaction, and the anticipated transaction enables the Group to subsequently recognize a non-financial asset or non-financial liability, or the anticipated transaction of non-financial assets or non-financial liabilities to form a determination commitment applicable to fair value hedging accounting, the amount of cash flow hedging reserve recognized in other comprehensive earnings will be transferred out and included in the initial recognized amount of the assets or liabilities; (2) For cash flow hedging that does not belong to the abovementioned (1), the amount of cash flow hedging reserve recognized in other comprehensive income will be transferred out and included in profit or loss during the same period when the expected cash flow of the hedging affects the profit or loss; (3) if the amount of cash flow hedging reserve recognized in other comprehensive income is a loss, and the loss is expected to be irreparable in whole or in part in the future accounting period, the expected irreparable part will be transferred out from other comprehensive income and included in profit or loss for the current period.

When the Group no longer applies hedging accounting on cash flow hedging, any cumulative cash flow hedging reserve recognized in other comprehensive income previously should be dealt with in accordance with the following provisions: (1) when the hedged future cash flow is still expected to occur, the cumulative cash flow hedge reserve should be kept; (2) when the hedged future cash flow is no longer expected to occur, the cumulative cash flow hedge reserve should be transferred out from other comprehensive income and recognized in profit or loss. When the hedged future cash flow is no longer highly possible expected to occur but still expected to occur, the cumulative cash flow hedge reserve should be kept.

(11) Inventories

(a) Classification

Inventories include properties under development, properties held for sale, land under development, merchandise inventories and low-cost consumables, which are measured at the lower of cost and net realizable value.

(b) Measurement of inventories

Inventories are initially recognized at the actual costs. The costs of properties under development and properties held for sale comprise land cost, construction cost, capitalized borrowing costs, and other direct and indirect fees incurred during the development period. On completion, the properties are transferred to properties held for sale at the actual costs. For land use rights that are developed for subsequent sales, the cost paid for land use rights are classified and accounted for as part of the costs of properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Inventories *(Continued)*

(b) Measurement of inventories *(Continued)*

Public ancillary facilities comprise government-approved public ancillary projects, i.e. roads etc. The relevant costs are recognized in the properties under development, and are recorded by each cost items; the cost paid for land use rights are classified and accounted for as part of properties under development.

Merchandise inventories are finished goods purchased from external for retail, which are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts.

(c) Measurement of net realizable value and provisions of inventories

Provisions are determined at the excess amount of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated selling expenses and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Low-cost consumables are amortized using the one-off amortization method.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are joint arrangements of which the net asset is attribute to the Group based on the legal forms, terms of contract and other facts and the investees over which the Group is able to exercise joint control together with other ventures. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Long-term equity investments *(Continued)*

(a) Measurement of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through business combination involving enterprises under common control, the investment cost shall be the acquirer's share of the carrying amount of the acquiree's owners' equity presented in the consolidated financial statements of the ultimate controlling party on the combination date; for long-term equity investments acquired through a business combination involving enterprises other than common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity instruments, the initial investment cost shall be the fair value of the equity instruments issued.

(b) Subsequent measurement and recognition of investment income and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment cost, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets on the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income or loss according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognizing the investment losses expected to be borne. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Group adjusts the carrying amount of long-term equity investments and records its proportionate share directly into capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Long-term equity investments *(Continued)*

(c) Definitions of control, joint control and significant influence

Control is the power over the investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee companies, and has the ability to affect those returns through its power over the investee companies.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and the other parties sharing control.

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.

(d) Impairment of long-term equity investment

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(13) Joint operations

Joint operations are operations with a contractual arrangement, whereby the Group and other parties jointly enjoy related assets and are responsible to related liabilities. Under joint operations, the assets and liabilities which belong to joint operations and are related to profit shares should be recognized separately or shared by proportion; Revenues were recognized from selling the Group's share in joint operations or selling products of joint operations; expenses were recognized separately or shared by proportion in the joint operations.

(14) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in the future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Investment properties *(Continued)*

The Group adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

- (a) There is an active property market where the investment property locates.
- (b) The Group can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Depreciation or amortization will no longer be provided for investment properties measured at fair value. Investment properties will be valued as at the balance sheet date and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the profit or loss for the current period of the Group.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

When the Group converts an investment property to owner-occupied property or inventory, the property's carrying amount is stated at the fair value on the conversion date. The difference between the fair value and the original carrying amount is recognized in profit or loss for the current period. When any owner-occupied property or real estate inventory is converted to investment properties to be measured through the fair value model, the fair value on the conversion date is recognized as the carrying amount of the investment property. When the fair value on the conversion date is less than its carrying amount, the difference will be charged to profit or loss for the current period. When the fair value on the conversion date is more than its carrying amount, the difference will be charged to other comprehensive income.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, scrapping or damage of an investment property subtracts its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, motor vehicles, and office equipment, etc.

Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated rate of residual value and the annual depreciation rate are as follows:

	Estimated useful lives	Estimated rate of residual value	Annual depreciation rate
Buildings	10 to 40 years	0% to 10%	2.3% to 10.0%
Motor vehicles	5 to 10 years	0% to 10%	9.0% to 20.0%
Office equipment	3 to 10 years	0% to 10%	9.0% to 33.3%

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted as appropriate at each year end.

- (c) When recoverable amount of a fixed asset is lower than its carrying amount, the carrying amount should be written down to the recoverable amount (Note 2(19)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Fixed assets *(Continued)*

(d) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, scrapping or damage of a fixed asset subtracts its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

(16) Borrowing costs

The Group's borrowing costs that are directly attributable to the construction of investment properties or properties under development that need a substantially long period of time for its intended use or sale commence to be capitalized and recognized as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the construction that are necessary to prepare the asset for its intended use or sale have commenced. The capitalization of borrowing costs ceases, when the investment properties under construction becomes ready for its intended use, the properties under development become ready for sale (generally after Completion Certification granted), the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the construction of the asset is interrupted abnormally and the interruption lasts for more than 3 months, until the construction is resumed.

For borrowings that specified for construction of investment properties and properties under development and qualified for capitalization, the capitalization amount is measured as current actual interests of the specified borrowings subtract interest revenue earned from unused borrowings deposited at bank or investment income earned from temporary investment activities with unused borrowings.

For general borrowings that occupied by the construction of investment properties and properties under development qualified for capitalization, the capitalization amount should be the weighted average exceeds of accumulated capital expenditures for capitalization over the amount of specialized borrowings multiplied by the weighted average effective interest rate. The effective interest rate is the rate used to discount the estimated future or the applicable shorter period cash flows of the borrowings to the initial measurement of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Intangible assets

Intangible assets include land use rights and software and are measured at cost.

(a) Land use rights

Land use rights are amortised using the straight-line method over the estimated useful lives of 50 years.

(b) Software

Software are amortised using the straight-line method over the estimated useful lives of 10 years.

(c) Regular review of useful lives and amortisation method

The estimated useful lives and amortisation method of intangible assets with finite useful lives are reviewed and adjusted as appropriate at each year end.

(18) Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized using the straight-line method over the expected beneficial period and are presented at actual expenditure subtract accumulated amortization.

(19) Impairment of long-term assets

Fixed assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(19) Impairment of long-term assets *(Continued)*

Goodwill that is separately presented in the financial statements is tested at least semi-annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits are all forms of considerations given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and short-term compensated absences. When an employee has rendered service to the Group during an accounting period, the Group shall recognize short-term employee benefits as liabilities and charge to the cost of an asset or as an expense at the same time. Non-monetary benefits are measured in accordance with fair value.

(b) Demission benefits

Demission benefits are classified as defined contribution plan and defined benefit plan. Defined contribution plan is a demission benefits plan in which the Group is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plan is a demission benefits plan except for defined contribution plan. During the reporting period, demission benefits mainly include basic social pension security, supplementary social pension security and unemployed insurance, all of which are defined contribution plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(20) Employee benefits *(Continued)*

(b) Demission benefits *(Continued)*

– *Basic social pension security*

Employees of the Group participate in the basic social pension plan set up and administered by the local labour and security departments. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labour and social security institutions. After retirement of employees, local labour and social security departments will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to profit or loss for the period or cost of related assets.

The Group provides a pension scheme, which is established under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”), for all employees in Hong Kong. The Group and its qualified Hong Kong employees make monthly MPF Scheme contributions in accordance with statutory requirements. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

– *Supplementary pension security plan*

Qualified employees of the Group can voluntarily join the supplementary pension security plan. Supplementary pensions are provided monthly based on employees’ social security basis from the Group and employee, which are paid to trustee monthly. After retirement of employees, trustee will pay related pensions to employees accordingly. When an employee has rendered service to the Group during an accounting period, the Group shall compute and recognize liabilities according to the above stipulation and charge to profit or loss for the period or cost of related assets.

(c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Group recognizes termination benefits as liabilities and charges to profit or loss at the earlier of the following dates: when the Group can no longer unilateral withdraw the offer of termination plan; or when the Group recognizes costs for restructuring which involving the payment of termination benefits.

Termination benefits is presented as current liabilities if it is planned to be paid within one year after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(21) Equity instruments

Financial instruments issued by the Group are classified as equity instruments when both of the following conditions are satisfied:

- (a) The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or liabilities under potential adverse condition with other parties;
- (b) The financial instruments should and can be settled via equity instruments of the Group. For non-derivative instruments, the instruments have no contractual obligation to be settled by delivering fixed number of equity instruments of the Group. For derivative instruments, they can only be settled through the exchange of fixed number of the Group's equity instruments with fixed amount of cash or other financial assets.

Equity instruments except for ordinary shares issued by the Company are presented as other equity instruments in the financial statements. The amounts issued by the subsidiaries and classified as equity instruments in the consolidated financial statements of the Group are presented as non-controlling interest.

(22) Distribution of dividends

The amount of dividends is recognized as liability in the current period in which it is approved by general meeting of shareholders.

(23) Provisions

Provisions for product warranties, loss contracts etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions for financial guarantee contracts recognized by the Group on the basis of expected credit loss are presented as provisions.

A provision is disclosed as current liabilities if it is expected to be paid within one year since the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(24) Revenue recognition

When a customer gains control of the relevant goods or services, the Group recognizes the revenue at the amount of consideration expected to be entitled to receive.

(a) Sales of properties

Revenues are recognized when or as the control of the properties is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the properties may transfer over time or at a point in time.

(b) Primary land development

Some of the Group's primary land development recognized revenue over time, and the progress of implementation is based on the proportion of the cost incurred over the budgeted cost by the end of the reporting period. Some recognized revenue at a point in time.

(c) Investment properties rental income

The rental income of investment properties is recognized by straight-line method according to the lease term.

(d) Retail income

The Group is engaged in retail business through Outlets. When the Group transfers goods to customers, the Group recognizes the sales income of the goods. Retail income is usually settled by cash or credit card.

(25) Government grants

Government grants are the gratuitous monetary assets or non-monetary assets that the Group receives from the government, including tax returns and financial subsidies.

Government grants are recognized when there is reasonable assurance that the grants will be received and the Group is able to comply with the conditions attaching to them. Monetary assets of the government grants are measured as the amount received or receivable. Non-monetary assets of the government grants are measured as fair value or notional value if the fair value cannot be obtained reliably.

A government grant related to an asset is the government grants acquired by the Group that specified for construction or in other ways to form long-term assets. Government grants related to income are government grants other than government grants related to assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(25) Government grants *(Continued)*

Government grants related to assets are recognized as deferred revenue or writing down book value of relevant assets and will be amortized over the useful life of the related assets in profit or loss using a reasonable and systematic method. Government grants related to income which are used to compensate expenses or losses in subsequent periods, are recognized as deferred revenue and realized in profit or loss or writing down relevant costs for the year such expenses or losses occurred; the ones which are to compensate expenses or losses occurred in previous periods are directly realized in profit or loss or writing down relevant costs. The Group disclosed government grants in the same category in the same way.

Government grants related to daily operations are recognized in other income and otherwise in non-operating income or expenses.

The book value of the borrowings with granted prime interest rate received by the Group are recognized at the value of net cash received, and the borrowing costs are calculated on the capital of borrowings and the granted prime interest rate. The fiscal interests discount received directly by the Group write down the borrowing costs related.

(26) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences, deductible losses, and deductible tax amounts.

Deferred income tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future to offset the deductible temporary differences, the corresponding deferred income tax assets are recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(26) Deferred income tax assets and deferred income tax liabilities *(Continued)*

Deferred income tax assets and liabilities are offset if all the following conditions are met:

- the deferred income tax assets and liabilities are related to the income tax levied by the same tax department on the same taxpayer within the Group; and
- the tax payer within the Group has a legally enforceable right to offset current tax assets and current tax liabilities.

(27) Leases

Lease refers to a contract in which the lessor transfers the right to use the assets to the lessee for consideration within a certain period of time.

The Group as lessee

The Group recognizes the right-to-use assets at the beginning of the lease term and recognizes the lease liabilities at the present value of the unpaid lease payments. The lease payment includes the fixed payment and the payment to be made when it is reasonably determined that the purchase option will be exercised or the lease option will be terminated. The variable rent determined according to a certain proportion of the sales volume is not included in the lease payment and is included in the profit of loss for the current period when it actually occurs. The Group presented the lease liabilities due within one year (including one year) from the balance sheet date as current portion of non-current liabilities.

The Group's right-to-use assets include rental buildings. The right-to-use assets are initially measured at cost, which includes the initial measurement amount of the lease liabilities, the lease payments paid on or before the lease term, the initial direct expenses, etc., and deducted the received lease incentives. If the Group can reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be accrued within the remaining service life of the leased asset; if it cannot reasonably determine whether the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. When the recoverable amount is lower than the book value of the right-to-use asset, the Group writes down its book value to the recoverable amount.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(27) Leases *(Continued)*

The Group as lessee *(Continued)*

For short-term leasing with a lease term of no more than 12 months and low value asset, that is, single asset with low value when it is new, the Group chooses not to recognize the right-to-use assets and lease liabilities, and the relevant rent expense is included in profit or loss for the current period or cost of related asset using the straight-line method in each period of the lease term.

The Group as lessor

A lease that substantially transfers almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Other leases are operating leases.

(a) Operating lease

When the Group leases out its own buildings, the rental income from operating leases are recognized using the straight-line method during the lease term. The Group includes the variable rent determined by a certain proportion of the sales volume into the rental income when it actually occurs.

(28) Maintenance and quality guarantee funds

Maintenance fund is collected from property buyers according to related regulations on behalf of housing administration bureau, by certain percentage of selling price of property, the fund will be delivered to housing administration bureau upon registration of property ownership. Maintenance fund is recognized in other payables when received and is for the repair and update for the common parts and equipment and public facilities of the real estate specially.

Quality guarantee fund is reserved by certain percentage of the project payment and when the properties are completed it will be repaid to constructor, in condition that there's no quality issue in agreed warranty period.

(29) Held for sale and discontinued operations

A non-current asset or a disposal group satisfying the following conditions is classified as held for sale: (1) the non-current asset or the disposal group in current conditions can be sold immediately according to usual trading terms; (2) the Group has made a legally binding sales agreement and has been approved for disposal, and the transfer will be completed within one year.

Non-current assets (except for financial assets, investment property at fair value and deferred income tax assets), which meet the recognition criteria for held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognized as an asset impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(29) Held for sale and discontinued operations *(Continued)*

Non-current assets classified as held for sale, the assets and liabilities in the disposal groups are classified as current assets and current liabilities and should be presented on the balance sheet separately.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group: (i) the component represents a separate major line of business or an individual geographical area of operations; (ii) is part of a single coordinated plan to disposal of a separate major line of business or an individual geographical area of operations; (iii) is a subsidiary acquired exclusively for the purpose of resale.

Profit or loss from discontinued operation presented in income statements includes profit or loss from operating and the disposal.

(30) Segment information

The Group identifies operating segments based on the internal organization, management requirements and internal reporting system and the reportable segments are determined and segment information is disclosed based on the operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its operation activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have the similar economic characteristics and satisfy certain conditions, they could be aggregated into one single operating segment.

(31) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The following accounting estimates and key judgments may lead to significant adjustments in the book value of assets and liabilities in the next fiscal year:

Critical accounting estimates and its key assumptions

(i) Deferred income tax assets

Judgment for whether deductible temporary differences and deductible losses can be reversed in the future period is required from the Group in recognizing deferred income tax assets. For deductible temporary differences and deductible losses, the Group recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(31) Critical accounting estimates and judgments *(Continued)*

Critical accounting estimates and its key assumptions *(Continued)*

(ii) Fair value of investment properties

The Group adopts fair value model for subsequent measurement of investment properties. Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measured. Critical estimates and judgments are required in determining the timing to adopt fair value model for subsequent measurement of investment properties, the Group makes such estimates and judgments based on the area, market condition, and development progress of the investment property project. The Group obtains independent valuations for its investment properties annually from independent professional appraiser as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;
- Based on the estimated rental income generated in the future and present value of the related cash flows.

(32) Changes in significant accounting policies

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.21 – Leasing (hereinafter “New Leasing Standards”) in 2018, and issued the “Notice on the Revision and Issuance of the Format of General Financial Statements of General Enterprises for 2019” in 2019 (Accounting [2019] No. 6) and the revised “Accounting Standards for Business Enterprises No. 7 – Non-Monetary Asset Exchange” (hereinafter “Non-Monetary Assets Exchange Standards”) and “Accounting Standards for Business Enterprises No.12 – Debt Restructuring” (Hereinafter “Debt Restructuring Standard”), the Group has adopted the above standards and notices for the preparation of 2019 financial statements. The revised Non-Monetary Asset Exchange Standards and Debt Restructuring Standards have no significant impact on the Group and the Company. The impact of other revisions on the financial statements of the Group and the Company is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(32) Changes in significant accounting policies *(Continued)*

(a) Modification of the format of general enterprise statements

(i) The impact on the consolidated and the Company's balance sheet is shown below :

Contents and reasons of accounting policy changes	Report items affected	Amount affected			
		31 December 2018		1 January 2018	
		The Group	The Company	The Group	The Company
The Group and the Company split the Trade payable and notes payable into accounts Trade payable and Notes payable	Trade payable	9,442,087	10,814	8,922,366	20,114
	Notes payable	32,706	–	67,694	
	Trade payable and notes payable	(9,474,793)	(10,814)	(8,990,060)	(20,114)

(b) Lease

The Group and the Company implemented the New Leasing Standards for the first time as at 1 January 2019. According to relevant regulations, the Group and the Company will not re-evaluate the contract that existed before the date of the first implementation. The cumulative impact of the Group and the Company on the standard is adjusted for retained earnings at the beginning of 2019 and the amount of relevant items in the financial statements. The comparative financial statements for 2018 have not been restated.

The Group shall recognize the lease liability based on the remaining lease payments and incremental borrowing rates as at 1 January 2019, and assume that the New leasing standards is adopted from the start of the lease period and based on the incremental borrowing rate as at 1 January 2019 to determine the book value of the right-of-use asset.

Report items affected	Amount affected	
	1 January 2019	
	The Group	The Company
Right-of-use assets	564,475	–
Lease liabilities	(516,406)	–
Current portion of non-current liabilities	(32,392)	–
Retained earnings	(8,131)	–
Advances to suppliers	(7,546)	–

As at 1 January 2019, the Group used the same discount rate for lease contracts with similar characteristics when measuring lease liabilities. The weighted average of the incremental borrowing rates used was 5.02%.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

3. TAXATION

The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Enterprise income tax	Taxable income of subsidiaries located in the PRC	25%
	Income from taxable dividends of non-resident enterprises and investments disposal in mainland China	5% to 10%
	Taxable income of subsidiaries located in Hong Kong	16.5%
Value added tax ("VAT")	Taxable value added amount (calculated at taxable sales multiplied by applicable tax rate, deducting the input VAT deductible in current period)	3%, 5%, 6%, 9%, 10%, 11%, 16%, 17%
Land appreciation tax ("LAT")	Taxable value added amount through sales of properties	30% to 60%
City maintenance and construction tax	Amount of VAT and business tax paid	5%, 7%
Education surcharge	Amount of VAT and business tax paid	According to the policies implemented at the location of the company
Property tax	Taxable residual value of properties	1.2%
	Rental income of properties	12%

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (No. 32 of Finance and Tax [2018]), and relevant provisions, the VAT tax rate applicable to the income of the Group's sales of properties is 10% from 1 May 2018, and 11% before 1 May 2018.

According to the Notice of Announcement on policies to deepen VAT reform issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Announcement No. 39 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in 2019), and relevant provisions, the VAT tax rate applicable to the income of the Group's sales of properties is 9% from 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2019	31 December 2018
Cash on hand	387	553
Bank deposits	26,914,610	22,388,421
Other cash balances	120,247	137,628
Total	27,035,244	22,526,602

As at 31 December 2019, bank deposits includes supervised advances from customers, mortgaged and pledged deposits for loans, performance guarantee fee, security deposits for certain mortgage loans to customers and certain loan and bond interests amounted to RMB1,165,488,000 (31 December 2018: RMB721,005,000). The Group has reclassified the above amounts to restricted bank deposits.

As at 31 December 2019, other cash balances includes deposits for bank acceptance bill amounted to RMB78,651,000 (31 December 2018: RMB57,391,000). The Group has reclassified the above amounts to restricted bank deposits.

(2) Trading financial assets

	31 December 2019	31 December 2018
Investment of real estate projects in Australia due within one year (Note 4(10))	3,520,171	2,950,405
Asset management plan (i)	189,198	73,845
Capped currency swap contract (Note 4(10)) (ii)	51,973	–
Total	3,761,342	3,024,250

(i) As at balance sheet date, the fair value of the trading financial assets is determined by the closing price on the last trading day of the year.

(ii) The Group entered into capped cross currency swap contracts for certain foreign currency liabilities such as medium-term notes and foreign currency borrowings, etc., which belong to derivatives. The Group recognized such derivatives due within one year as trading financial assets. Others are accounted for as other non-current financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(Continued)

(3) Trade receivables

	31 December 2019	31 December 2018
Trade receivables	5,225,581	3,617,558
Less: provision for doubtful debts (i)	(7,000)	(7,000)
Net	5,218,581	3,610,558

Most sales of the Group are in the form of cash and advanced payment. Other sales are collected according to the agreed terms on sales contract.

The aging of trade receivables based on their recording dates is analyzed as follows:

	31 December 2019	31 December 2018
Within 1 year	2,125,067	1,264,461
1 to 2 years	1,049,449	2,157,101
2 to 3 years	2,042,968	65,400
Over 3 years	8,097	130,596
Total	5,225,581	3,617,558

(i) Provision for doubtful debts

As at 31 December 2019, analysis of separate assessment for provision for doubtful debts of trade receivables are as follows:

	Book value	Expected lifetime loss rates (%)	Provision for doubtful debts
Trade receivables	7,000	100	(7,000)

Except for the trade receivables with the provision for bad debts mentioned above, there is no significant anticipated credit loss and no provision for bad debts in other trade receivables were recognized by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Advances to suppliers

	31 December 2019		31 December 2018	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,377,457	97	831,355	95
1 to 2 years	66,534	3	40,958	5
Total	2,443,991	100	872,313	100

(5) Other receivables

	31 December 2019	31 December 2018
Receivables due from related parties (note 9(6))	14,559,943	15,059,343
Receivables from joint bidding (i)	3,775,266	2,761,328
Consideration receivables from disposal of equity and claims for debts (ii)	2,894,796	1,320,927
Land deposits and other guarantee deposits	419,630	398,471
Receivables from government repurchase of land use rights	124,927	227,927
Collect and remit payment on behalf	157,388	137,866
Dividends receivables	36,578	12,000
Interests receivables	528	2,826
Others	628,982	587,331
Total	22,598,038	20,508,019
Less: provisions for doubtful debts	(247,041)	(263,010)
Net	22,350,997	20,245,009

(i) As at 31 December 2019, receivables from joint bidding were mainly receivables of the Group due from cooperation in real estate projects with third party real estate development companies.

(ii) In 2013, the Group disposed 50% of equity interests of Outlets Property Investment Guangdong Ltd. (hereinafter "Outlets Guangdong") to a third party, with part of consideration for equity transfer and receivables from Outlets Guangdong unreceived. As at 31 December 2019, receivables from Outlets Guangdong totaled to RMB316,541,000 (31 December 2018: RMB392,834,000). The Group has accrued provisions for impairment of RMB178,000,000 based on the lifetime expected credit loss (31 December 2018: RMB178,000,000).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(5) Other receivables *(Continued)*

(ii) *(Continued)*

As at 31 December 2019, the equity transfer receivables due from Huaqian Co., Ltd. for the disposal of overseas equity interests of Beijing Tiancheng Yongtai Real Estate Co., Ltd., (hereinafter "Tiancheng Yongtai"), an original subsidiary of the Group, amounted to RMB50,436,000 (31 December 2018: RMB90,670,000). The Group believes that the amounts are recoverable and not impaired, and no provision for doubtful debts has been recognized.

As at 31 December 2019, the equity transfer receivables due from Bantex Investments Limited (hereinafter "Bantex Investments") amounted to RMB1,512,565,000 (31 December 2018: Nil) due to the disposal of 50% equity interests of Beijing Tiancheng Yongyuan Real Estate Co., Ltd. (hereinafter "Tiancheng Yongyuan"), an original subsidiary of the Group. The Group has received RMB1,210,052,000 in February 2020. The remaining amount of RMB302,513,000 is expected to be recovered in the first half of 2020. The Group believes that the amounts are recoverable and not impaired, and no provision for doubtful debts has been recognized.

As at 31 December 2019, the receivables due from Capital Qinglv (Kunshan) Real Estate Co., Ltd. (hereinafter "Capital Qinglv") amounted to RMB461,615,000 (31 December 2018: Nil). In 2019, the Group disposed 51% equity interests of Capital Qinglv to a third party and part of the receivables from Capital Qinglv has not yet been recovered but is expected to be recovered in the first half of 2020. The Group believes that the amounts are recoverable and not impaired, and no provision for doubtful debts has been recognized.

As at 31 December 2019, the receivables due from Shoujin Yingchuang Shouxin No. 3 Private Equity Investment Fund amounted to RMB396,770,000 (31 December 2018: Nil). In 2019, the Group disposed 94% equity interests of Shoujin Yuanchuang (Tianjin) Real Estate Development Co., Ltd. (hereinafter "Shoujin Yuanchuang"). The Group has received RMB296,390,000 by March 2020. The remaining amount of RMB100,380,000 is expected to be recovered in the first half of 2020. The Group believes that the amounts are recoverable and not impaired, and no provision for doubtful debts has been recognized.

As at 31 December, 2019, the receivables due from Shenyang Longhu Real Estate Development Co., Ltd. Amounted to RMB156,500,000 (31 December 2018: Nil). In 2019, the Group disposed 50% equity interests of Shenyang Jitian Real Estate Co., Ltd. (hereinafter "Shenyang Jitian"). The receivables have been received in January 2020.

(a) Aging analysis of other receivables are as follows:

	31 December 2019	31 December 2018
Within 1 year	18,525,885	19,340,858
1 to 2 year	3,095,488	469,025
2 to 3 years	377,311	106,739
Over 3 years	599,354	591,397
Total	22,598,038	20,508,019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(b) Loss provision and changes in book value

	First stage					Third stage		Total
	Expected credit loss over the next 12 months (grouping)		Expected credit loss over the next 12 months (separate)		Sub-total	Expected credit loss for the lifetime (impairment has occurred)		
		Provision for doubtful debts		Provision for doubtful debts			Provision for doubtful debts	
	Book value		Book value		Provision for doubtful debts	Book value		
31 December 2018	16,154,076	–	3,829,099	–	–	524,844	(263,010)	(263,010)
Additions	1,302,787	–	883,494	–	–	–	–	–
Reductions	–	–	–	–	–	(96,262)	15,969	15,969
31 December 2019	17,456,863	–	4,712,593	–	–	428,582	(247,041)	(247,041)

As at 31 December 2019, there is no significant expected loss for other receivables at the first stage and no provision for doubtful debts has been recognized.

As at 31 December 2019, the Group had no other receivables at the second stage.

As at 31 December 2019, analysis of provision for doubtful debts for other receivables at the third stage are as follows:

	Book value	Expected credit loss rate for the lifetime (%)	Provision for doubtful debts	Reason
Separate assessment for provision:				
Receivables from Outlets Guangdong	316,541	56	(178,000)	Note 4(5)(ii)
Receivables of agent construction from Nanjing Longpao project	66,219	35	(23,219)	
Others	45,822	100	(45,822)	
Total	428,582		(247,041)	

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

(a) Inventories are classified as follows:

	31 December 2019			31 December 2018		
	Book balance	Provision for inventories	Book value	Book balance	Provision for inventories	Book value
Properties under development	69,435,551	–	69,435,551	58,683,646	–	58,683,646
Properties held for sale	16,218,552	(53,616)	16,164,936	16,265,545	(45,361)	16,220,184
Land under development	68,928	–	68,928	364,600	–	364,600
Others	259,284	–	259,284	135,287	–	135,287
Total	85,982,315	(53,616)	85,928,699	75,449,078	(45,361)	75,403,717

(b) The movement of inventories' book balance in current year is as follows:

	31 December 2018	Additions	Reductions	31 December 2019
Properties under development	58,683,646	21,700,827	(10,948,922)	69,435,551
Properties held for sale	16,265,545	10,922,009	(10,969,002)	16,218,552
Land under development	364,600	172,258	(467,930)	68,928
Others	135,287	261,843	(137,846)	259,284
Total	75,449,078	33,056,937	(22,523,700)	85,982,315

(c) Analysis of provisions for impairment of inventories are classified as follows:

	31 December 2018	Additions	Reductions		31 December 2019
		Provision	Reverse	Write-off	
Properties held for sale	45,361	10,086	–	(1,831)	53,616
Total	45,361	10,086	–	(1,831)	53,616

In 2019, the properties with the carrying amount of RMB10,623,042,000 (2018: RMB14,376,723,000) has been recognized as cost of sales from sales of properties.

As at 31 December 2019, the finance costs capitalized in the properties under development amounted to RMB5,472,341,000 (31 December 2018: RMB5,202,779,000). In 2019, the average capitalization rate is 6.05% (2018: 5.86%).

As at 31 December 2019, certain land use rights and buildings in properties under development of the Group with the carrying amount of RMB25,110,064,000 (31 December 2018: RMB18,916,208,000) have been mortgaged as security for long-term borrowings amounted to RMB6,934,668,000 (31 December 2018: RMB5,127,800,000) (note 4(26)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(7) Contract assets

	31 December 2019	31 December 2018
Primary land development	5,734,719	4,436,823

As at 31 December 2019, there was no significant expected credit loss in contract assets and no provision for doubtful debts has been recognized.

(8) Other current assets

	31 December 2019	31 December 2018
Prepaid taxes	2,464,591	2,820,691
Costs for obtaining contracts	127,555	100,598
Total	2,592,146	2,921,289

(9) Current portion of non-current assets

	31 December 2019	31 December 2018
Primary land development	311,975	4,397,880

As at 31 December 2019, receivables from primary land development are mainly receivables of Beijing Liujin Real Estate Co., Ltd. (hereinafter "Liujin Real Estate") from primary land development (rebuilding project of shanty town) in Xihuangcun, Shijingshan District, Beijing, amounted to approximately RMB311,975,000 (31 December 2018: RMB4,397,880,000), which is expected to be recollect within one year, such amounts were reclassified as current portion of non-current assets.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Other non-current financial assets

	31 December 2019	31 December 2018
Investment of real estate projects in Australia (a)	4,586,544	4,011,134
Investment of Tiancheng Yongtai (b)	2,150,330	2,165,471
Capped currency swap contracts	285,294	—
Less: Investment of real estate projects in Australia due within one year (note 4(2))	(3,520,171)	(2,950,405)
Capped currency swap contracts due within one year (note 4(2))	(51,973)	—
Net	3,450,024	3,226,200

(a) This investment is the principal and interest of the AUD debt investments in real estate development project in Australia. The principal and interests amounted equivalent to RMB4,586,544,000 as at 31 December 2019 (31 December 2018: RMB4,011,134,000) and will mature in December 2021 respectively and will be recollected at the maturity date. Among which, RMB3,520,171,000 will be recollected before 31 December 2020, therefore it is reclassified as trading financial assets as at 31 December 2019.

(b) The investment is the right to profit in real estate development project of Tiancheng Yongtai held by the Group.

(11) Long-term equity investments

	31 December 2019	31 December 2018
Joint ventures (a)	3,923,152	2,974,549
Associates (b)	1,777,215	2,133,824
Total	5,700,367	5,108,373
Less: provision for impairment of long-term equity investments	—	—
Net	5,700,367	5,108,373

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(a) Joint ventures

	31 December 2018	Changes in this year					Cash dividend or profit declared	31 December 2019
		Increase in investment	Decrease in investment	Share of net (losses)/profit	Share of other comprehensive income	Other equity movement		
Shenyang Jitian (i)	87,785	-	(87,785)	-	-	-	-	-
Beijing Yuanchuang Xingmao Real Estate Co., Ltd. ("Yuanchuang Xingmao")	17,967	-	-	(8,480)	-	-	-	9,487
Shouwan Yuye (Shanghai) Property Services Co., Ltd. ("Shouwan Yuye")	-	-	-	11,971	-	-	-	11,971
Beijing Wanzhu Real Estate Co., Ltd. ("Beijing Wanzhu")	48,938	-	-	4,528	-	-	(12,000)	41,466
Tianjin Tonghua Qiangyu Investment and Management Co., Ltd. ("Tonghua Qiangyu")	14,365	-	-	(7,733)	-	-	-	6,632
Zhuhai Hengqin Shouju Chuangxin Equity Fund Co. Ltd. ("Zhuhai Hengqin Fund Management Company")	31,367	-	-	43	-	-	-	31,410
Beijing Jinhaihu Culture Tourism Investment Co., Ltd. ("Jinhaihu Culture Tourism") (ix)	171,255	71,050	-	(628)	-	-	-	241,677
Beijing Chuangyuan Yicheng Real Estate Co., Ltd. ("Chuangyuan Yicheng")	42,565	-	-	(27,147)	-	-	-	15,418
Chongqing Huayu Yesheng Industrial Co., Ltd.	19,625	-	-	4,963	-	-	-	24,588
Zhuhai Hengqin Chengdu Weihua Equity Investment Fund (LLP) ("Zhuhai Hengqin Chengdu Weihua Fund") (ii)	34,241	-	-	39,217	-	-	-	73,458
Tianjin Ruibin Real Estate Co., Ltd. ("Tianjin Ruibin")	318,553	-	-	(3,480)	-	-	-	315,073
Shanghai Shoujia Real Estate Co., Ltd. ("Shanghai Shoujia") (iii)	816,853	-	-	16,976	-	-	(540,000)	293,829
Capital Qinglv (i)	239,754	-	(239,754)	-	-	-	-	-
Shanghai Henggu Real Estate Development Co., Ltd. ("Shanghai Henggu")	118,496	-	-	13,631	-	-	-	132,127
Shanghai Songming Real Estate Development Co., Ltd. ("Shanghai Songming")	101,588	-	-	(90)	-	-	-	101,498
Tianjin Hefa Real Estate Development Co., Ltd. ("Tianjin Hefa") (xi)	48,431	301,340	-	(37,043)	-	-	-	312,728
Beijing Jinlong Yonghui Real Estate Co., Ltd. ("Jinlong Yonghui") (iv)	99,310	-	-	1,896	-	-	(58,200)	43,006
Beijing Dacheng Guangyuan Real Estate Co., Ltd. ("Dacheng Guangyuan") (v)	95,079	-	-	27,430	-	-	-	122,509
Tianjin Lianjin Real Estate Development Co., Ltd. ("Tianjin Lianjin")	18,568	-	-	237,595	-	-	-	256,163
Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi") (vi)	199,360	-	-	12,645	-	-	-	212,005
Shanghai Zhiyue Industrial Co., Ltd.	244,419	-	-	(42,837)	-	-	-	201,582
Beijing Yuanchuang Xingcheng Real Estate Co., Ltd. ("Yuanchuang Xingcheng")	45,629	-	-	(45,629)	-	-	-	-

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	31 December 2018	Changes in this year					Cash dividend or profit declared	31 December 2019
		Increase in investment	Decrease in investment	Share of net (losses)/profit	Share of other comprehensive income	Other equity movement		
Tianjin Lianzhan Real Estate Development Co., Ltd. ("Tianjin Lianzhan") (vii)	158,014	-	-	(15,207)	-	-	-	142,807
Beijing Jingu Chuangzhan Real Estate Co., Ltd. ("Jingu Chuangzhan") (x)	-	196,000	-	(25,416)	-	-	-	170,584
Beijing Yuechuang Real Estate Development Co., Ltd. ("Beijing Yuechuang") (x)	-	186,690	-	(48,935)	-	-	-	137,755
Beijing Tonghao Beifang Real Estate Co., Ltd. (x)	-	19,600	-	(2,840)	-	-	-	16,760
Tianjin Harmony Carp Equity Investment Fund Partnership (Limited) (x)	-	720,000	-	(5,058)	-	-	-	714,942
Xiamen Rongdi Real Estate Co., Ltd. ("Xiamen Rongdi") (x)	-	36,000	-	(14,821)	-	-	-	21,179
Guangzhou Bizeng Real Estate Development Co., Ltd. ("Guangzhou Bizeng") (viii) (x)	-	10,408	-	(10,408)	-	-	-	-
Ningbo Shouju Yiming Investment Partnership (x)	-	234,825	-	29	-	-	-	234,854
Others	2,387	85,900	-	(50,643)	-	-	-	37,644
Total	2,974,549	1,861,813	(327,539)	24,529	-	-	(610,200)	3,923,152

The related information of significant joint ventures are set out in note 6(2).

- (i) In 2019, the Group disposed 50% equity interests of Shenyang Jitian, and the disposal gain amounted to RMB68,713,000.

In 2019, the Group disposed 51% equity interests of Capital Qinglv, and the disposal gain amounted to RMB445,943,000.

- (ii) Zhuhai Hengqin Chengdu Weihua Fund is limited partnership established by Zhuhai Hengqin Fund Management Company as the general partner in 2015, and the Group subscribes 22.52% of the intermediate units in the Fund, which holds 100% equity interests in Chengdu Jinhui Real Estate Co., Ltd. (hereinafter "Chengdu Jinhui"). The fund has a total scale of 1,200,000,000 shares amounted to RMB1,200,000,000. The fund is treated as interests of non-consolidated special purpose vehicle of the Group.

In 2019, the Group recognized investment income of RMB39,217,000 (12 December 2018: RMB34,950,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(11) Long-term equity investments *(Continued)*

(a) Joint ventures *(Continued)*

- (iii) The Group holds 60% equity interests of Shanghai Shoujia. According to the Articles of Association of the company, the decisions of relevant operation activities of Shanghai Shoujia require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (iv) The Group holds 14.55% equity interests of Jinlong Yonghui. According to the Articles of Association of the company, the decisions of relevant operation activities of Jinlong Yonghui require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (v) The Group holds 12.5% equity interests of Dacheng Guangyuan. According to the articles of association of the company, the decisions of relevant operation activities of Dacheng Guangyuan require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vi) The Company holds 51% equity interests of Shangbodi. According to the articles of association of the company, the decisions of relevant operation activities of Shangbodi require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (vii) The Company holds 17.5% equity of Tianjin Lianzhan. According to the articles of Association of the company, the decisions of relevant operation activities of Tianjin Lianzhan require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (viii) The Company holds 51% equity of Guangzhou Bizeng. According to the articles of Association of the company, the decisions of relevant operation activities of Guangzhou Bizeng require the unanimous consent of the Group and other shareholders, therefore it is recognized as a joint venture.
- (ix) In 2019, the Group paid in some of the registered capital of Jinhaihu Cultural Tourism.
- (x) In 2019, the Group newly acquired or established these joint ventures and paid the capital.
- (xi) In 2019, the Group and other shareholders of Tianjin Hefa increased capital to Tianjin Hefa in proportion to the number of shares owned. The capital increase amounted to RMB301,340,000 has been paid in place.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(Continued)

(11) Long-term equity investments(Continued)

(b) Associates

	31 December 2018	Changes in this year					Cash dividend or profit declared	31 December 2019
		Increase in investment	Decrease in investment	Share of net (losses)/profit	Share of other comprehensive income	Other equity movement		
Beijing Golden Net Property Investment Adviser ("Golden Net") (i)	13,277	–	–	117	–	–	–	13,394
Beijing Sunshine City Commercial Investment Co., Ltd. ("Sunshine City Commercial") (ii)	250,217	–	(250,217)	–	–	–	–	–
Zhongguancun Integrated Circuit Garden Development Co., Ltd. ("Zhongguancun Integrated Circuit Garden") (v)	403,221	–	–	108,119	–	–	(36,500)	474,840
Shenyang Capital Xinzi Real Estate Co., Ltd.	260,127	–	–	(16,927)	–	–	–	243,200
Tianjin Xinming Real Estate Co., Ltd. ("Tianjin Xinming")	194,783	–	–	25	–	–	–	194,808
Tianjin Xinqing Real Estate Co., Ltd. ("Tianjin Xinqing") (iii)	264,444	–	(178,026)	(6,642)	–	–	–	79,776
Zhuhai Hengqin Ruiyuan Jialing Equity Investment Fund (LLP) ("Zhuhai Hengqin ruiyuan Jialing Fund") (iv)	–	–	–	–	–	–	–	–
Nanchang Huachuang Xinghong Real Estate Co., Ltd. ("Nanchang Huachuang")	30,170	–	–	(5,390)	–	–	–	24,780
Beijing Tengtai Yiyuan Real Estate Co., Ltd. ("Tengtai Yiyuan")	208,363	–	–	(10,195)	–	–	–	198,168
Capital Qinglv Culture Tourism (Kunshan) Co., Ltd.	14,965	–	–	–	–	–	–	14,965
Beijing Kaiyuan Hean Investment Management Co., Ltd. (Kaiyuan Hean)	494,257	–	–	(2,002)	–	–	–	492,255
Beijing Ruicheng Yongchuang Technology Co., Ltd. ("Ruicheng Yongchuang") (vi)	–	11,100	–	(516)	–	–	–	10,584
Guangzhou Zengcheng Runyu Purchase Co., Ltd. ("Guangzhou Runyu") (vi)	–	40,000	–	(10,155)	–	–	–	29,845
Others	–	704	–	(104)	–	–	–	600
Total	2,133,824	51,804	(428,243)	56,330	–	–	(36,500)	1,777,215

The related information of significant associates are set out in note 6(2).

- (i) The Company holds 14% equity interests of Golden Net and has significant influence on board of the directors of Golden Net, which is responsible for determining the financial policies in the ordinary course of business, therefore it is classified as an associate of the Group.
- (ii) In 2019, the Group disposed 35% equity interests of Sunshine City Commercial, and the disposal gain amounted to RMB134,552,000. As at December 31, 2019, the equity transfer receivables had been fully recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Long-term equity investments (Continued)

(b) Associates (Continued)

- (iii) In 2019, the Group and other shareholders of Tianjin Xinqing reduced their capital to Tianjin Xinqing in proportion to the number of shares owned., and the capital amounted to RMB178,026,000 was recovered.
- (iv) Zhuhai Hengqin Ruiyuan Jialing Fund is limited partnership established by Zhuhai Hengqin Fund Management Company as the general partner in 2014, and the Group subscribes 20.73% of the intermediate units in Zhuhai Hengqin Ruiyuan Jialing Fund, which holds 100% equity interests in Chongqing Shouhui Real Estate Co., Ltd. (hereinafter "Shouhui Real Estate"). The fund has a total scale of 2,200,000,000 shares amounted to RMB2,200,000,000.

The fund is recognized as interests of non-consolidated special purpose vehicle, and the Group has significant influence over the fund according to the partnership agreement, therefore it is classified as an associate.
- (v) The Group holds 50% equity interests of Zhongguancun Integrated Circuit Garden. According to the articles of association, the Group has significant influence on board of Zhongguancun Integrated Circuit Garden, which is responsible for the financial decisions in the ordinary course of business, therefore it is classified as an associate of the Group.
- (vi) In 2019, the Group newly acquired or established associates Ruicheng Yongchuang and Guangzhou Runyu, and paid the capital in place.

(12) Investments in other equity instrument

	31 December 2019	31 December 2018
Equity instrument investments		
Equity interests of non-listed companies		
– UCOMMUNE (Beijing) Venture Investment Co., Ltd. (hereinafter "UCOMMUNE")	238,283	238,283
– CDB Siyuan (Beijing) Investment Fund Ltd. (hereinafter "CDB Siyuan")	50,000	50,000
Total	288,283	288,283
	31 December 2019	31 December 2018
UCOMMUNE		
– Cost	200,000	200,000
– Accumulated changes in fair value	38,283	38,283
CDB Siyuan		
– Cost	50,000	50,000
– Accumulated changes in fair value	–	–
Total	288,283	288,283

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(13) Investment properties**

	Completed Investment properties	Investment properties under development measured at fair value	Investment properties under development measured at cost (i)	Total
31 December 2018	16,216,941	2,862,000	1,491,299	20,570,240
Additions	–	795,557	1,035,123	1,830,680
Other adjustments	(12,090)	–	–	(12,090)
Reductions	(5,737,548)	–	–	(5,737,548)
Gains on change in fair value (note 4(42))	83,587	8,404	–	91,991
Transfer of completion	4,304,951	(3,665,961)	(638,990)	–
31 December 2019	14,855,841	–	1,887,432	16,743,273

- (i) As at 31 December 2019, some of the investment properties of the Group are still under construction, of which the fair value cannot be reliably determined but is expected to be measured reliably after the completion, therefore the Group measures such investment properties at cost until the date construction is completed or the date at which fair value becomes reliably measurable, when is earlier.

As at 31 December 2019, certain investment properties with book value of RMB2,967,911,000 (31 December 2018: RMB11,113,254,000) have been pledged for long-term borrowings amounted to RMB2,518,000,000 (31 December 2018: RMB5,037,007,000) (note 4(26)).

In 2019, the capitalized financial costs in the investment properties amounted to RMB292,266,000 (2018: RMB348,767,000). The average capitalization rate is 6.06% (2018: 5.31%).

In 2019, the effect on changes in fair value of investment properties recognized in profit or loss amounted to RMB91,991,000 (2018: RMB321,519,000).

In 2019, the Group disposed investment properties with book value of RMB826,548,000 and the disposal loss amounted to RMB20,806,000 (2018: disposal loss amounted to RMB77,095,000).

In 2019, the Company disposed equity interests of Tiancheng Yongyuan, and the investment properties held by Tiancheng Yongyuan with a book value of RMB4,911,000,000 has been transferred out accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(14) Fixed assets

	Buildings	Motor vehicles	Office equipment	Total
Cost				
31 December 2018	298,100	43,562	113,044	454,706
Increase	14,464	5,936	64,095	84,495
Purchase	14,464	5,882	62,466	82,812
Acquisition of subsidiaries	–	54	1,629	1,683
Decrease	(7,950)	(10,544)	(44,242)	(62,736)
Disposal of subsidiaries	–	–	(1,068)	(1,068)
Dispose and written-off	(7,950)	(10,544)	(43,174)	(61,668)
31 December 2019	304,614	38,954	132,897	476,465
Accumulated depreciation				
31 December 2018	(26,539)	(32,732)	(80,665)	(139,936)
Increase	(7,377)	(5,195)	(33,912)	(46,484)
Provision	(7,377)	(5,179)	(33,461)	(46,017)
Acquisition of subsidiaries	–	(16)	(451)	(467)
Decrease	928	9,120	24,110	34,158
Disposal of subsidiaries	–	–	123	123
Disposed and written off	928	9,120	23,987	34,035
31 December 2019	(32,988)	(28,807)	(90,467)	(152,262)
Provision for impairment				
31 December 2018	–	–	–	–
Increase	–	–	–	–
Decrease	–	–	–	–
31 December 2019	–	–	–	–
Net book value				
31 December 2019	271,626	10,147	42,430	324,203
31 December 2018	271,561	10,830	32,379	314,770

In 2019, depreciation amount of fixed assets is RMB46,484,000 (2018: RMB23,224,000), from which depreciation expenses charged to administrative expense amounted to RMB20,424,000 (2018: RMB18,854,000).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(15) Right-of-use assets**

	Buildings
Cost	
31 December 2018	—
Changes in accounting policies	589,488
1 January 2019	589,488
Increase	420,463
New leasing contract	420,463
Decrease	—
Others	—
31 December 2019	1,009,951
Accumulated depreciation	
31 December 2018	—
Changes in accounting policies	(25,013)
1 January 2019	(25,013)
Increase	(69,893)
Provision	(69,893)
Decrease	—
Others	—
31 December 2019	(94,906)
Provision for impairment	
31 December 2018	—
Increase	—
Decrease	—
31 December 2019	—
Net book value	
31 December 2019	915,045
31 December 2018	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Long-term prepaid expenses

	31 December 2018	Increase	Amortization	31 December 2019
Improvements of investment properties	164,799	73,815	(77,392)	161,222
Improvement of right-of-use assets improvement	56,219	231,981	(19,825)	268,375
Others	23,099	6,766	(6,318)	23,547
Total	244,117	312,562	(103,535)	453,144

(17) Deferred income tax assets and deferred income tax liabilities

(a) Deferred income tax assets before offsetting

	31 December 2019		31 December 2018	
	Deductible temporary differences and deductible losses	Deferred income tax assets	Deductible temporary differences and deductible losses	Deferred income tax assets
Provision for impairment of assets	32,310	8,077	32,310	8,077
Accrued salaries and other costs and expenses	41,608	10,402	42,564	10,641
Unrecognized government grants	—	—	16,012	4,003
Accumulated losses	7,531,648	1,882,912	6,423,108	1,605,777
Internal unrealized profit elimination	501,008	125,252	178,796	44,699
Total	8,106,574	2,026,643	6,692,790	1,673,197
Including:				
Amounts of reversal expected within 1 year (including 1 year)		64,756		53,191
Amounts of reversal expected beyond 1 year		1,961,887		1,620,006
Total		2,026,643		1,673,197

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred income tax assets and deferred income tax liabilities (Continued)

(b) Deferred income tax liabilities before offsetting

	31 December 2019		31 December 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Other non-current financial assets	142,084	35,521	142,084	35,521
Business combination other than common control	735,552	183,888	845,760	211,440
Capitalized interest	3,739,916	934,979	3,604,788	901,197
Changes in fair value of investment properties recognized in profit or loss	3,493,693	873,423	5,115,465	1,278,866
Changes in fair value of investment properties recognized in other comprehensive income	373,220	93,305	455,984	113,996
Depreciation differences of investment properties	359,360	89,840	263,652	65,913
Primary land development	339,696	84,924	367,552	91,888
Others	54,316	13,579	58,552	12,106
Total	9,237,837	2,309,459	10,853,837	2,710,927
Including:				
Amounts of reversal expected within 1 year (including 1 year)		275,477		495,550
Amounts of reversal expected beyond 1 year		2,033,982		2,215,377
Total		2,309,459		2,710,927

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred income tax assets and deferred income tax liabilities (Continued)

- (c) The deductible temporary differences and deductible losses with no deferred income tax assets recognized are as follows:

	31 December 2019	31 December 2018
Deductible losses	3,137,492	2,976,688
Deductible temporary differences	652,010	652,010
Total	3,789,502	3,628,698

- (d) The deductible losses with no deferred income tax assets recognized will be expired as follows:

	31 December 2019	31 December 2018
2019	—	532,248
2020	668,652	668,652
2021	821,472	821,472
2022	444,212	444,212
2023	510,104	510,104
2024	693,052	—
Total	3,137,492	2,976,688

- (e) The net balance of deferred income tax assets and liabilities after offsetting are as follows:

	31 December 2019		31 December 2018	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred income tax assets	155,718	1,870,925	139,168	1,534,029
Deferred income tax liabilities	155,718	2,153,741	139,168	2,571,759

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Provision for impairment of assets

	31 December 2018	Additions	Decrease		31 December 2019
			Reversal	Write off	
Provisions for doubtful debt of trade receivables	7,000	–	–	–	7,000
Including: separate assessment for provision	7,000	–	–	–	7,000
Provisions for doubtful debt of other receivables (note 4(5)(b))	263,010	–	–	(15,969)	247,041
Sub-total	270,010	–	–	(15,969)	254,041
Provisions for inventories impairment (note 4(6)(c))	45,361	10,086	–	(1,831)	53,616
Provisions for goodwill impairment	172,137	–	–	–	172,137
Sub-total	217,498	10,086	–	(1,831)	225,753
Total	487,508	10,086	–	(17,800)	479,794

(19) Short-term borrowings

	31 December 2019	31 December 2018
Credit borrowings (a)	707,658	1,398,664
Mortgaged borrowings (b)	168,000	–
Pledged borrowings (c)	833,263	1,350,000
Interest accrued	8,751	–
Total	1,717,672	2,748,664

(a) Credit borrowings

As at 31 December 2019, short-term borrowings of RMB707,658,000 (31 December 2018: RMB1,398,664,000) are credit borrowings obtained by the Group. Of which, RMB358,240,000 (31 December 2018: RMB838,982,000) are general credit borrowings obtained by the Group; RMB349,418,000 (31 December 2018: RMB559,682,000) are guaranteed by the Group for subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(19) Short-term borrowings *(Continued)*

(b) Mortgaged borrowings

As at 31 December 2019, short-term borrowings of RMB168,000,000 (31 December 2018: Nil) are mortgaged by properties under development of subsidiaries with book value of approximately RMB200,713,000.

(c) Pledged borrowings

As at 31 December 2019, short-term borrowings of RMB833,263,000 (31 December 2018: RMB1,350,000,000) are pledged by the right to profit of trade receivables to be collected after sale of properties under development of the Group.

As at 31 December 2019, the range of annual interest rate for short-term borrowings is 4.02% to 6.50% (31 December 2018: 3.66% to 6.50%).

(20) Trade payables

The aging analysis of trade payables are as follows:

	31 December 2019	31 December 2018 (Restated)
Within 1 year	8,348,306	8,673,535
Over 1 year	203,334	768,552
Total	8,551,640	9,442,087

(21) Contract liabilities

	31 December 2019	31 December 2018
Advances from sales of properties under development	19,384,092	16,984,377
Advances from sales of merchandise	67,208	32,080
Others	23,982	85,752
Total	19,475,282	17,102,209

In 2019, the contract liabilities amounted to RMB11,404,362,000 (2018: RMB14,904,479,000) included in the opening book value were transferred to revenue for the year.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Employee benefits payables

	31 December 2019	31 December 2018
Short-term employee benefits payables (a)	254,559	216,101
Defined contribution plans payables (b)	3,995	2,445
Total	258,554	218,546

(a) Short-term employee benefit payables

	31 December 2018	Additions	Reductions	31 December 2019
Wages and salaries, bonuses, allowances and subsidies	144,029	1,090,255	(1,093,517)	140,767
Staff welfare	—	3,191	(3,191)	—
Social security contributions	1,756	50,645	(49,011)	3,390
Including: Medical insurance	1,549	44,372	(42,859)	3,062
Work injury insurance	146	1,952	(1,840)	258
Maternity insurance	61	4,321	(4,312)	70
Housing funds	28	60,774	(58,803)	1,999
Labor union funds and employee education funds	9,517	12,269	(10,836)	10,950
Director's emoluments (Note 9(7))	26,550	810	(810)	26,550
Profit sharing plan	33,705	37,000	—	70,705
Others	516	6,378	(6,696)	198
Total	216,101	1,261,322	(1,222,864)	254,559

As at 31 December 2019 and 31 December 2018, there is no defaulted payables in employee benefits.

The Group does not provide non-monetary benefit to employees.

(b) Defined contribution plans payables

	31 December 2018	Additions	Reductions	31 December 2019
Basic social pension security	2,128	73,200	(72,214)	3,114
Annuity	133	5,579	(5,433)	279
Unemployment insurance	184	3,347	(2,929)	602
Total	2,445	82,126	(80,576)	3,995

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(23) Taxes payables

	31 December 2019	31 December 2018
Land appreciation tax payable	3,274,628	2,236,500
Enterprise income tax payable	644,918	552,412
VAT payable	1,203,307	274,406
Others	81,624	76,727
Total	5,204,477	3,140,045

As at 31 December 2019, the Group's deferred output tax generated from advances from customers amounted to RMB856,451,000.

(24) Other payables

	31 December 2019	31 December 2018
Payables to related parties (Note 9(6))	4,058,747	5,517,878
Payables for equity transfer	1,300,000	1,300,000
Payables to Tiancheng Yongtai	2,403,511	779,251
Interests payable	–	781,473
Dividends payable to related parties (Note 9(6))	196,753	133,153
Payables to project investment	185,605	345,803
Payables for routine business	1,419,884	381,177
Dividends payable to other equity instruments	578,171	422,697
Collection of deeds tax and maintenance funds on behalf of government	141,945	217,239
Deposits from customers	186,078	108,508
Tender deposits	164,178	44,812
Dividends payable to senior perpetual securities	25,704	17,405
Others	523,599	356,781
Total	11,184,175	10,406,177

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Current portion of non-current liabilities

	31 December 2019	31 December 2018
Long-term borrowings due within one year (Note 4(26))	10,275,637	5,800,590
Debentures payable due within one year (Note 4(27))	10,170,173	10,250,340
Long-term payables due within one year (Note 4(29))	1,580,000	4,620,000
Interest accrued	738,468	—
Lease liabilities due within one year (Note 4(28))	54,795	—
Total	22,819,073	20,670,930

(26) Long-term borrowings

	31 December 2019	31 December 2018
Credit borrowings (a)	24,520,023	18,879,285
Guaranteed borrowings (b)	1,631,000	1,893,000
Mortgaged borrowings (c)	8,397,668	8,843,807
Pledged borrowings (d)	1,500,000	1,416,470
Guaranteed and mortgaged borrowings (e)	—	248,000
Mortgaged and pledged borrowings (f)	1,055,000	1,073,000
Borrowings from debt investment plan (g)	12,900,000	11,660,000
Sub-total	50,003,691	44,013,562
Less: Long-term borrowings due within one year, including:		
Credit borrowings (a)	(5,427,605)	(387,182)
Guaranteed borrowings (b)	(981,000)	(62,000)
Mortgaged borrowings (c)	(1,348,032)	(769,408)
Pledged borrowings (d)	—	(64,000)
Mortgaged and pledged borrowings (f)	(19,000)	(18,000)
Borrowings from debt investment plan (g)	(2,500,000)	(4,500,000)
Subtotal	(10,275,637)	(5,800,590)
Net	39,728,054	38,212,972

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(26) Long-term borrowings *(Continued)*

(a) Credit borrowings

As at 31 December 2019, the credit borrowings of the Group amounted to RMB24,520,023,000 (31 December 2018: RMB18,879,285,000). Of which, RMB1,363,275,000 (31 December 2018: RMB1,576,000,000) are general credit borrowings obtained by the Group; RMB23,156,748,000 (31 December 2018: RMB17,303,285,000) are guaranteed by the Group for subsidiaries.

Among the borrowings above, interests of principal of RMB1,100,000,000 are paid half-yearly, interests of principal of RMB23,420,023,000 are paid quarterly. Principal of RMB5,427,605,000 should be repaid on or before 31 December 2020, such amount was classified as long-term borrowings due within one year in financial statements.

(b) Guaranteed borrowings

As at 31 December 2019, the guaranteed borrowings amounted to RMB1,631,000,000 (31 December 2018: RMB1,893,000,000) are guaranteed by non-controlling shareholders of subsidiaries or third parties.

Interests of the borrowings above are paid quarterly. The principal amounted to RMB981,000,000 should be repaid on or before 31 December 2020, and such amount was classified as long-term borrowings due within one year in financial statements.

(c) Mortgaged borrowings

As at 31 December 2019, the mortgaged borrowings amounted to RMB8,397,668,000 (31 December 2018: RMB8,843,807,000). Of which, borrowing of RMB4,319,151,000 (31 December 2018: RMB3,763,000,000) were secured by the mortgage of certain properties under development of the Group (Note 4(6)), borrowing of RMB198,000,000 (31 December 2018: RMB2,274,007,000) were secured by the mortgage of certain investment properties of the Group (Note 4(13)), borrowing of RMB877,262,000 (31 December 2018: RMB1,116,800,000) were guaranteed by the Group for subsidiaries and secured by the mortgage of certain properties under development of subsidiaries (Note 4(6)), borrowing of RMB1,265,000,000 (31 December 2018: RMB1,690,000,000) were guaranteed by the Group for subsidiaries and secured by the mortgage of certain investment properties of subsidiaries (Note 4(13)), borrowing of RMB1,738,255,000 were guaranteed by subsidiaries for subsidiaries and secured by the mortgage of certain properties under development of subsidiaries (Note 4 (6)).

Among the borrowings above, interests of principal of RMB610,000,000 are paid monthly, interests of principal of RMB7,787,668,000 are paid quarterly. The principal amounted to RMB1,348,032,000 should be repaid on or before 31 December 2020, and such amount was classified as long-term borrowings due within one year in financial statements.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(26) Long-term borrowings *(Continued)*

(d) Pledged borrowings

As at 31 December 2019, borrowings of RMB1,500,000,000 (31 December 2018: RMB1,416,470,000) were pledged borrowings obtained by the Group. Of which, borrowings of RMB1,500,000,000 (31 December 2018: 1,130,000,000) were pledged by the right to profit of trade receivables of subsidiaries of the Group.

Interests of the borrowings above are paid quarterly.

(e) Guaranteed and mortgaged borrowings

As at 31 December 2019, the Group's guarantee and mortgage loans have been fully repaid (31 December 2018: 248,000,000).

(f) Mortgaged and pledged borrowings

As at 31 December 2019, the mortgaged and pledged borrowings of the Group amounted to RMB1,055,000,000 (31 December 2018: RMB1,073,000,000) are guaranteed by the Group, secured by the mortgage of certain investment properties of the Group (Note 4(13)) and pledged by the right to profit of trade receivables.

Interests of the borrowings above are paid annually and the principal of RMB19,000,000 should be repaid before 31 December 2020, such amount was classified as long-term borrowings due within one year in financial statements.

(g) Borrowings from debt investment plan

As at 31 December 2019, the Group had obtained borrowings of RMB12,900,000,000 (31 December 2018: RMB11,660,000,000) through certain debt investment plans. Of which RMB2,500,000,000 (31 December 2018: RMB4,500,000,000) are guaranteed by Capital Group with interest paid quarterly; RMB10,400,000,000 (31 December 2018: RMB7,160,000,000) are guaranteed by the Group with interests paid quarterly. Among the borrowings above, RMB2,500,000,000 should be repaid before 31 December 2020, such amount was classified as long-term borrowings due within one year in financial statements.

As at 31 December 2019, the range of annual interest rate for long-term borrowings is from 3.40% to 8.50% (31 December 2018: 3.40% to 8.30%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(27) Debentures payable

	31 December 2018	Issued in current year	Amortization of discount and premium	Redemption in this year	Other movements (i)	31 December 2019	Interest accrued
Corporate bonds (ii)	25,740,419	11,495,685	41,866	(8,340,000)	–	28,937,970	1,416,664
Medium term notes (iii)	7,083,805	–	27,401	(250,000)	85,600	6,946,806	40,877
Other notes (iv)	2,736,318	–	5,171	–	34,241	2,775,730	141,377
Sub-total	35,560,542	11,495,685	74,438	(8,590,000)	119,841	38,660,506	1,598,918
Including: debentures payable due within one year	(10,250,340)					(10,170,173)	
Net	25,310,202					28,490,333	

(i) Other movements are mainly exchange rate changes.

(ii) With approval of Bond Financing Plan Investment (CFAE letters [2018] 472) of Beijing Financial Assets Exchange Co., Ltd. (hereinafter "CFAE"), the Company issued non-public corporate bonds with amount of RMB1,500,000,000 at 30 January 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB1,482,000,000. The bond has a three-year term with a fixed annual interest rate at 6%. The principal and the interests for the last period will be fully repaid on the maturity date.

With approval of Bond Financing Plan Investment (CFAE letters [2019] 0577) of CFAE, the Company issued non-public corporate bonds with amount of RMB2,000,000,000 at 9 September 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB1,952,000,000. The bond has a three-year term with a fixed annual interest rate at 5.4%. The principal and the interests for the last period will be fully repaid on the maturity date.

With the approval of Shanghai Stock Exchange (SSE letters [2019] 171), the Company issued non-public corporate bonds across four tranches with amount of RMB8,090,000,000 before 31 December 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB8,061,685,000. The term of the bonds are three years or five years respectively with a fixed annual interest rate range from 4.3% to 4.58%. The principal and the interests for the last period will be fully repaid on the maturity date.

As at 31 December 2019, the Company holds corporate bonds with a total face value of RMB29,060,000,000, after deducting the related underwriting and issuing fees, net amount totaling RMB28,937,970,000 with interest rate range from 3.70% to 6.00%. As at 31 December 2019, the book value of corporate bonds amounted to RMB6,690,454,000 should be repaid on or before 31 December 2020, such amount was classified as debentures payable due within one year in financial statements.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(27) Debentures payable *(Continued)*

- (iii) As at 10 February 2014, the Board of Directors of the Company announced the establishment of medium-term notes and perpetual securities program. Under this program, Central Plaza Development Ltd. (a wholly-owned subsidiary of the Company, hereinafter "Central Plaza") can offer and issue securities to professional and institutional investors, with a principal limitation of no more than USD1 billion (or equivalent in other currency units). Securities will be issued on different release date and with different terms. International Financial Center Property Ltd., (a wholly-owned subsidiary of the Company, hereinafter "IFC") and some of its subsidiaries provided unconditional and irrevocable guarantees and the Company entered into a Keepwell Deed for the medium-term notes. Pursuant to the Keepwell Deed, the Company will undertake to cause Central Plaza to remain solvent and going concern at all times, and guarantee both Central Plaza and IFC have sufficient liquidity to ensure timely repayment in respect of the bonds and the guarantee in accordance with the terms and conditions of the medium term notes and other obligations under the Keepwell Deed. On 12 January 2017, the Medium-Term Notes and Perpetual Securities Program was updated with the Keepwell Deed, liquidity support and equity purchasing commitment provided by the Capital Group.

As at 17 February 2014, Central Plaza issued medium term notes amounted to RMB250,000,000 and received proceeds of RMB245,627,000 net of relevant issuance costs. The bond carries a fixed annual interest rate of 6.875% paid semi-annually and with a maturity period of 5 years. The principal and the interests for the last period will be fully repaid on the maturity date. As at 31 December 2019, the note was repaid.

As at 25 January 2017, Central Plaza issued medium term notes amounted to USD400,000,000 and received proceeds of USD396,006,000. The bond carries a fixed annual interest rate of 3.875% paid semi-annually with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. IFC provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed, liquidity support and equity purchasing commitment for the medium term notes. As at 31 December 2019, the book value of the medium-term note was RMB2,784,724,000, which was reclassified into current portion of non-current liabilities.

As at 5 July 2017, Central Plaza issued medium term notes amounted to USD100,000,000 and received proceeds of USD99,238,000. The bond carries a fixed annual interest rate of 3.700% paid semi-annually with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. IFC and some of its subsidiaries provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed, liquidity support and equity purchasing commitment for the medium term notes. As at 31 December 2019, the book value of the medium-term note was RMB694,995,000, which was reclassified into current portion of non-current liabilities.

As at 24 January 2018 Central Plaza updated medium term notes and perpetual securities program, the principal limitation for offering and issuing securities to professional and institutional investors increased to USD2,000,000,000 (or equivalent in other currency units).

As at 30 January 2018, Central Plaza issued medium term notes amounted to USD500,000,000 and received proceeds of USD493,832,000. The bond carries a fixed annual interest rate of 3.875% paid semi-annually with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. IFC and some of its subsidiaries provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed, liquidity support and equity purchasing commitment for the medium term notes.

As at 31 October 2019 Central Plaza updated medium term notes and perpetual securities program, the principal limitation for offering and issuing securities to professional and institutional investors increased to USD3,000,000,000 (or equivalent in other currency units).

- (iv) As at 2 August 2018, Trade Horizon Global Limited (a subsidiary of the Company, hereinafter "Trade Horizon") issue note amounted to USD400,000,000 and received proceeds of USD397,619,000 net of relevant issuance cost. The notes carry a floating interest rate paid quarterly with a maturity period of 3 years. The principal and the interests for the last period will be fully repaid on the maturity date. Beijing Capital Grand Limited (hereinafter "Capital Grand") provided unconditional and irrevocable guarantees and Capital Group entered into Keepwell Deed, liquidity support and equity purchasing commitment for the note.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(28) Lease liabilities

	31 December 2019	31 December 2018
Lease liabilities	930,113	–
Less: Lease liabilities due within one year (Note 4(25))	(54,795)	–
Net	875,318	–

(29) Long-term payables

	31 December 2019	31 December 2018
Trust investment funds	1,580,000	6,200,000
Asset-backed securities	2,691,900	–
Others	25,576	27,001
Sub-total	4,297,476	6,227,001
Less: Long-term payables due within one year		
Trust investment funds	(1,580,000)	(4,620,000)
Sub-total	(1,580,000)	(4,620,000)
Net	2,717,476	1,607,001

As at 31 December 2019, the Group's payable to trust investment funds amounted to RMB1,580,000,000 (31 December 2018: RMB6,200,000,000), guaranteed by the Company for its subsidiaries. The amount will be due before 31 December 2020, and was reclassified into current portion of non-current liabilities.

As at 31 December 2019, the Group's payable to asset-backed securities amounted to RMB2,691,900,000 (31 December 2018: Nil), guaranteed by the Company for its subsidiaries.

As at 31 December, 2019, the interest rate range for long-term payables is 5.40% to 6.50% (31 December 2018: 5.40% to 6.50%).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Derivative financial assets and derivative financial liabilities

	31 December 2019	31 December 2018
Derivative financial assets –		
Forward exchange contracts		
– cash flow hedges	94,872	262,202
Cross currency interest rate swap		
– cash flow hedges	1,059	–
Sub-total	95,931	262,202
Derivative financial liabilities –		
Cross currency interest rate swap		
– cash flow hedges	–	32,871

As at 31 December 2019, derivative financial assets and derivative financial liabilities were mainly forward foreign exchange contracts and cross currency interest rate contracts with a nominal amount of 728,015,000 Australian dollars and USD400,000,000 (31 December 2018: 996,349,000 Australian dollars and USD400,000,000).

(31) Share capital

	31 December 2018	Changes in this year					31 December 2019
		Issue of shares	Allotment	Transferred from reserve	Others	Subtotal	
Non-outstanding shares –							
held by domestic legal entity	1,649,206	–	824,603	–	–	824,603	2,473,809
held by oversea legal entity	357,998	–	–	–	–	–	357,998
Outstanding shares – H share	1,020,756	–	–	–	–	–	1,020,756
Total	3,027,960	–	824,603	–	–	824,603	3,852,563

In December 2019, the Company issued 5 rights shares for every 10 existing shares comprising H share rights issue at HK\$1.87 per H rights share; domestic share rights issue at RMB1.68 per domestic rights share and non-H foreign share rights issue at RMB1.68 per non-H foreign rights share (hereinafter “rights issue”). As at 31 December 2019, the Company has received the proceeds amounting to RMB1,385,333,000 from domestic shares verified by Hua Ande Certified Public Accountants Co., Ltd. and issued capital verification report No. HAD-CV20-1003. The Company's share capital is increased by RMB824,603,000, and the remaining RMB560,730,000 is included in capital reserve (share premium). In view of the fact that the rights issue has not been finalized, there is no change in the number of shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Share capital (Continued)

	31 December 2017	Changes in this year					31 December 2018
		Issue of shares	Allotment	Transferred from reserve	Others	Subtotal	
Non-outstanding shares – held by domestic legal entity	1,649,206	–	–	–	–	–	1,649,206
held by oversea legal entity	357,998	–	–	–	–	–	357,998
Outstanding shares – H share	1,020,756	–	–	–	–	–	1,020,756
Total	3,027,960	–	–	–	–	–	3,027,960

(32) Capital reserve

	31 December 2018	Additions	Reductions	31 December 2019
Share premium	469,930	565,237	(639,874)	395,293

	31 December 2017	Additions	Reductions	31 December 2018
Share premium	653,652	46,455	(230,177)	469,930

As at 31 December 2019, the Company has received the proceeds amounting to RMB1,385,333,000 from domestic shares rights issue, of which RMB560,730,000 is included in the capital reserve (share premium) (note 4(31)).

In December 2019, Central Plaza repaid the senior perpetual securities and deducted capital reserve amounted to RMB535,165,000 (note 6(1)(b)).

In July 2016, Shanghai Xinghan Asset Management Co., Ltd. set up a special asset management plan to raise a total amount of RMB3,000,000,000. In March 2019, the Company issued a prepayment notice to redeem 50% of principal of the Assets Management Plan in July 2019. Since the Company had the inevitable payment obligation pursuant, such amount did not meet the definition of equity instrument any longer and was reclassified as current portion of long-term borrowings after issue of prepayment notice, and a decrease in capital reserve amounted to RMB52,355,000 was recognized accordingly. In July 2019, the Company repaid the remaining other equity instruments of RMB1,447,646,000 and deducted capital reserve amounted to RMB52,354,000 (note 16(5)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in income statements for the year ended 31 December 2019				
	31 December 2018	Attribute to owners of the Company after taxes	31 December 2019	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to owners of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter	38,283	-	38,283	-	-	-	-	-
- Changes in fair value of other equity instrument investments	38,283	-	38,283	-	-	-	-	-
Other comprehensive income may be reclassified into profit or loss thereafter	400,463	(148,803)	251,660	(113,960)	(82,764)	47,921	(148,803)	-
- Changes in fair value of investment properties transferred from inventories (a)	341,951	(62,073)	279,878	-	(82,764)	20,691	(62,073)	-
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	66,868	(81,690)	(14,822)	(108,920)	-	27,230	(81,690)	-
- Currency translation differences	(8,356)	(5,040)	(13,396)	(5,040)	-	-	(5,040)	-
Total	438,746	(148,803)	289,943	(113,960)	(82,764)	47,921	(148,803)	-

- (a) In 2019, the Group sold some of the properties in inventories, of which fair value gains previously recognized in other comprehensive income amounted to RMB62,073,000 (2018: RMB50,301,000) was accordingly transferred into profit or loss.

	Other comprehensive income in balance sheet				Other comprehensive income in income statements for the year ended 31 December 2018					
	31 December 2017	Adjustments—the new financial instrument standards	1 January 2018	Attribute to owners of the Company after taxes	31 December 2018	Amount before taxes	Less: Transfer in profit or loss previously recognized in other comprehensive income	Less: Income taxes	Attribute to owners of the Company after taxes	Attribute to the non-controlling interests after taxes
Other comprehensive income cannot be reclassified into profit or loss thereafter	-	-	-	38,283	38,283	38,283	-	-	38,283	-
- Changes in fair value of other equity instrument investments	-	-	-	38,283	38,283	38,283	-	-	38,283	-
Other comprehensive income may be reclassified into profit or loss thereafter	413,159	(998)	412,161	(11,698)	400,463	96,825	(99,052)	(9,471)	(11,698)	-
- Can be transferred to profit or loss at equity method	31,984	-	31,984	(31,984)	-	-	(31,984)	-	(31,984)	-
- Changes in fair value of investment properties transferred from inventories (a)	391,471	-	391,471	(49,520)	341,951	781	(67,068)	16,767	(49,520)	-
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	(10,847)	(998)	(11,845)	78,713	66,868	104,951	-	(26,238)	78,713	-
- Currency translation differences	551	-	551	(8,907)	(8,356)	(8,907)	-	-	(8,907)	-
Total	413,159	(998)	412,161	26,585	438,746	135,108	(99,052)	(9,471)	26,585	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(34) Surplus reserve

	31 December 2018	Additions	Other adjustments	Reductions	31 December 2019
Statutory surplus reserve	665,381	163,770	–	–	829,151

	31 December 2017	Additions	Other adjustments	Reductions	31 December 2018
Statutory surplus reserve	570,905	93,467	1,009	–	665,381

In accordance with the PRC Company Law and the Company's Articles of Association and resolution of the board of directors, the Company should appropriate 10% of net profit of the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. The Company appropriate discretionary surplus reserve of RMB163,770,000 in 2019 (2018: RMB93,467,000).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(35) Retained earnings**

	2019	2018
Retained earnings at the beginning of the year (before adjustments)	11,037,357	10,376,979
Adjustments – the new revenue standards	–	13,760
Adjustments – the new financial instrument standards	–	1,953
Adjustments – the new leasing standards	(8,131)	–
Retained earnings at the beginning of the year (after adjustments)	11,029,226	10,392,692
Add: profit attributable to owners of the Company	2,122,572	1,922,932
Less: appropriation of statutory surplus reserve	(163,770)	(93,467)
Dividends to common share (a)	(666,151)	(635,872)
Dividends to other equity instruments interests	(806,103)	(547,919)
Others	(103,122)	(1,009)
Retained earnings at the end of the year	11,412,652	11,037,357

- (a) On the meeting of board of directors held on 8 March 2019, the directors proposed a final dividend of RMB0.22 per share to the shareholder, the total amount payable were RMB666,151,200 based on the Company's total issued number of shares which is 3,027,960,000. The dividend distribution plan was approved by shareholders on general meeting of shareholders held on 23 April 2019.
- (b) On the meeting of board of directors held on 23 March 2020, the directors proposed a final dividend of RMB0.17 per share to the shareholder, the total amount payable were RMB741,700,000 based on the Company's total issued number of shares as at 23 March 2020, which is 4,362,940,850. The dividend distribution plan will be approved by shareholders on general meeting of shareholders to be held on 13 May 2020.

(36) Revenue and cost of sales

	2019	2018
Revenue from main operations (a)	19,946,963	22,655,740
Revenue from other operations (b)	839,292	601,313
Total	20,786,255	23,257,053

	2019	2018
Cost of sales from main operations (a)	13,320,712	16,512,988
Cost of sales from other operations (b)	393,194	436,455
Total	13,713,906	16,949,443

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	2019		2018	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of properties	15,579,565	10,623,042	19,220,319	14,376,723
Consulting services	84,362	10,682	14,528	–
Primary land development	3,513,542	2,601,021	2,902,844	2,080,835
Rental income of investment properties	769,494	85,967	518,049	55,430
Total	19,946,963	13,320,712	22,655,740	16,512,988

(b) Revenue and cost of sales from other operations

	2019		2018	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of investment properties	421,934	266,496	398,795	335,885
Temporary rental	120,380	46,863	43,701	–
Other operations	296,978	79,835	158,817	100,570
Total	839,292	393,194	601,313	436,455

(37) Taxes and surcharges

	2019	2018	Standards
LAT	1,752,287	1,865,444	Note 3
Others	284,477	307,218	
Total	2,036,764	2,172,662	

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(38) Expense by nature**

Cost of sales, selling and distribution expenses and general and administrative expenses in income statements classified by nature are as follows:

	2019	2018
Costs of properties sold	10,215,765	14,222,059
Costs of primary land development	2,534,650	2,045,484
Costs of operation of investment properties	33,642	37,640
Costs of sales of investment properties	266,496	335,885
Wages, social security and welfare	1,343,448	796,589
Administrative office expenses	358,376	237,457
Depreciation and amortization	150,019	44,688
Travel and entertainment expenses	42,484	30,858
Auditor's service fee	13,084	13,825
– Audit service	11,801	9,811
– Non-audit services	1,283	4,014
Other intermediary service fee	153,368	190,141
Marketing and commission fee	642,910	566,062
Others	128,477	107,548
Total	15,882,719	18,628,236

(39) Financial expenses

	2019	2018
Interest expense	5,529,295	4,460,152
Less: cost of capitalized interest	(2,304,830)	(1,889,267)
Interest expenses – net	3,224,465	2,570,885
Interest income	(325,625)	(285,730)
Exchange loss – net	9,838	449,197
Others	188,331	134,890
Net	3,097,009	2,869,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(40) Other income

	2019	2018	Assets/income related
Government grants	94,752	53,986	Income related
Others	486	428	Income related
Total	95,238	54,414	

(41) Investment income

	2019	2018
Share of net profit or loss of investees under equity method	355,430	513,780
Gains from disposal of subsidiaries (note 5(2))	1,214,048	999,423
Interest income earned during the period of ownership of debt investments	1,279,644	1,129,146
Gains from disposal of joint ventures and associates (i)	649,208	687,822
Losses on remeasurement of income distribution of Tiancheng Yongtai	—	(154,991)
Others	80,907	60,249
Total	3,579,237	3,235,429

- (i) In 2019, the Group disposed long-term equity investments of RMB577,756,000 with disposal gain of RMB649,208,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Gains on changes in fair value

	2019	2018
Non-financial assets		
Investment properties	91,991	321,519
Trading financial assets		
Asset management plan	1,613	502
Trading financial assets/liabilities		
Capped cross currency swap contracts	182,043	147,895
Realization of fair value gains with sale of properties	(173,309)	(58,919)
Total	102,338	410,997

(43) Non-operating income

	2019	2018
Default fine	10,410	11,136
Others	21,965	4,672
Total	32,375	15,808

(44) Non-operating expenses

	2019	2018
Default fine and delaying payment fine	9,860	11,964
Others	4,749	3,928
Total	14,609	15,892

(45) Income tax expense

	2019	2018
Current income tax based on tax law and related regulations	1,737,058	1,148,126
Deferred income tax	(735,696)	(405,252)
Total	1,001,362	742,874

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(45) Income tax expense *(Continued)*

Reconciliations from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses are listed below:

	2019	2018
Profit before income tax	3,570,224	3,159,963
Income tax expenses calculated at applicable tax rates (25%)	892,556	789,991
Impact of income tax at different tax rates	(14,449)	(105,022)
Tax differences of investees at different rates	(341)	–
Share of net profit of joint ventures and associates under equity method	(88,858)	(128,445)
Other (profit)/loss not subject to tax	(81,774)	20,384
Write-off of deferred income tax assets recognized in previous years	51,403	31,139
Profit from internal equity transfer transaction subject to tax	27,111	101,793
Distribution eligible for tax deduction	(277,925)	(194,700)
Utilisation of deductible temporary differences for which no deferred income tax asset was recognized in previous years	–	(577)
Deductible losses for which no deferred income tax asset was recognized	173,263	127,526
Impairment provision for which no deferred income tax asset was recognized	–	35,305
Expenses, costs and losses not deductible	320,376	65,480
Income tax expenses	1,001,362	742,874

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(46) Earnings per share****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the year:

	2019	2018
Consolidated net profit attributable to owners of the Company	2,122,572	1,922,932
Less: Distribution to other equity instruments	(806,103)	(547,919)
Consolidated net profit attributable to ordinary shareholders of the Company	1,316,469	1,375,013
Weighted average number of ordinary shares issued (in thousands)	3,027,960	3,027,960
Basic earnings per share (RMB yuan per share)	0.43	0.45
Including:		
– Basic earnings per share relating to continuing operations (RMB yuan per share)	0.43	0.45

- (b) The diluted earnings per share is calculated by dividing the net profit of the combined shares attributable to the shareholders of the parent company after the adjustment of the diluted potential common shares by the weighted average of the common shares issued by the company after the adjustment. In 2019 and 2018 diluted earnings per share basically equal to basic earnings per share.

(47) Notes to the cash flow statements**(a) Cash received relating to other operating activities**

	2019	2018
Bank Interest income	325,625	285,730
Government repurchase of land use rights	103,000	149,938
Government grants and tax returns	95,238	54,414
Return from operations	349,515	21,459
Total	873,378	511,541

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) Notes to the cash flow statements (Continued)

(b) Cash paid relating to other operating activities

	2019	2018
Marketing and promotion expenses	367,630	312,461
Sales commission and agency fees	442,418	457,567
Administrative expenses	358,376	268,315
Cash paid to operations	112,643	827,192
Auction deposits for land	108,678	–
Prepayments for projects	–	551,593
Others	41,217	146,854
Total	1,430,962	2,563,982

(c) Cash received relating to other investing activities

	2019	2018
Principals and interests repaid from related parties	8,019,037	1,124,735
Return of receivables from Tiancheng Yongtai	–	635,286
Cash received from cooperation projects	164,000	72,150
Returns of principals and interests from debt investments	202,733	229,236
Returns of performance guarantees paid for acquisition of Tianjin TJ-Metro MTR Construction Co. Ltd. ("TJ-Metro MTR")	–	1,600,000
Others	–	2,750
Total	8,385,770	3,664,157

(d) Cash paid relating to other investing activities

	2019	2018
Cash paid to related parties	3,120,771	9,723,903
Cash paid for cooperation projects	8,255,557	1,973,584
Cash paid for debt investments	–	351,976
Performance guarantees paid for acquisition of TJ-Metro MTR	353,600	–
Others	2,228	262,567
Total	11,732,156	12,312,030

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(47) Notes to the cash flow statements *(Continued)*

(e) Cash received relating to other financing activities

	2019	2018
Cash received from related parties	1,892,528	1,364,625
Receive of payables from Tiancheng Yongtai	1,624,260	–
Cash returned from termination of deposit pledge	–	734,716
Others	–	7,000
Total	3,516,788	2,106,341

(f) Cash paid relating to financing activities

	2019	2018
Principals and interests paid for borrowings from related parties	2,087,185	740,137
Payment of keepwell deed service fee	35,133	–
Cash paid to non-controlling interests for capital reduction	–	279,817
Cash paid to financing costs	95,380	52,978
Cash paid to capped currency swap contracts	115,642	123,904
Cash paid for repayment of lease liabilities	69,263	–
Total	2,402,603	1,196,836

In 2019, the Group paid a total cash outflow of RMB69,263,000 related to leasing, and there was no other cash outflow related to leasing except for the above amount of cash paid for repayment of lease liabilities included in financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(48) Supplemental information of cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2019	2018
Net profit	2,568,862	2,417,089
Add: Provisions for credit impairment	—	141,219
Depreciation of fixed assets (note 4(14))	46,017	23,224
Amortization of long-term prepaid expenses (note 4(16))	103,535	27,502
Gains on disposal of fixed assets and other long-term assets	(48,625)	(67,759)
Interest expenses	5,662,661	3,020,082
Investment income	(3,438,489)	(3,235,429)
Gains of changes in fair value	(120,399)	(422,984)
Gains on net exposure hedge	(17,605)	(7,199)
Increase in deferred income tax assets	(304,349)	(529,403)
Increase in deferred income tax liabilities	102,965	178,985
Increase in inventories	(8,560,653)	(6,718,222)
Increase in restricted cash	(146,250)	(124,772)
(Increase)/Decrease in operating receivables	(189,129)	4,583,675
Increase/(Decrease) in operating payables	4,587,479	(5,380,737)
Net cash flows generated/(used in) from operating activities	246,020	(6,094,729)

Significant operating, investing and financing activities not relating to cash receipt and disbursement

	2019	2018
Creditor and debt offsets between joint ventures and associates	618,000	—
Dividends receivable from joint ventures offset other payables	540,000	—
Additions of right-of-use assets	420,463	—
Total	1,578,463	—

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)***(48) Supplemental information of cash flow statement** *(Continued)***(a) Change of cash**

	2019	2018
Cash at the end of the year	25,791,105	21,748,206
Less: cash at the beginning of the year	(21,748,206)	(18,049,837)
Increase of cash	4,042,899	3,698,369

(b) Disposal of subsidiaries

	2019	2018
Cash and cash equivalent received	1,512,565	598,158
Less: cash and cash equivalent held by subsidiaries	(515,693)	(13,355)
Net cash received from disposal of subsidiaries	996,872	584,803
Proceeds from disposal	3,025,130	598,158

Net assets of disposal subsidiaries at disposal date in 2019

	2019	2018
Current assets	944,376	181,215
Non-current assets	4,937,902	3,661,637
Current liabilities	(418,020)	(2,393,093)
Non-current liabilities	(1,842,094)	(359,096)
	3,622,164	1,090,663

(c) Cash and cash equivalent

	31 December 2019	31 December 2018
Cash at bank and on hand	27,035,244	22,526,602
Less: restricted bank deposits	(1,165,488)	(721,005)
restricted other cash balances	(78,651)	(57,391)
Cash and cash equivalent at year end	25,791,105	21,748,206

5. CHANGES OF CONSOLIDATION SCOPE

(1) Business combinations involving enterprises other than common control

In March 2019, the Group acquired 100% equity interest in Shoujin Yingchuang Investment Management (Zhuhai) Co., Ltd. (hereinafter “Shoujin Yingchuang”) through business combination other than common control, with equity consideration of RMB5,894,000, and it is recognized as a subsidiary of the Group. The net assets attributable to the Group on the acquisition date of Shoujin Yingchuang are RMB5,894,000. The consideration is consistent with the fair value of the subsidiary according to the appraisal report on the acquisition date. Thus no goodwill is recognized.

In June 2019, the Group acquired 100% equity interest of Kunshan Guangsheng Real Estate Development and Management Co., Ltd. (“Kunshan Guangsheng”) through business combination other than common control, with a consideration for debt and equity amounting to RMB1,386,262,000, which is treated as asset purchasing, and Kunshan Guangsheng is recognized as a subsidiary. The consideration is consistent with the fair value of the subsidiary according to the appraisal report on the acquisition date. Thus no goodwill is recognized.

In September 2019, the Group acquired 100% equity interest in Chongqing Angdi Construction Limited (hereinafter “Chongqing Angdi”) through business combination other than common control, with equity consideration of RMB15,500,000, and it is recognized as a subsidiary of the Group. The net assets attributable to the Group on the acquisition date of Chongqing Angdi are RMB15,500,000. The consideration is consistent with the fair value of the subsidiary according to the appraisal report on the acquisition date. Thus no goodwill is recognized.

In October 2019, the Group acquired 80% equity interest in Beijing Xilangyuan Culture Development Limited (hereinafter “Xilangyuan”) through business combination other than common control, with equity consideration of RMB51,640,000, and it is recognized as a subsidiary of the Group. The net assets attributable to the Group on the acquisition date of Xilangyuan are RMB51,640,000. The consideration is consistent with the fair value of the subsidiary according to the appraisal report on the acquisition date. Thus no goodwill is recognized.

(2) Disposal of subsidiaries

(a) The information of disposal of subsidiaries in 2019 is as follows:

As at 31 December 2019, the Group disposed 50% equity interests in Tiancheng Yongyuan, and the disposal gain amounting to RMB1,214,048,000 (Note 4(41)).

As at 31 December 2019, the Group disposed 94% equity interests in Shoujin Yuanchuang, and no disposal gain is recognized.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)*(2) Disposal of subsidiaries *(Continued)*

(b) Disposal gain are calculated as follow:

	Amount
Proceeds from disposal	3,025,130
Less: Share of net assets of Tiancheng Yongyuan at the level of consolidated financial statements	(1,811,082)
Total	1,214,048
Transferred into profit or loss for the current period from other comprehensive income	—
Gain of disposal	1,214,048

(3) Changes of consolidation scope due to other reasons

In January 2019, the Group set up wholly-owned subsidiaries, Shoujin Hechuang (Tianjin) Real Estate Co., Ltd., Shoujin Longchuang (Tianjin) Real Estate Co., Ltd., Shoujin Shengchuang (Tianjin) Real Estate Co., Ltd., Shoujin Tianke (Tianjin) Real Estate Co., Ltd., Shoujin Jiachuang (Tianjin) Real Estate Co., Ltd., Shoujin Huichuang (Tianjin) Real Estate Co., Ltd. and Beijing Capital Xindu Real Estate Co., Ltd.(hereinafter "Capital Xindu"), by capital injection.

In February 2019, the Group set up wholly-owned subsidiaries, Shoujin Wanchuang (Tianjin) Real Estate Co., Ltd., Shoujin Jiechuang (Tianjin) Real Estate Co., Ltd., Kunming Shouzhi Xinye Real Estate Development Co., Ltd. (hereinafter "Kunming Shouzhi Xinye"), Foshan Shourui Real Estate Development Co., Ltd. (hereinafter "Foshan Shourui") and Tianjin Tianke Real Estate Co.,Ltd. (hereinafter "Tianjin Tianke"), by capital injection.

In April 2019, the Group set up wholly-owned subsidiary, Hangzhou Langyuan Culture Development Co., Ltd., by capital injection.

In May 2019, the Group set up wholly-owned subsidiaries, Xiamen Shouzhi Xiangfa Real Estate Development Co., Ltd. (hereinafter "Xiamen Shouzhi Xiangfa"), Dongguan Shouwang Real Estate Development Co., Ltd. (hereinafter "Dongguan Shouwang") and Shenyang Longjing Real Estate Co., Ltd. (hereinafter "Shenyang Longjing"), by capital injection.

In June 2019, the Group set up wholly-owned subsidiaries, Shoujin Yurui (Tianjin) Real Estate Co., Ltd., Shoujin Ruixiang (Tianjin) Real Estate Co., Ltd., Shoujin Hengjin (Tianjin) Real Estate Co., Ltd., Shoujin Xingjiang (Tianjin) Real Estate Co., Ltd. and Shouzhi Jinlu (Tianjin) Real Estate Co., Ltd., by capital injection.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

5. CHANGES OF CONSOLIDATION SCOPE *(Continued)*

(3) Changes of consolidation scope due to other reasons *(Continued)*

In July 2019, the Group set up wholly-owned subsidiaries, Tianjin Xingtai Jiming Real Estate Co., Ltd. (hereinafter "Xingtai Jiming"), Beijing Shengyun Real Estate Co., Ltd., Kunming Kunlun Shouzhi Real Estate Co., Ltd. (hereinafter "Kunming Kunlun Shouzhi"), Xiamen Shoujing Real Estate Co., Ltd. (hereinafter "Xiamen Shoujing") and Qijin Yihao Equity Investment (Tianjin) Partnership (Limited Partnership), by capital injection.

In August 2019, the Group set up wholly-owned subsidiaries, Chengdu Shouyu Huachuang Real Estate Co., Ltd. (hereinafter "Chengdu Huachuang"), by capital injection.

In September 2019, the Group set up a wholly-owned subsidiary, Beijing Shouzhi Health Management Co., Ltd., by capital injection.

In October 2019, the Group set up wholly-owned subsidiaries, Shoujin Yuechuang (Tianjin) Real Estate Co., Ltd., Shoujin Maochuang (Tianjin) Real Estate Co., Ltd., Shoujin Huachuang (Tianjin) Real Estate Co., Ltd., and Shoujin Haochuang (Tianjin) Real Estate Co., Ltd., by capital injection.

In November 2019, the Group set up a wholly-owned subsidiary, Tianjin Ruiji Real Estate Co., Ltd. (hereinafter "Tianjin Ruiji"), by capital injection.

In December 2019, the Group set up a wholly-owned subsidiary, Shoujin Hongchuang (Tianjin) Industrial Development Co., Ltd., by capital injection.

6. EQUITY INTERESTS IN OTHER ENTITIES

(1) Equity interests in subsidiaries

(a) Information of significant subsidiaries

Name	Type of legal entity	Place of main operation	Place of registration	Nature of business	Interests held		Mode of acquisition
					Direct (%)	Indirect (%)	
Central Plaza	Limited liability company	B.V.I	B.V.I	Investment holding	100	–	Injected by sponsor
IFC	Limited liability company	B.V.I	B.V.I	Investment holding	100	–	Injected by sponsor
S.C. Real Estate Development Co., Ltd. ("S.C.")	Limited liability company	Beijing	Beijing	Property development and sales	100	–	Business combination
Beijing Xinbocheng Real Estate Development Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Business combination
Zhejiang Outlets Property Real Estate Co., Ltd	Limited liability company	Huzhou	Huzhou	Property development and operation	–	72.9	Business combination
Capital Grand	Limited liability company	Cayman Islands	Cayman Islands	Investment holding	–	72.9	Business combination
Xi'an Capital Xinkai Real Estate Co., Ltd.	Limited liability company	Xi'an	Xian	Property development and sales	–	72.9	Business combination
Liujiu Real Estate (i)	Limited liability company	Beijing	Beijing	Property development and sales	–	65.88	Business combination
Beijing Donghuan Xinrong Investment Management Limited ("Donghuan Xinrong")	Limited liability company	Beijing	Beijing	Property leasing	100	–	Business combination
Zhuhai Hengqin Capital Real Estate Eco Village Equity Investment Fund (Limited Partnership)	Limited liability company	Zhuhai	Zhuhai	Investment Management	–	96.39	Business combination
Chongqing Shouyong Real Estate Co., Ltd.	Limited liability company	Chongqing	Chongqing	Property development and sales	–	96.39	Business combination

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(a) Information of significant subsidiaries *(Continued)*

Name	Type of legal entity	Place of main operation	Place of registration	Nature of business	Interests held		Mode of acquisition
					Direct (%)	Indirect (%)	
Shenyang Haohua Real Estate Co., Ltd.	Limited liability company	Shenyang	Shenyang	Property development and sales	–	100	Business combination
Chengdu Capital Ruihua Real Estate Co., Ltd. ("Chengdu Ruihua")	Limited liability company	Chengdu	Chengdu	Property development and sales	–	100	Business combination
Tianjin Capital Xinyuan Real Estate Development Co., Ltd. ("Tianjin Xinyuan")	Limited liability company	Tianjin	Tianjin	Property development and sales	–	55	Capital injection
Jingjin Tongcheng (Tianjin) Investment Co., Ltd. ("Jingjin Tongcheng")	Limited liability company	Tianjin	Tianjin	Property development	–	90	Capital injection
Beijing Capital Outlets Property Investment Fang Shan Ltd.	Limited liability company	Beijing	Beijing	Property development, operation and management	–	72.9	Capital injection
Beijing Capital Zhongbei Infrastructure Investment Co., Ltd.	Limited liability company	Beijing	Beijing	Property development	–	100	Capital injection
Beijing Anshunyu Real Estate Development Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	95	Capital injection
Jiangyin Yuyue Real Estate Development Co., Ltd.	Limited liability company	Jiangyin	Jiangyin	Property development and sales	–	100	Capital injection
Qingdao Xinli Weiye Real Estate Development Co., Ltd.	Limited liability company	Qingdao	Qingdao	Property development and sales	–	100	Capital injection
Hainan Outlets Tourism Development Co., Ltd. ("Hainan Outlets Tourism")	Limited liability company	Wanning	Wanning	Property development, operation and management	–	100	Capital injection
Shenyang Capital Xinyun Real Estate Co., Ltd. ("Shenyang Xinyun")	Limited liability company	Shenyang	Shenyang	Property development and sales	100	–	Capital injection
SAS Datang Weiye Holdings	Limited liability company	France	France	Real estate business and others	–	100	Capital injection
Hainan Capital Outlets Real Estate Co., Ltd.	Limited liability company	Wanning	Wanning	Property development and sales	–	100	Capital injection
Beijing Chuangrui Xiang'an Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Beijing Guijiamao Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Tianjin Xingtai Jihong Real Estate Co., Ltd.	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Beijing Lianchuang Shengye Real Estate Development Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Chengdu Capital Zhenghua Real Estate Co., Ltd.	Limited liability company	Chengdu	Chengdu	Property development and sales	–	100	Capital injection
Beijing Xujia Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Tianjin Xingtai Jisheng Real Estate Co., Ltd.	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Tianjin Hongtai Weiye Real Estate Co., Ltd.	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Shanghai Shoupu Real Estate Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	–	100	Capital injection
Beijing Tianzhiying Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Beijing Jinyifeng Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Beijing Baochitong Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Shanghai Shouhu Investment Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	–	100	Capital injection
Shanghai Shouyang Investment Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	–	100	Capital injection

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6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(a) Information of significant subsidiaries *(Continued)*

Name	Type of legal entity	Place of main operation	Place of registration	Nature of business	Interests held		Mode of acquisition
					Direct (%)	Indirect (%)	
Hangzhou Capital Outlets Real Estate Co., Ltd.	Limited liability company	Hangzhou	Hangzhou	Property development, operation and management	-	72.9	Capital injection
Jiangxi Capital Outlets Real Estate Co., Ltd.	Limited liability company	Nanchang	Nanchang	Property development, operation and management	-	72.9	Capital injection
Wuhan Capital Outlets Business Management Co., Ltd.	Limited liability company	Wuhan	Wuhan	Property development, operation and management	-	72.2	Capital injection
Xi'an Shouju Commercial Development and Management Co., Ltd.	Limited liability company	Xi'an	Xi'an	Property development, operation and management	-	72.9	Capital injection
Zhengzhou Juxin Outlets Industrial Co., Ltd.	Limited liability company	Zhengzhou	Zhengzhou	Property development, operation and management	-	72.9	Capital injection
Beijing Yongyuanxing Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	-	100	Capital injection
Shanghai Yujing Real Estate Development Co., Ltd. ("Shanghai Yujing")	Limited liability company	Shanghai	Shanghai	Property development and sales	-	51	Capital injection
Shanghai Xuanxi Real Estate Development Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	-	51	Capital injection
Beijing Youda Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development	-	70	Capital injection
Shanghai Shoujing Investment Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	-	100	Capital injection
Jinan Shouju Real Estate Co., Ltd.	Limited liability company	Jinan	Jinan	Property development, operation and management	-	72.9	Capital injection
Hefei Chuangju Outlets Commercial Management Co., Ltd.	Limited liability company	Hefei	Hefei	Property development, operation and management	-	72.9	Capital injection
Chongqing Shouju Outlets Real Estate Co., Ltd.	Limited liability company	Chongqing	Chongqing	Property development, operation and management	-	72.9	Capital injection
Shanghai Lingyu Real Estate Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	-	100	Capital injection
Kunming Capital Outlets Commercial Management Co., Ltd.	Limited liability company	Kunming	Kunming	Property development, operation and management	-	62.0	Capital injection
Shanghai Shoudian Real Estate Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	-	100	Capital injection
Shenzhen Shoulong Real Estate Development Co., Ltd.	Limited liability company	Shenzhen	Shenzhen	Property development and sales	-	100	Capital injection
Tianjin Xingtai Jichang Real Estate Co., Ltd.	Limited liability company	Tianjin	Tianjin	Property development and sales	-	100	Capital injection
Beijing Tailongxiang Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	-	100	Capital injection
TJ-Metro MTR	Limited liability company	Tianjin	Tianjin	Property development and sales	-	100	Capital injection
Hangzhou Linchuang Real Estate Co., Ltd.	Limited liability company	Hangzhou	Hangzhou	Property development and sales	-	100	Capital injection
Chongqing Shouhao Real Estate Co., Ltd.	Limited liability company	Chongqing	Chongqing	Property development and sales	-	100	Capital injection
Qingdao Grand Outlets Commercial Management Co., Ltd.	Limited liability company	Qingdao	Qingdao	Property development, operation and management	-	72.9	Capital injection
Trade Horizon	Limited liability company	Hong Kong	B.V.I	Investment management	-	72.9	Capital injection

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(a) Information of significant subsidiaries *(Continued)*

Name	Type of legal entity	Place of main operation	Place of registration	Nature of business	Interests held		Mode of acquisition
					Direct (%)	Indirect (%)	
Shanghai Shouyue Real Estate Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	–	100	Capital injection
Shanghai Shoudi Real Estate Co., Ltd.	Limited liability company	Shanghai	Shanghai	Property development and sales	–	100	Capital injection
Zhejiang Hualong Real Estate Development Co., Ltd.	Limited liability company	Huzhou	Huzhou	Property development and sales	–	100	Capital injection
Capital Outlets (Kunshan) Real Estate Development Co., Ltd.	Limited liability company	Kunshan	Kunshan	Property development and sales	–	100	Capital injection
Beijing Chuangrui Xiang'an Real Estate Co., Ltd.	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Kunshan Capital Xinkai Real Estate Co., Ltd.	Limited liability company	Kunshan	Kunshan	Property development and sales	–	100	Capital injection
Shoujin Capital Management (Tianjin) Co., Ltd. ("Shoujin Capital")	Limited liability company	Tianjin	Tianjin	Investment management	100	–	Capital injection
Qingdao Canghai Weiye Real Estate Development Co. Ltd.	Limited liability company	Qingdao	Qingdao	Property development and sales	–	100	Capital injection
Chengdu Capital Huafu Real Estate Co., Ltd.	Limited liability company	Chengdu	Chengdu	Property development and sales	–	100	Capital injection
Nanning Grand Outlets Real Estate Co., Ltd.	Limited liability company	Nanning	Nanning	Property development, operation and management	–	72.9	Capital injection
Foshan Shoulang Real Estate Development Co. Ltd.	Limited liability company	Foshan	Foshan	Property development and sales	–	100	Capital injection
Zhangjiakou Ruiyuan Real Estate Development Co. Ltd.	Limited liability company	Zhangjiakou	Zhangjiakou	Property development	–	92	Capital injection
Capital Jiaming New Town Investment and Development Co., Ltd.	Limited liability company	Beijing	Beijing	Project investment and property development	–	70	Capital injection
Kunming Shouzhi Xinye	Limited liability company	Kunming	Kunming	Property development and sales	–	100	Capital injection
Foshan Shourui	Limited liability company	Foshan	Foshan	Property development and sales	–	100	Capital injection
Capital Xindu	Limited liability company	Beijing	Beijing	Property development and sales	–	100	Capital injection
Dongguan Shouwang	Limited liability company	Dongguan	Dongguan	Property development and sales	–	100	Capital injection
Shenyang Longjing	Limited liability company	Shenyang	Shenyang	Property development and sales	–	100	Capital injection
Xiamen Shouzhi Xiangfa	Limited liability company	Xiamen	Xiamen	Property development and sales	–	65	Capital injection
Chengdu Huachuang	Limited liability company	Chengdu	Chengdu	Property development and sales	–	100	Capital injection
Xiamen Shoujing Zhiye	Limited liability company	Xiamen	Xiamen	Property development and sales	–	100	Capital injection
Tianjin ruiji	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Kunming Kunlun Shouzhi	Limited liability company	Kunming	Kunming	Property development and sales	–	100	Capital injection
Xingtai Jiming	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Kunshan guangsheng	Limited liability company	Kunshan	Kunshan	Property development and sales	–	100	Equity transfer
Tianjin tianke	Limited liability company	Tianjin	Tianjin	Property development and sales	–	100	Capital injection
Beijing Tongchuang Jinlong Real Estate Co., Ltd. ("Tongchuang Jinlong") (ii)	Limited liability company	Beijing	Beijing	Property development and sales	–	25	Capital injection
Tianjin Xingtai Jucheng Real Estate Co., Ltd. ("Xingtai Jucheng") (iii)	Limited liability company	Tianjin	Tianjin	Property development and sales	–	20	Capital injection

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(a) Information of significant subsidiaries *(Continued)*

- (i) In 2019, Liujin Zhiye received RMB1,000,000,000 through equity capital increase. The Group holds 65.88% of equity interests in Liujin Zhiye after equity capital increase and still has control over Liujin Zhiye, therefore it is still recognized as a subsidiary.
- (ii) The Group holds 25% equity in Tongchuang Jinlong and 57% voting rights in the board of directors. According to the articles of association, the decisions of relevant operation activities of Tongchuang Jinlong shall be effected by the voting of more than one half of the directors of the board of directors. The Group has control over Tongchuang Jinlong, therefore it is recognized as a subsidiary.
- (iii) The Group held 20% equity in Xingtai Jucheng and 56% voting rights in the board of directors. According to the articles of association, the decisions of relevant operation activities of Xingtai Jucheng shall be effected by the voting of more than one half of the directors of the board of directors. The Group has control over Xingtai Jucheng, therefore it is recognized as a subsidiary.

(b) Subsidiaries with significant non-controlling interests

(b1) Non-controlling interests from common equity interests

Name	Equity interests portion held by non-controlling interests (%)	Profit/(Loss) attributable to non-controlling interests in 2019	Dividends distributed to non-controlling interests in 2019	Non-controlling interests as at 31 December 2019
Xingtai Jucheng	80	324,538	–	962,698
Shanghai Yujing	49	(4,176)	–	959,507
Kunming Kunlun Shouzhi	50.15	(315)	–	601,485
Xiamen Shouzhi Xiangfa	35	(357)	–	294,693
Tongchuang Jinlong	75	(10,820)	–	286,390
Jingjin Tongcheng	10	63,705	63,600	125,267
Total		372,575	63,600	3,230,040

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6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(b) Subsidiaries with significant non-controlling interests *(Continued)*(b1) Non-controlling interests from common equity interests *(Continued)*

The financial information of partly-owned subsidiaries above are as follows:

	Financial information as at 31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xingtai Jucheng	1,786,337	30	1,786,367	582,995	–	582,995
Shanghai Yujing	5,823,164	14,085	5,837,249	3,229,071	650,000	3,879,071
Kunming Kunlun Shouzhi	1,369,071	362	1,369,433	170,060	–	170,060
Xiamen Shouzhi Xiangfa	1,057,320	340	1,057,660	15,681	200,000	215,681
Tongchuang Jinlong	762,368	4,858	767,226	385,372	–	385,372
Jingjin Tongcheng	4,938,489	538	4,939,027	3,686,361	–	3,686,361

	Financial information as at 31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xingtai Jucheng	3,045,035	50	3,045,085	2,247,386	–	2,247,386
Shanghai Yujing	6,392,424	11,203	6,403,627	2,605,926	1,831,000	4,436,926
Kunming Kunlun Shouzhi	NA	NA	NA	NA	NA	NA
Xiamen Shouzhi Xiangfa	NA	NA	NA	NA	NA	NA
Tongchuang Jinlong	856,439	71	856,510	454,865	5,364	460,229
Jingjin Tongcheng	4,110,743	8,405	4,119,148	2,911,611	–	2,911,611

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b1) Non-controlling interests from common equity interests (Continued)

	Financial information for 2019			Cash flows from operating activities
	Revenue	Net profit/(loss)	Total comprehensive income/(loss)	
Xingtai Jucheng	1,777,921	405,673	405,673	(335,839)
Shanghai Yujing	–	(8,523)	(8,523)	1,661,097
Kunming Kunlun Shouzhi	–	(628)	(628)	(1,230,248)
Xiamen Shouzhi Xiangfa	–	(1,021)	(1,021)	(1,003,414)
Tongchuang Jinlong	14,270	(14,427)	(14,427)	(149,506)
Jingjin Tongcheng	1,331,797	637,052	637,052	3,568

	Financial information for 2018			Cash flows from operating activities
	Revenue	Net profit/(loss)	Total comprehensive income/(loss)	
Xingtai Jucheng	746,869	163,761	163,761	539,467
Shanghai Yujing	–	(18,601)	(18,601)	(297,189)
Kunming Kunlun Shouzhi	NA	NA	NA	NA
Xiamen Shouzhi Xiangfa	NA	NA	NA	NA
Tongchuang Jinlong	239,999	44,699	44,699	(151,685)
Jingjin Tongcheng	875,983	469,417	469,417	(1,071,363)

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(1) Equity interests in subsidiaries *(Continued)*(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b2) Equity instruments issued by subsidiaries of the Group

	Profit attributed to non- controlling interests in 2019	Dividends distributed to non- controlling interests in 2019	Non- controlling interests as at 31 December 2019
Senior perpetual securities issued by subsidiaries (i)	232,758	232,758	3,470,846
Perpetual convertible bond securities issued by subsidiaries (ii)	96	—	945,478
Total	232,854	232,758	4,416,324

- (i) In November 2019, Central Plaza issued Senior Perpetual Securities amounted to USD500,000,000, equivalent to RMB3,503,200,000, at a distribution rate of 5.75% per annum under the Medium Term Note and Perpetual Securities Program. After deducting relevant issuing costs, the Group received RMB3,470,846,000. As the issuer, Central Plaza may defer distribution without any frequency limitations only if Central Plaza or the Company do not declare or pay dividends. The Group has no contractual obligation to repay its principal or to pay any distribution. The perpetual securities do not meet the definition of financial liabilities by the Group. The Group recognized non-controlling interests amounted to RMB3,470,846,000. Subsequent distribution declared will be treated as profit distribution to non-controlling interests.

In November 2014, Central Plaza issued Senior Perpetual Securities amounted to USD450,000,000, equivalent to RMB2,759,625,000, at a distribution rate of 7.125% per annum under the Medium Term Note and Perpetual Securities Program. After deducting relevant issuance costs, the Group received RMB2,728,222,000. As the issuer, Central Plaza may defer distribution without any frequency limitations only if Central Plaza or the Company do not declare or pay dividends. The Group has no contractual obligation to repay its principal or to pay any distribution. The perpetual securities do not meet the definition of financial liabilities by the Group. The Group recognized non-controlling interests amounted to RMB2,628,899,000 after deducting the inevitable dividend payable in the foreseeable future. Subsequent distribution declared will be treated as profit distribution to non-controlling interests. In November 2019, Central Plaza repaid the senior perpetual securities and deducted capital reserve amounted to RMB535,165,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(1) Equity interests in subsidiaries *(Continued)*

(b) Subsidiaries with significant non-controlling interests *(Continued)*

(b2) Equity instruments issued by subsidiaries of the Group (Continued)

- (ii) In November 2016, Capital Grand entered into a subscription agreement with Sino-Ocean Group Holding Limited (hereinafter "Sino-Ocean") and KKR CG Judo Outlets (hereinafter "KKR") to issue 95,192,308 ordinary shares to Sino-Ocean and KKR respectively. Meanwhile, Capital Grand issued perpetual convertible bonds securities (the "PCBS") in the principal amounts of HKD657,594,260 to Sino-Ocean and in the principal amounts of HKD420,096,153 to KKR.

The Group has no contractual obligation to repay the principal or pay any assigned interests, and the instrument will or may not be settled in a variable number of equity instruments. Therefore, the PCBS does not comply with the definition of financial liabilities. The principal deducted by issuance cost amounted to RMB945,197,000 was recognized as non-controlling interests in the consolidated financial statements. Subsequent distribution declared will be treated as profit distribution to non-controlling interests.

In 2019, profit attributed to non-controlling interests amounted to RMB96,000 (2018: RMB93,000) °

(2) Equity interests in joint ventures and associates

(a) Basic information of significant Joint ventures and Associates

	Place of main operation	Place of registration	Nature of business	Strategic to the Group's operation	Interests held Direct (%)	Indirect (%)
Joint ventures –						
Shangbodi	Beijing	Beijing	Construction engineering survey and design and investment consultation	Yes	51	–
Dacheng Guangyuan	Beijing	Beijing	Property development and sales	No	–	12.5
Tianjin Lianjin	Tianjin	Tianjin	Property development and sales	Yes	–	25
Associates –						
Tianjin Xinqing	Tianjin	Tianjin	Property development and sales	No	–	40
Zhongguancun Integrated Circus Garden	Beijing	Beijing	Property development and sales	Yes	–	50

Investments in above equity are accounted for using the equity method.

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6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*

(b) Key financial information of significant joint ventures

	Shangbodi		Dacheng Guangyuan		Tianjin Lianjin	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current assets	248,587	205,961	3,672,175	3,105,798	1,599,575	4,879,953
Including: cash and cash equivalent	54,228	22,220	645,064	543,514	541,259	1,145,192
Non-current assets	472,706	485,062	903	928	800,240	800,305
Total assets	721,293	691,023	3,673,078	3,106,726	2,399,815	5,680,258
Current liabilities	43,597	35,859	2,693,007	1,958,598	1,375,161	5,425,986
Non-current liabilities	262,000	264,263	–	387,500	–	180,000
Total liabilities	305,597	300,122	2,693,007	2,346,098	1,375,161	5,605,986
Total equity	415,696	390,901	980,071	760,628	1,024,654	74,272
Net assets calculated by the percentage of shares holding	212,005	199,360	122,509	95,079	256,163	18,568
– Unrealized profit from intra-group transaction	–	–	–	–	–	–
Book value of investment in joint ventures	212,005	199,360	122,509	95,079	256,163	18,568
Market value of joint ventures (Public)	NA	NA	NA	NA	NA	NA

	Shangbodi		Dacheng Guangyuan		Tianjin Lianjin	
	2019	2018	2019	2018	2019	2018
Revenue	90,817	94,645	1,587,547	2,981,387	5,667,499	–
Interest (expenses)/income	(13,475)	(15,300)	6,716	16,868	8,844	11,218
Income tax expenses	(8,259)	(7,213)	(73,148)	(257,297)	(316,794)	–
Net profit/(loss)	24,795	21,623	219,443	752,324	950,382	(23,303)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income/(loss)	24,795	21,623	219,443	752,324	950,382	(23,303)
Dividends from joint ventures	–	–	–	–	–	–

The Group, based on the amount assigned to the Company in the consolidated financial statements of joint ventures, calculates asset proportion by its shareholding.

The amount in the consolidated financial statements of joint ventures has taken the influence of the fair value of identifiable asset and liability of the investee joint venture into consideration and the unified accounting policies.

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*

(2) Equity interests in joint ventures and associates *(Continued)*

(c) Key financial information of significant associates

	Zhongguancun Integrated Circus Garden		Tianjin Xinqing	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current assets	1,546,680	2,153,727	866,502	845,298
Including: cash and cash equivalent	205,376	539,318	2,082	1,923
Non-current assets	2,419,096	1,935,361	181	243
Total assets	3,965,776	4,089,088	866,683	845,541
Current liabilities	585,351	999,749	664,996	182,251
Non-current liabilities	2,392,819	2,282,897	–	–
Total liabilities	2,978,170	3,282,646	664,996	182,251
Total equity	987,606	806,442	201,687	663,290
Net assets calculated by the percentage of shares holding	493,803	403,221	80,675	265,316
– Unrealized profit from intra-group transaction	(18,963)	–	(899)	(872)
Book value of investment in joint ventures	474,840	403,221	79,776	264,444
Market value of joint ventures (Public)	NA	NA	NA	NA

	Zhongguancun Integrated Circus Garden		Tianjin Xinqing	
	2019	2018	2019	2018
Revenue	431,042	1,233,767	–	553
Interest (expenses)/income	(133,489)	(68,685)	(16,563)	12
Income tax expenses	(84,762)	(35,422)	–	265
Net profit/(loss)	254,164	106,008	(16,604)	(795)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	254,164	106,008	(16,604)	(795)
Dividends from associates	36,500	–	–	–

The Group, based on the amount assigned to the Company in the consolidated financial statements of associates, calculates asset share in proportion to the number of shares owned.

The amount in the consolidated financial statements of associates has taken the influence of the fair value of identifiable net asset and liability of the investee associates into consideration and the unified accounting policies.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

6. EQUITY INTERESTS IN OTHER ENTITIES *(Continued)*(2) Equity interests in joint ventures and associates *(Continued)*

(d) Summary information of insignificant joint ventures and associates

	2019	2018
Joint ventures:		
Total book value of investment	3,332,475	2,661,542
Subtotals by the percentage of shareholding		
Net (loss)/profit	(5,816)	359,672
Other comprehensive income	—	—
Total comprehensive (loss)/income	(5,816)	359,672
Associates:		
Total book value of investment	1,222,599	1,466,159
Subtotals by the percentage of shareholding		
Net (loss)/profit	(36,864)	2,180
Other comprehensive income	—	—
Total comprehensive (loss)/income	(36,864)	2,180

The calculation of net profit and other comprehensive income has taken the market value of recognized assets and liabilities at acquisition date and its accounting policy adjustments into consideration.

(e) The excess deficit related to joint ventures and associates

	The accumulated unrecognized loss at the beginning of the year	The accumulated unrecognized loss of the year	The accumulated unrecognized loss at the end of the year
Joint ventures	6,180	4,793	10,973
Associates	—	11,016	11,016
Total	6,180	15,809	21,989

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

7 INTERESTS OF NON-CONSOLIDATED SPECIAL PURPOSE VEHICLE

In June 2016, the Company entered into the equity trusteeship agreements (hereinafter "Trusteeship Agreement") with the shareholders of Huludao Chuangrong Investment Co., Ltd. (hereinafter "Huludao Chuangrong"), Huludao Capital Investment Development Co., Ltd. (hereinafter "Huludao Investment"), Huludao Capital Industrial Development Co., Ltd. (hereinafter "Huludao Industrial") and Huludao Capital Longwan Development Co., Ltd. (hereinafter "Longwan Development") (collectively "Trusteeship Companies"). The Company shall exercise the shareholder rights by trusteeship (except for the right to profit, residual properties distribution and disposition), including but not limited to the right to attending shareholders' meeting, voting, nomination, recommendation, supervision, proposal and questioning etc. The Company shall perform supervision, propose suggestions for the trusteeship companies and appoints individuals for directors, supervisors and senior management on behalf of the trusteeship companies' shareholders. According to the Trusteeship Agreement, the trusteeship expenses are calculated as 0.2% of the sales revenue of trusteeship companies within maximum of RMB900,000 and minimum of RMB500,000.

As at 31 December 2019, the Group has no equity interests in the above trusteeship companies and treated Huludao Chuangrong, Huludao Investment, Huludao Industrial and Longwan Development as interests of non-consolidated special purpose vehicle. These trusteeship companies are principally engaged in the real estate development, and the revenue are mainly from the real estate project. As at 31 December 2019, the Group has not transferred assets to the trusteeship companies, and has no obligation or intention to provide financial support to these trusteeship companies.

Other non-consolidated special purpose vehicles, including Zhuhai Hengqin Chengdu Weihua Fund and Zhuhai Hengqin Ruiyuan Jialing Fund, are disclosed in note 4(11).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

8 SEGMENT INFORMATION

The segment of the Group is a business unit that provides different products or services and operates in different regions. Since various businesses or regions require different market strategies, the Group independently manages the production and operation activities of each reporting segment, evaluates its operating results separately, and decides to allocate resources to it and evaluate its performance.

For the year of 2019 and as of 31 December 2019, the Group has total eight reporting segments, which are:

- Beijing segment, responsible for properties development, sales and related business in Beijing.
- Huadong segment, responsible for properties development, sales and related business in East China.
- Tianjin segment, responsible for properties development, sales and related business in Tianjin area.
- Chengyu segment, responsible for properties development, sales and related business in Chengdu and Chongqing area.
- Other segments, responsible for properties development, sales and related businesses in other regions, mainly including the Group's real estate development and sales and related businesses in Shenyang, Xi'an and Hainan.
- Outlets business segment, responsible for the development and operation of the first outlet complex in each region.
- Other investment real estate segments, responsible for non-first Outlet investment real estate development and operation.
- The primary land development segment (including shantytown reconstruction) is responsible for the primary land development and shantytown reconstruction business in the Beijing, Tianjin and Hebei region.

In 2018 and 31 December 2018, the Group had eight reporting segments, namely Beijing, Shanghai, Tianjin, Chengyu, other segments, outlet business segments, Other investment real estate segments and primary land development segments (including shantytown reconstruction). With the gradual expansion of the business scope of real estate sales in East China, such as Jiangsu and Zhejiang, the Group unified the business of the Shanghai segment and the Jiangsu, Zhejiang and other companies that were originally included in other segments by the newly established Huadong segment. The segment information for 2018 and 31 December 2018 are restated accordingly.

Inter-segment transfer prices are determined by reference to the prices used for sales to third parties.

Assets are allocated based on the operation of the segment and the location of the assets, and liabilities are allocated based on the operation of the segment. The expenses attributable to each segment are borne by each segment directly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION *(Continued)*

(1) Segment information in 2019 and as at 31 December 2019 are as follows:

	Property development, sales and related business					Investment properties					Total
	Beijing	Huadong	Tianjin	Chengyu	Others	Outlets	Others	Primary land development	Unallocated Intersegments	Intersegments elimination	
Revenue from external customers	6,430,906	3,068,746	3,245,447	1,098,060	2,350,622	653,266	116,228	3,513,542	309,438	-	20,786,255
Inter-segment revenue	-	-	-	229	444,910	1,402	16,356	244,058	-	(706,955)	-
Recognized at a point in time	6,430,906	3,068,746	3,245,447	1,094,931	2,345,303	-	-	1,059,412	189,058	-	17,433,803
Recognized over time	-	-	-	3,129	5,319	-	-	2,454,130	-	-	2,462,578
Cost of sales from main operations	(4,402,852)	(2,198,679)	(1,951,794)	(630,110)	(1,459,905)	(77,210)	(8,757)	(2,601,021)	9,616	-	(13,320,712)
Interest income	20,004	181,284	15,474	3,095	8,818	2,966	1,596	1,441	90,947	-	325,625
Interest expenses	(322,720)	(191,132)	(32,485)	(119,460)	(4,508)	(260,687)	(36,548)	(286,662)	(2,450,676)	480,413	(3,224,465)
Share of profit/(loss) of associates and joint ventures	156,408	17,236	222,739	(104)	(309)	-	-	-	(40,540)	-	355,430
Provisions from asset impairment loss	-	-	-	-	(10,086)	-	-	-	-	-	(10,086)
Depreciation and amortization	(12,130)	(426)	(1,134)	(85)	(1,025)	(108,109)	-	(85)	(27,025)	-	(150,019)
Total profit/(loss)	663,905	429,904	980,682	208,941	384,122	(59,311)	(35,336)	747,450	249,867	-	3,570,224
Income taxes expense	(128,929)	(114,889)	(194,286)	(60,829)	(233,287)	5,815	(5,242)	(198,888)	(70,827)	-	(1,001,362)
Net profit/(loss)	534,976	315,015	786,396	148,112	150,835	(53,496)	(40,578)	548,562	179,040	-	2,568,862
Total assets	63,910,828	43,256,029	23,600,170	12,371,951	30,259,573	11,671,314	3,011,810	21,578,869	104,102,524	(128,493,750)	185,269,318
Total liabilities	(59,857,275)	(43,836,713)	(20,290,720)	(10,070,738)	(23,305,402)	(5,466,777)	(1,808,847)	(16,588,537)	(94,490,214)	132,487,011	(143,228,212)
Long-term equity investments on associates and joint ventures	640,356	729,035	1,026,772	-	56,778	1	-	-	3,247,425	-	5,700,367
Increase/(Decrease) in non-current assets (i)	20,444	350	(992)	(64)	900	1,780,228	58,967	145	145,216	-	2,005,194

(i) Non-current assets exclude financial assets, long-term equity investments and deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION (Continued)

(2) Segment information in 2018 and as at 31 December 2018 are as follows (restated):

	Property development, sales and related business					Investment properties		Primary land development	Unallocated Intersegments	Intersegments elimination	Total
	Beijing	Huadong	Tianjin	Chengyu	Others	Outlets	Others				
Revenue from external customers	11,794,230	1,919,175	1,783,517	1,217,120	3,073,531	402,908	115,141	2,902,844	48,587	-	23,257,053
Inter-segment revenue	-	-	-	8,767	297,279	598	14,670	-	5,551	(326,865)	-
Recognized at a point in time	11,794,230	1,919,175	1,783,517	1,209,819	2,972,475	-	-	862,783	13,858	-	20,555,857
Recognized over time	-	-	-	7,301	101,056	-	-	2,040,061	14,528	-	2,162,946
Cost of sales from main operations	(9,136,106)	(1,050,739)	(1,134,290)	(963,643)	(2,091,945)	(45,115)	(10,315)	(2,080,835)	-	-	(16,512,988)
Interest income	22,146	4,340	33,621	1,233	15,074	4,804	12,685	168	191,659	-	285,730
Interest expenses	(415,252)	(9,694)	(37,193)	(181)	(155,597)	(140,834)	(117,946)	(154,842)	(1,732,565)	193,219	(2,570,885)
Share of profit/(loss) of associates and joint ventures	240,904	264,903	(12,227)	-	(1,042)	(1,494)	-	-	22,736	-	513,780
Provisions from credit impairment loss	-	-	-	-	(43,219)	-	-	-	(98,000)	-	(141,219)
Depreciation and amortization	(2,575)	(157)	(1,173)	(144)	(757)	(35,880)	(2,653)	(176)	(1,173)	-	(44,688)
Total profit/(loss)	1,346,883	852,011	326,936	141,196	440,423	(241,393)	260,585	768,904	(735,582)	-	3,159,963
Income taxes expense	(341,336)	(160,542)	(74,794)	(47,491)	(126,266)	17,780	(99,291)	(212,741)	301,807	-	(742,874)
Net profit/(loss)	1,005,547	691,469	252,142	93,705	314,157	(223,613)	161,294	556,163	(433,775)	-	2,417,089
Total assets	26,959,039	26,171,751	17,966,193	7,482,478	13,837,559	13,720,476	10,793,139	13,208,115	51,140,146	(11,562,073)	169,716,823
Total liabilities	(26,165,961)	(20,718,237)	(13,623,027)	(4,140,941)	(10,300,075)	(6,687,277)	(3,291,818)	(8,926,320)	(53,740,602)	16,078,117	(131,516,141)
Long-term equity investments on associates and joint ventures	597,611	1,281,355	543,567	-	254,717	30,172	-	-	2,400,951	-	5,108,373
Increase in non-current assets (i)	3,860	781	325	-	664	3,073,755	732,607	462	361,437	-	4,173,891

(i) Non-current assets exclude financial assets, long-term equity investments and deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

8. SEGMENT INFORMATION *(Continued)*

The revenue gained in Mainland China and overseas transaction and total non-current assets apart from financial assets, long-term equity investments and deferred income tax assets were disclosed as below:

Revenue from external customers	2019	2018
China	20,780,793	23,247,585
France	5,462	9,468
Total	20,786,255	23,257,053

Total non-current assets	31 December 2019	31 December 2018
China	18,303,618	21,604,672
France	182,476	181,379
Total	18,486,094	21,786,051

Most business of the Company and the subsidiaries are operated in mainland China. In 2019, the Group has revenue of RMB5,462,000 (2018: RMB9,468,000) generated from overseas transaction.

In 2019, the revenue generated from a client in the primary land development amounted to RMB1,087,739,000. Accounted for 5.2% revenue of the Group (2018: RMB829,934,000. Accounted for 3.6% revenue of the Group).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) The general information of the parent company

	Place of registration	Nature of business
Capital Group	Beijing, the PRC	Infrastructure, financial securities, industrial technology, commercial trade and tourist hotel, etc.

The Company's ultimate controlling party is Capital Group, incorporated in Beijing.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2018	Increase	Decrease	31 December 2019
Capital Group	3,300,000	—	—	3,300,000

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	31 December 2019		31 December 2019	
	Interest held (%)	Voting held (%)	Interest held (%)	Voting held (%)
Capital Group	54.47	54.47	54.47	54.47

(2) Subsidiaries

The general information and other related information of the subsidiaries are set out in note 6(1).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(3) Joint ventures and associates

The general information of joint ventures and associates are set out in note 6(2).

Except for the significant joint ventures and associates set out in note 6(2), the rest of information of other joint ventures and associates engaged in related party transactions with the Group is listed as follows:

	Relationship with the Group
Shouwan Yuye	Joint Venture
Tianjin Yongyuan Real Estate Co., Ltd. ("Tianjin Yongyuan")	Joint Venture
Tianjin Ruitai Real Estate Co., Ltd. ("Tianjin Ruitai")	Joint Venture
Chuangyuan Yicheng	Joint Venture
Yuanchuang Xingmao	Joint Venture
Yuanchuang Xingcheng	Joint Venture
Tianjin Hefa	Joint Venture
Tianjin Ruibin	Joint Venture
Tianjin Ruihe Real Estate Co., Ltd. ("Tianjin Ruihe")	Joint Venture
Beijing Zhicheng Xinda Property Management Co., Ltd. ("Zhicheng Xinda")	Joint Venture
Shanghai Henggu	Joint Venture
Shanghai Songming	Joint Venture
Jinlong Yonghui	Joint Venture
Tianjin Lianzhan	Joint Venture
Beijing Yuechuang	Joint Venture
Xiamen Rongdi	Joint Venture
Guangzhou Bizeng	Joint Venture
Ningbo Yixing Enterprise Management Co., Ltd. ("Ningbo Yixing")	Joint Venture
Golden Net	Associate
Nanchang Huachuang	Associate
Zhuhai Hengqin Ruiyuan Jialing Fund	Associate
Tianjin Xinming	Associate
Tengtai Yiyuan	Associate
Hangzhou Zhenmei Investment Co., Ltd. ("Hangzhou Zhenmei")	Associate
Beijing Yuanchuang Chunhe Pension Service Co., Ltd. ("Yunachuang Chunhe")	Associate
Chongqing Haohua Real Estate Co., Ltd. ("Chongqing Haohua")	Associate
Ruicheng Yongchuang	Associate
Guangzhou Runyu	Associate
Shoujin Yuanchuang	Associate
Kaiyuan Hean	Associate

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(4) Other related parties**

	Relationship with the Group
Reco Ziyang Pte Ltd ("Reco Ziyang")	Significant non-controlling interests of subsidiaries
Shanghai Poly Jianjin Real Estate Co., Ltd. ("Poly Jianjin")	Significant non-controlling interests of subsidiaries
Kunming Wuhua District Industry Development Co., Ltd. ("Kunming Wuhua")	Significant non-controlling interests of subsidiaries
Suzhou Hongchang Real Estate Co., Ltd. ("Suzhou Hongchang")	Joint venture of a former subsidiary
Capital Qinglv	Former joint venture of the Company
Sunshine City Commercial	Former associate of the Company
Beijing Financial Street International Hotel Co., Ltd. ("Financial Street Hotel")	Former associate of the Company
Shouhui Real Estate	Significant subsidiary of associate of the Company
Chengdu Jinhui	Significant subsidiary of joint venture of the Company
Shanghai Liangyue Industrial Co., Ltd. ("Shanghai Liangyue")	Significant subsidiary of joint venture of the Company
Tianjin Ruixiang Real Estate Co., Ltd. ("Tianjin Ruixiang")	Significant subsidiary of joint venture of the Company
Hangzhou Rongxiang Real Estate Co., Ltd. ("Hangzhou Rongxiang")	Significant subsidiary of joint venture of the Company
Ningbo Yuelong Real Estate Development Co., Ltd. ("Ningbo Yuelong")	Significant subsidiary of joint venture of the Company
Beijing First One Capital Management Ltd. ("First One Capital")	Significant subsidiary of joint venture of the Company
Chongqing Huayu Shengrui Real Estate Development Co., Ltd. ("Chongqing Huayu Shengrui")	Significant subsidiary of joint venture of the Company
Beijing Capital Investment	Controlled by the same ultimate controller
Beijing XCapital Construction Investment Fund (Limited Partnership) ("XCapital Fund")	Controlled by the same ultimate controller
Capital Securities Co., Ltd. ("Capital Securities")	Controlled by the same ultimate controller
Beijing Chuangzhi Xinrong Investment Center (Limited Partnership) ("Chuangzhi Xinrong")	Controlled by the same ultimate controller
Beijing Shouyirong Information Technology Service Co., Ltd. ("Shouyirong")	Controlled by the same ultimate controller
Beijing Capital Asset Management Co., Ltd. ("Capital Asset")	Controlled by the same ultimate controller
Beijing Capital Dahe Investment Co., Ltd. ("Capital Dahe")	Controlled by the same ultimate controller

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(4) Other related parties *(Continued)*

	Relationship with the Group
Reco Yanshan Private Limited ("Reco Yanshan")	Significant non-controlling interests of subsidiaries
Bantex Investments	Significant non-controlling interests of a former subsidiary
Beijing Xinshang Zhiyuan Real Estate Development Co., Ltd. ("Xinshang Zhiyuan")	Significant non-controlling interests of subsidiaries
Hangzhou Weixin Real Estate Development Co., Ltd. ("Hangzhou Weixin")	Significant non-controlling interests of subsidiaries
Tianjin Xuwei Real Estate Development Co., Ltd. ("Tianjin Xuwei")	Significant non-controlling interests of subsidiaries
Beijing Yongtongchang Real Estate Development Co., Ltd. ("Yongtongchang")	Significant non-controlling interests of subsidiaries
Jindi Xingye Real Estate Co., Ltd. ("Jindi Xingye")	Significant non-controlling interests of subsidiaries
Beijing Longhu Zhongbai Real Estate Co., Ltd ("Longhu Zhongbai")	Significant non-controlling interests of subsidiaries
Zhejiang Rongshengda Holdings Limited ("Rongshengda")	Significant non-controlling interests of subsidiaries
Beijing Jiayuan Hongye Investment Management Co., Ltd. ("Jiayuan Hongye")	Significant non-controlling interests of subsidiaries

(5) Related party transaction

(a) Pricing policy

The Board of directors considers all transactions with related parties are on normal commercial terms, and prices of related party transactions were agreed by the Group and the related parties.

(b) Purchases of goods and receiving services:

Related party	Related party transactions	2019	2018
Capital Group	Guarantees	40,800	37,500
Capital Group	Keepwell Deed	43,253	35,133
Golden Net	Selling agency	18,467	26,424
Shangbodi	Property leasing	7,592	7,230
Capital Securities	Assets managing service	3,776	5,079
Capital Securities	Securities consignment	3,403	3,300
Sunshine City Commercial	Property leasing	1,360	1,478
Financial Street Hotel	Property leasing	NA	984
Total		118,651	117,128

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(5) Related party transaction *(Continued)*

(c) Sales of goods and providing services:

Related party	Related party transactions	2019	2018
Tianjin Ruihe Capital Group	Merchandise sales	1,087,739	–
	Property leasing and management	28,326	26,115
Shouhui Real Estate	Merchandise sales	14,264	9,969
Shouyirong	Property leasing and management	4,775	4,369
Capital Asset	Property leasing and management	1,788	1,720
XCapital Fund	Property leasing and management	1,842	965
Capital Dahe	Property leasing and management	1,015	1,015
Tianjin Ruitai	Merchandise sales	–	829,934
Others	Merchandise sales	20,193	23,741
Total		1,159,942	897,828

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(5) Related party transaction *(Continued)*

(d) Interest income/(expense) generated from related parties:

	2019	2018
Yuanchuang Xingcheng	142,284	—
Tianjin Hefa	118,694	—
Suzhou Hongchang	90,823	—
Tianjin Yongyuan	69,915	64,953
Beijing Yuechuang	66,000	—
Shanghai Liangyue	55,766	—
Tianjin Lianzhan	52,818	—
Jingu Chuangzhan	43,657	—
Chuangyuan Yicheng	42,311	—
Tianjin Ruixiang	39,931	81,165
Guangzhou Runyu	39,073	—
Zhongguancun Integrated Circuit Garden	35,780	40,899
Hangzhou Rongxiang	32,272	—
Ningbo Yuelong	16,705	—
Yuanchuang Xingmao	16,064	—
Tianjin Ruihe	13,701	—
Capital Qinglv	—	64,678
Tianjin Ruitai	—	20,807
XCcapital Fund	—	(21,378)
Chengdu Jinhui	(16,869)	—
Others	5,570	3,443
Total	864,495	254,567

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(5) Related party transaction *(Continued)*

(e) Leasing

The Group as lessor:

	2019	2018
Donghuan Xinrong	39,385	35,563

The Group's right-of-use assets increased for the current period as a lessee:

	2019	2018
Shangbodi	7,592	–

(f) Guarantee and keepwell deed

	31 December 2019	31 December 2018
Capital Group for the Company (i)	2,500,000	4,500,000
Capital Group for subsidiaries (ii)	–	248,000
Keepwell deed for subsidiaries by Capital Group	10,082,299	9,576,035
Non-controlling interests of subsidiaries for subsidiaries (note 4(26)(b))	1,631,000	1,893,000
The Group for subsidiaries of joint ventures (iii)	1,400,800	750,000
The Group for joint ventures	–	649,500
The Group for associates (iv)	569,292	–

- (i) In 2014, Capital Group provided irrevocable guarantee for the Company's long-term borrowings from PICC Investment Holding Co., Ltd. amounted to RMB2,000,000,000. As at 31 December 2019, the long-term borrowings have been fully repaid.

In 2015, Capital Group provided irrevocable guarantee for the Company's long-term borrowings from Taikang Assets Management Co., Ltd. amounted to RMB2,500,000,000. The guarantee will expire in August 2022.

- (ii) In 2014, Capital Group provided irrevocable guarantee for S.C.'s long-term borrowings from Shenzhen Branch of Ping'an Bank amounted to RMB1,220,000,000. As at 31 December 2019, the long-term borrowings have been fully repaid.

- (iii) As at 31 December 2019, the Group provided unconditional and irrevocable guarantees for the long-term borrowings of RMB747,950,000 borrowed by a subsidiary of a joint venture in March 2018 from AVIC Trust Co., Ltd.(hereinafter "AVIC Trust"). The guarantee will expire in May 2020.

As at 31 December 2019, long-term borrowings of subsidiaries of joint ventures of the Group, amounted to RMB652,850,000 are guaranteed by the Group. The guarantee will expire in 2022.

- (iv) As at 31 December 2019, long-term borrowings of associates amounted to RMB569,292,000 (31 December 2018: Nil) are guaranteed by the Group. The guarantee will expire in December 2029.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transaction (Continued)

(g) Provide/(receive) funding

	2019	2018
First One Capital	944,992	—
Tianjin Ruihe	932,260	—
Zhicheng Xinda	735,000	—
Tianjin Xinqing	542,410	(578,000)
Poly Jianjin	525,946	207,040
Jingu Chuangzhan	454,669	—
Ningbo Yuelong	293,487	—
Hangzhou Rongxiang	245,943	—
Tianjin Yongyuan	218,003	37,364
Ningbo Yixing	165,000	—
Beijing Yuechuang	130,830	—
Yuanchuang Chunhe	120,000	—
Shanghai Shoujia	93,600	(438,000)
Chongqing Haohua	73,000	—
Shoujin Yuanchuang	72,181	—
Kaiyuan Hean	40,135	—
Chongqing Huayu Shengrui	29,700	(200,406)
Nanchang Huachuang	21,430	(13,941)
Tianjin Ruitai	20,734	724,365
Capital Qinglv	14,400	96,889
Xinshang Zhiyuan	—	242,189
Hangzhou Weixin	—	266,408
Tianjin Xuwei	—	242,189
Yongtongchang	—	217,970
Bantex Investments	—	204,000
Financial Street Hotel	—	(66,706)
Ruicheng Yongchuang	(11,100)	—
Gold Net	(14,774)	—
Zhongguancun Integrated Circuit Garden	(37,926)	(201,295)
Dacheng Guangyuan	(45,000)	(25,000)
Tianjin Lianjin	(50,000)	(200,000)
Chuangzhi Xinrong	(54,078)	—
Tengtai Yiyuan	(87,500)	(246,000)
Shanghai Liangyue	(88,000)	13,000
Tianjin Ruibin	(156,500)	47,600
Tianjin Hefa	(160,550)	1,234,506
Guangzhou Bizeng	(164,348)	—
Tianjin Lianzhan	(198,975)	561,750
Guangzhou Runyu	(300,000)	—

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(5) Related party transaction *(Continued)*(g) Provide/(receive) funding *(Continued)*

	2019	2018
Yuanchuang Xingcheng	(714,039)	865,883
Chuangyuan Yicheng	(777,919)	1,789,329
Tianjin Ruixiang	(789,376)	1,367,800
Yuanchuang Xingmao	(1,051,850)	1,175,901
Shouhui Real Estate	(1,509,116)	–
Others	(26,808)	103,038
Total	(564,139)	7,427,873

(h) Disposal of equity interests

Related parties	Related party transactions	Pricing policy and procedure for decision-making	2019	2018
Bantex Investments (Notes 5(2))	Disposal of equity interests	Appraisal of equity interests	3,025,130	–

(i) Key executives compensation

	2019	2018
Remuneration of key executives	43,231	32,490
Others	342	352
Total	43,573	32,842

- (j) In February 2017, the Company entered into an Asset Management Agreement with Capital Securities and the custodian bank. Capital Securities shall provide asset management and investment services in respect of the addition of the Entrusted Assets no more than RMB2,000,000,000 in accordance with the investment policies under the Asset Management Agreement. The Company will pay, on an annual basis and upon the termination of the Asset Management Agreement, the Performance Fee to Capital Securities based on the aggregate amount of the investment return exceeding the annual benchmark return.

(6) Related party balances

Receivables due from related parties:

	31 December 2019 Carrying amount	Provisions for doubtful debts	31 December 2018 Carrying amount	Provisions for doubtful debts
Advanced to suppliers Golden Net	4,936	–	11,474	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balances (Continued)

	31 December 2019		31 December 2018	
	Carrying amount	Provisions for doubtful debts	Carrying amount	Provisions for doubtful debts
Others receivables				
Chuangyuan Yicheng (i)	2,128,433	—	3,384,829	—
Tianjin Yongyuan (i)	1,289,566	—	997,453	—
Kaiyuan Hean	1,180,992	—	1,140,857	—
Tianjin Ruihe (i)	932,260	—	—	—
Kaiyuan Hefa (i)	851,181	—	1,186,056	—
Tianjin Ruitai	765,906	—	745,172	—
Zhicheng Xinda	735,000	—	—	—
Jingu Chuangzhan (i)	501,141	—	—	—
Yuanchuang Xingmao (i)	454,371	—	1,505,721	—
Zhongguancun Integrated				
Circus Garden (i)	440,604	—	440,128	—
Tianjin Ruixiang (i)	435,000	—	1,181,639	—
Guangzhou Bizeng	407,146	—	—	—
Guangzhou Runyu (i)	387,017	—	—	—
Yongtongchang	317,970	—	317,970	—
Ningbo Yuelong	311,259	—	—	—
Shanghai Liangyue (i)	289,112	—	318,000	—
Hangzhou Rongxiang	280,152	—	—	—
Hangzhou Weixin	266,408	—	266,408	—
Tianjin Lianzhan (i)	260,165	—	403,133	—
Xinshang Zhiyuan	242,189	—	242,189	—
Tianjin Xuwei	242,189	—	242,189	—
Tianjin Ruibin	234,796	—	391,296	—
Beijing Yuechuang (i)	200,790	—	—	—
Ningbo Yixing	165,000	—	—	—
Tengtai Yiyuan	158,500	—	246,000	—
Yuanchuang Xingcheng (i)	152,518	—	865,883	—
Chongqing Haohua	143,116	—	—	—
Yuanchuang Chunhe	120,000	—	—	—
Jindi Xingye	100,000	—	100,000	—
Longhu Zhongbai	100,000	—	100,000	—
Reco Yanshan	92,272	—	91,137	—
Shoujin Yuanchuang	72,181	—	—	—
Nanchang Huachuang	69,133	—	47,703	—
Jinlong Yonghui	58,200	—	—	—

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(6) Related party balances *(Continued)*

	31 December 2019		31 December 2018	
	Carrying amount	Provisions for doubtful debts	Carrying amount	Provisions for doubtful debts
Chongqing Huayu Shengrui	57,772	—	28,072	—
Rongshengda	49,760	—	47,626	—
Shouwan Yuye	27,636	—	27,636	—
Shouhui Real Estate	11,920	—	8,880	—
Hangzhou Zhenmei	10,663	—	—	—
Chengdu Jinhui	8,202	—	6,931	—
Shangbodi	1,993	—	10,000	—
Chuangzhi Xinrong	—	—	54,078	—
Capital Qinglv	NA	—	447,216	—
Bantex Investments	NA	—	204,000	—
Others	7,430	—	11,141	—
Total	14,559,943	—	15,059,343	—

- (i) As at 31 December 2019, the amounts were the principal and interests of interest-bearing transactions receivable from joint ventures and associates of the Group. The annual interest rate of the payment ranges from 2% to 10%, and there is no fixed repayment period.

Except for the aforesaid amounts, the rest of the transactions with related parties are non-interest bearing, have no collateral or guarantee, and have no fixed repayment period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Related party balances (Continued)

Payables due to related parties:

		31 December 2019	31 December 2018
Trade Payables	Golden Net	715	40,061
Contract liabilities	Shouhui Real Estate	19,327	9,379
	Chuangyuan Yicheng	2,699	–
	Tianjin Ruitai	380	–
Total		22,406	9,379
Other payables	Shouhui Real Estate	1,500,000	–
	Poly Jianjin	639,237	1,165,183
	Shanghai Shoujia	468,089	1,101,689
	Tianjin Lianjin	250,000	200,000
	Zhuhai Hengqin Ruiyuan		
	Jialing Fund	125,536	125,536
	Kunming Wuhua	118,225	118,225
	Shanghai Henggu	114,800	109,200
	Dacheng Guangyuan	107,500	62,500
	Tianjin Xinming	96,660	99,420
	Shanghai Songming	92,400	89,600
	First One Capital	83,288	1,028,280
	Shouchuang Dahe	76,500	76,500
	Jinlong Yonghui	72,750	65,475
	Reco Ziyang	69,987	69,987
	Xiamen Rongdi	36,000	–
	Tianjin Xinqing	35,590	578,000
	Tianjin Yongyuan	30,010	30,010
	Hangzhou Weixin	27,002	27,002
	Xinshang Zhiyuan	24,547	24,547
	Tianjin Xuwei	24,547	24,547
	Yongtongchang	22,093	22,093
	Gold Net	20,368	84
	Capital Investment	20,000	20,000
	Chuangyuan Yicheng	–	480,000
	Others	3,618	–
Total		4,058,747	5,517,878

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*(6) Related party balances *(Continued)*Payables due to related parties: *(Continued)*

		31 December 2019	31 December 2018
Dividends payable	Reco Ziyang	109,253	109,253
	Jiayuan Hongye	87,500	23,900
Total		196,753	133,153

The other payables due to related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

(7) Remuneration payable to the Board of directors (Note 4(22)):

	31 December 2019	31 December 2018
Remuneration	26,550	26,550

(8) Remuneration and interests to Directors

(a) Remuneration to Directors, Supervisors and CEO

Directors' and supervisors' emoluments for 2019 are as follows:

Name	Allowance	Salary	Bonus (ii)	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Li Songping (i)	-	-	-	-	-	-	-	-
Zhong Beichen	-	1,607	5,150	106	50	38	-	6,951
Li Xiaobin	-	1,518	4,250	106	50	38	-	5,962
Hu Weimin	-	1,651	3,820	106	50	38	-	5,665
Fan Shubin	-	1,409	3,820	106	50	38	-	5,423
Su Jian (i)	-	-	-	-	-	-	-	-
Li Wang	270	-	-	-	-	-	-	270
Huang Yizhong	270	-	-	-	-	-	-	270
Liu Xin	270	-	-	-	-	-	-	270
Deng Wenbin (i)	-	-	-	-	-	-	-	-
Tang Yanan (i)	-	-	-	-	-	-	-	-
Jiang Hebin	-	3,055	-	82	50	38	-	3,225

(i) In 2019, director Li Songping, director Su Jian, supervisor Deng Wenbin and supervisor Tang Yanan did not receive any allowance from the Company.

(ii) The amount of bonus received by senior management according to the functions, responsibilities, performance and other factors of each senior management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(8) Remuneration and interests to Directors *(Continued)*

(a) Remuneration to Directors, Supervisors and CEO *(Continued)*

Directors' and supervisors' emoluments for 2018 are as follows:

Name	Allowance	Salary	Bonus	Others	Basic pension insurance	Housing funds	The long-term incentive fund scheme	Total
Li Songping	181	-	-	-	-	-	-	181
Zhong Beichen (i)	-	1,641	-	96	55	35	880	2,707
Li Xiaobin	-	1,183	-	96	55	35	880	2,249
Hu Weimin (i)	-	1,698	-	96	55	35	880	2,764
Fan Shubin (i)	-	1,383	-	96	55	35	880	2,449
Su Jian	181	-	-	-	-	-	-	181
Li Wang	270	-	-	-	-	-	-	270
Huang Yizhong	270	-	-	-	-	-	-	270
Liu Xin	270	-	-	-	-	-	-	270
Jiang Hebin	-	3,101	-	96	55	35	-	3,287
Tang Jun (ii)	-	1,137	-	45	18	11	-	1,211
Su Zhaohui (ii)	181	-	-	-	-	-	-	181
Sun Shaolin (ii)	181	-	-	-	-	-	-	181
Li Zhang (ii)	54	-	-	-	-	-	-	54
Tang Yanan (iii)	54	-	-	-	-	-	-	54

(i) The director is appointed as at 27 April 2018.

(ii) The supervisor is retired as at 27 April 2018.

(iii) The supervisor is retired as at 27 April 2018 and reappointed as at 26 July 2018.

(b) In 2019, the Company did not pay any termination benefits to directors.

(c) In 2019, the Company did not pay consideration for the third party to gain directors' services.

(d) In 2019, the Company did not provide borrowings, pre-borrowings or other transactions for directors or legal entity controlled by directors.

(e) Directors' significant interests in transaction, arrangement or contract

In 2019, the Company did not sign any significant transactions, arrangements or contracts which are related to the Company's business and directors' direct or indirect interests.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)***(9) The five individuals whose emoluments are the highest**

The five individuals whose emoluments are the highest in the Group for 2019 include 3 directors (2018: none) whose emoluments are disclosed above. The emoluments paid to other 2 individuals (2018: 5) during 2019 are as follows:

	2019	2018
Basic salaries, bonus, basic pension insurance, and other allowances	11,095	28,744

	Number of individuals	
	2019	2018
Emoluments bands:		
RMB4,000,001–7,000,000	2	5

- (10)** The Company had adopted the Long Term Incentive Fund Scheme ("Incentive Scheme") which was approved by the extraordinary general meeting held on 27 September 2009. The Company determine whether the performance of the company had reached the Incentive Scheme standard based on the annual report and audited financial statements approved by annual general meeting. Amended by the extraordinary general meeting held on 24 February 2018, the allocation of the incentive fund should be in accordance with the Incentive Scheme. In 2019, according to the Incentive Scheme, the Company accrued long-term incentive fund scheme amounting to RMB37,000,000 (2018: Nil).

10. CONTINGENCIES

The Group has arranged bank financing for certain customers and has provided guarantees to secure repayments obligations of these customers.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. As at 31 December 2019, outstanding guarantees amounted to RMB6,919,548,000 (31 December 2018: RMB7,284,277,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

11. COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for but not yet necessary to be recognized in the balance sheet by the Group at the balance sheet date are as follows:

	31 December 2019	31 December 2018
Authorized but not contracted	32,077,864	19,126,536
Contracted but not paid	11,806,026	4,113,115
Total	43,883,890	23,239,651

(2) Investment commitments

	31 December 2019	31 December 2018
Investment for acquisition of subsidiaries	304,114	1,324,681
Investment in joint ventures and associates	2,710,730	1,840,000
Total	3,014,844	3,164,681

12. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk (foreign exchange risk, interest rate risk and other price risk). The financial risks and the Group's overall risk management program focusing on the financial risks are summarized as follows:

The board of directors is responsible for planning and establishing the risk management structure of the Group, formulating risk management policies and related guidelines and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyze the risks the Group exposed to. The risk management policies has clearly defined specific risks, covering market risk, credit risk and liquidity risk management, etc. To update the risk management policies and systems, the Group regularly assesses its operating activities and the market environment. The Risk Management Committee carries out the risk management in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and circumvents related risks through close cooperation with other business units of the Group. The internal audit department of the Group conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Group.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK *(Continued)***(1) Market risk****(a) Foreign exchange risk**

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are dominated in RMB. The Group is still subject to foreign exchange risk arising from future commercial transactions, recognized assets and liabilities in foreign currency (most of the Group's foreign currency transactions and balances are dominated in USD, HKD, AUD and Euro("EUR")). Financial department in the Group's headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize potential foreign exchange risk. Therefore the management of the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 31 December 2019 and 31 December 2018, the carrying amounts in equivalent RMB of the Group's assets and liabilities denominated in foreign currencies are summarized as follows:

	31 December 2019				
	USD	HKD	AUD	EUR	Total
Financial assets denominated in foreign currencies –					
Cash at bank and on hand	30,358	1,916	146	–	32,420
Trading financial assets	–	–	3,520,171	–	3,520,171
Other non-current financial assets	–	–	1,066,373	–	1,066,373
Total	30,358	1,916	4,586,690	–	4,618,964
Financial liabilities denominated in foreign currencies –					
Short-term borrowings	–	268,802	–	–	268,802
Current portion of non-current liabilities	146,139	–	–	–	146,139
Debentures payable	9,722,536	–	–	–	9,722,536
Long-term borrowings	–	1,162,375	–	–	1,162,375
Total	9,868,675	1,431,177	–	–	11,299,852

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1) Market risk *(Continued)*

(a) Foreign exchange risk *(Continued)*

	USD	31 December 2018			Total
		HKD	AUD	EUR	
Financial assets denominated in foreign currencies –					
Cash at bank and on hand	30,243	445,385	1,930	5,574	483,132
Trading financial assets	–	–	2,950,405	–	2,950,405
Other non-current financial assets	–	–	1,060,729	–	1,060,729
Total	30,243	445,385	4,013,064	5,574	4,494,266
Financial liabilities denominated in foreign currencies –					
Short-term borrowings	–	438,982	–	–	438,982
Other payables	58,269	438	–	–	58,707
Debentures payable	9,570,210	–	–	–	9,570,210
Long-term borrowings	–	1,141,352	–	–	1,141,352
Total	9,628,479	1,580,772	–	–	11,209,251

As at 31 December 2019, since the foreign exchange risk of part of the USD debentures payable has been offset by the purchased capped currency swap contracts and cross currency interest rate swap contracts, for the other USD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against USD with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately RMB1,518,000 (31 December 2018: increase/decrease by approximately RMB1,401,000).

As at 31 December 2019, since the foreign exchange risk of part of the HKD borrowings is offset by the purchased capped currency swap contracts, for the other HKD dominated financial assets and liabilities, if RMB had increased/decreased by 5% against HKD with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately RMB96,000 (31 December 2018: decrease/increase by approximately RMB298,000).

As at 31 December 2019, since the foreign exchange risk of the investment of real estate projects in Australia has been offset by the purchased forward contracts, for all the other AUD dominated financial assets, if RMB had increased/decreased by 5% against AUD with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately RMB155,035,000 (31 December 2018: decrease/increase by RMB97,000).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(1) Market risk *(Continued)*

(b) Interest rate risk

The Group has exposed to interest rate risk mainly generated from long-term interest bearing borrowings such as long-term borrowings and debentures payable. Borrowings issued at floating interest rates expose the Group to cash flow interest-risk, and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the contracts proportions of fixed rate and floating rate depending on the market conditions. As at 31 December 2019, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB20,519,323,000 (31 December 2018: RMB23,509,562,000).

The financial department of the headquarters continuously monitors the Group's interest rate condition. Increases in interest rates will increase the cost of new borrowing and the interest expenses of to the Group's outstanding borrowings with floating rate, and therefore could have a material adverse impact on the Group's financial position. The Group's finance department of its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The management of the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 31 December 2019, if interest rates of borrowings with floating rate increased/decreased by 0.5% with all other variables held constant, the post-tax profit for the year of the Group would decrease/increase by approximately RMB102,597,000 (31 December 2018: decrease/increase by approximately RMB117,548,000).

(c) Other price risk

Other price risks of the Group are mainly generated from other equity instrument investments and exposed to the risk of price fluctuation of equity instruments.

As at 31 December 2019, for all other equity instrument investments, if the expected price increase/decrease 5% with all other variables held constant, other comprehensive income for the year would have been increased/decreased by approximately RMB14,414,000 (31 December 2018: increase/decrease by approximately RMB14,414,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, trade receivables, other receivables, contract assets, debt investments, and investment in debt instruments at fair value through profit or loss which are not included in impairment assessment, derivative financial assets and financial guarantee contracts. At the balance sheet date, the book value of the Group's financial assets has represented its maximum credit risk exposure. The maximum credit risk exposure off the balance sheet is the maximum amount of that must be paid to fulfill the financial guarantee, which is amounted to RMB1,970,092,000.

Since cash at bank of the Group are mainly deposited at state-owned banks and other large and medium-sized listed banks, which have high reputation and credit rating. The Group expects no significant credit risk associated and that there would not be any significant losses due to non-performance by these counterparties.

In addition, the Group has policies to limit the credit risk exposure on trade receivables, other receivables and contract assets. The Group assesses the credit quality and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use payment reminders, reducing or canceling credit periods, to ensure the overall credit risk of the Group is limited to a controllable range.

As at 31 December 2019, the Group has no significant collateral and other credit enhancement.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarter. On such basis, the Group's finance department at its headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date at their undiscounted contractual cash flows by their maturity date are analyzed below:

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	1,764,336	–	–	–	1,764,336
Payables	19,787,632	–	–	–	19,787,632
Long-term borrowings	2,259,074	19,541,490	20,285,874	3,769,629	45,856,067
Debentures payable	1,364,791	16,496,739	13,440,994	–	31,302,524
Long-term payables	–	215,352	3,349,372	–	3,564,724
Current portion of non-current liabilities	22,856,473	–	–	–	22,856,473
Total	48,032,306	36,253,581	37,076,240	3,769,629	125,131,756

	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	2,827,601	–	–	–	2,827,601
Payables	19,880,970	–	–	–	19,880,970
Long-term borrowings	2,098,360	15,941,076	20,883,538	6,147,994	45,070,968
Debentures payable	1,220,833	8,721,162	18,372,285	–	28,314,280
Long-term payables	97,500	1,620,638	27,001	–	1,745,139
Current portion of non-current liabilities	21,242,868	–	–	–	21,242,868
Total	47,368,132	26,282,876	39,282,824	6,147,994	119,081,826

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

12. FINANCIAL INSTRUMENT AND RISK *(Continued)*

(3) Liquidity risk *(Continued)*

According to the terms of individual housing mortgage loans, the Group provides temporary guarantee to the mortgage loans provided by the banks to the customers, who purchase the Group's available-for-sell properties by housing mortgage. The guarantee would expire after the customers obtain owners certification or other relevant warrant and completing the registration of mortgage on properties. As at 31 December 2019 and 31 December 2018, the balance of such guarantee refers to note 10.

Bank and other borrowings analyzed by repayment terms are as follows:

	31 December 2019		31 December 2018	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	11,984,558	11,804,968	8,549,254	14,870,340
1 to 2 years	17,790,167	15,530,883	14,149,220	9,292,635
2 to 5 years	18,702,534	15,862,614	19,963,885	17,624,568
Over 5 years	3,235,353	689,630	4,099,867	–
Total	51,712,612	43,888,095	46,762,226	41,787,543

13. FAIR VALUE ESTIMATES

(1) Assets/(liabilities) measured at fair value on an ongoing basis

The level of fair value measurement result is determined by the lowest level of the input value, which is of great significance to the overall fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

As at 31 December 2019, the financial assets/(liabilities) measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading financial assets –				
Investment of real estate projects in Australia due within one year	–	–	3,520,171	3,520,171
Asset management plan operated by Capital Securities	67,126	–	–	67,126
Asset management plan operated by First Capital Securities Co., Ltd. (“First Capital Securities”)	122,072	–	–	122,072
Capped currency swap contracts	–	51,973	–	51,973
Other non-current financial assets –				
Tiancheng Yongtai	–	–	2,150,330	2,150,330
Investment of real estate projects in Australia over one year	–	–	1,066,373	1,066,373
Capped currency swap contracts	–	233,321	–	233,321
Derivative financial assets –				
Forward foreign exchange contract	–	94,872	–	94,872
Cross currency interest rate swap instrument	–	1,059	–	1,059
Other equity instrument investments –				
Equity interests of UCOMMUNE	–	–	238,283	238,283
Equity interests of CDB Siyuan	–	–	50,000	50,000
Total financial assets	189,198	381,225	7,025,157	7,595,580
Non-financial assets:				
Investment properties –				
North region	–	–	6,901,658	6,901,658
Central region	–	–	6,850,183	6,850,183
South region	–	–	1,104,000	1,104,000
Total non-financial assets	–	–	14,855,841	14,855,841
Total assets	189,198	381,225	21,880,998	22,451,421

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

As at 31 December 2018, the financial assets/(liabilities) measured at fair value on an ongoing basis by three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading financial assets –				
Investment of real estate projects in Australia due within one year	–	–	2,950,405	2,950,405
Asset management plan operated by Capital Securities	32,575	–	–	32,575
Asset management plan operated by First Capital Securities	41,270	–	–	41,270
Other non-current financial assets –				
Tiancheng Yongtai	–	–	2,165,471	2,165,471
Investment of real estate projects in Australia over one year	–	–	1,060,729	1,060,729
Derivative financial assets –				
Forward foreign exchange contract	–	262,202	–	262,202
Other equity instrument investments –				
Equity interests of UCOMMUNE	–	–	238,283	238,283
Equity interests of CDB Siyuan	–	–	50,000	50,000
Total financial assets	73,845	262,202	6,464,888	6,800,935
Non-financial assets:				
Investment properties –				
North region	–	–	11,662,541	11,662,541
Central region	–	–	6,314,400	6,314,400
South region	–	–	1,102,000	1,102,000
Total non-financial assets	–	–	19,078,941	19,078,941
Total assets	73,845	262,202	25,543,829	25,879,876
Financial liabilities:				
Trading financial liabilities –				
Capped cross currency swap instrument	–	(15,849)	–	(15,849)
Derivative financial liabilities –				
Cross currency interest rate swap instrument	–	(32,871)	–	(32,871)
Total financial liabilities	–	(48,720)	–	(48,720)

The Group recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event that caused the transfer. There was no transfer occurred among level 1 and 2 during the period.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis and so on. The inputs in those valuation techniques mainly include risk-free rate, benchmark interest rate and exchange rate.

The Group obtains independent valuations for investment properties from an independent professional appraiser as a third party. The valuations are based on income capitalization and residual approach which mainly uses input such as market rent and its growth rate, discount rate, interest rate and profit rate, etc.

The change of assets in level 3 are as follows:

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2019	11,662,541	6,314,400	1,102,000	19,078,941
Additions	266,703	528,854	–	795,557
Reductions	(5,709,000)	(28,548)	–	(5,737,548)
Transferred from investment properties at cost	638,990	–	–	638,990
Other adjustments	(12,090)	–	–	(12,090)
Gains from changes in fair value	54,514	35,477	2,000	91,991
Gains recognized in other comprehensive income	–	–	–	–
As at 31 December 2019	6,901,658	6,850,183	1,104,000	14,855,841
Realized gains recognized in current profit or loss	–	296,404	–	296,404
Unrealized gains recognized in current profit or loss				
– Gains from changes in fair value	54,514	35,477	2,000	91,991

	Trading financial assets	Other non-current financial assets	Other equity instrument investments	Total
1 January 2019	2,950,405	3,226,200	288,283	6,464,888
Additions	–	347,190	–	347,190
Reductions	–	–	–	–
Reclassification	569,766	(569,766)	–	–
Realized gains recognized in current profit or loss	–	213,079	–	213,079
31 December 2019	3,520,171	3,216,703	288,283	7,025,157

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

	Investment properties			Total
	North region	Central region	South region	
As at 1 January 2018	11,097,501	4,844,240	1,078,000	17,019,741
Additions	1,264,937	741,708	–	2,006,645
Reductions	(1,276,000)	(9,266)	–	(1,285,266)
Transferred from investment properties at cost	–	665,615	–	665,615
Transferred from inventories	349,646	–	–	349,646
Gains from changes in fair value	225,416	72,103	24,000	321,519
Gains recognized in other comprehensive income	1,041	–	–	1,041
As at 31 December 2018	11,662,541	6,314,400	1,102,000	19,078,941
Realized gains recognized in current profit or loss	458,119	435	–	458,554
Unrealized gains recognized in current profit or loss				
– Gains from changes in fair value	225,416	72,103	24,000	321,519

	Trading financial assets	Other non-current financial assets	Other equity instrument investments	Total
1 January 2018	1,442,577	4,666,908	270,000	6,379,485
Additions	–	172,068	–	172,068
Reductions	(323,125)	–	(20,000)	(343,125)
Reclassification	1,789,487	(1,789,487)	–	–
Realized gains recognized in current profit or loss	41,466	331,702	–	373,168
Unrealized losses recognized in current profit or loss	–	(154,991)	–	(154,991)
Gains recognized in other comprehensive income	–	–	38,283	38,283
31 December 2018	2,950,405	3,226,200	288,283	6,464,888

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

Information about fair value measurements in level 3 are as follows:

Investment properties	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
North region	6,901,658	Income approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB45 to RMB351 per square metre per month	The higher market rent, the higher fair value.
Central region	6,850,183	Income approach	Discount rate	5.5% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB29 to RMB155 per square metre per month	The higher market rent, the higher fair value.
South region	1,104,000	Income approach	Discount rate	6.5% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB52 to RMB87 per square metre per month	The higher market rent, the higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

Information about fair value measurements in level 3 are as follows: *(Continued)*

Investment properties	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
North region	11,662,541	Income approach	Discount rate	3.5% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB32 to RMB516 per square metre per month	The higher market rent, the higher fair value.
		Residual approach	Interest rate	4.35%	The higher interest rate, the lower fair value.
			Profit rate	1.07% to 10%	The higher profit rate, the lower fair value.
Central region	6,314,400	Income approach	Discount rate	5.5% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB30 to RMB154 per square metre per month	The higher market rent, the higher fair value.
		Residual approach	Interest rate	4.35%	The higher interest rate, the lower fair value.
			Profit rate	12%	The higher profit rate, the lower fair value.
South region	1,102,000	Income approach	Discount rate	6.5% to 7%	The higher discount rate, the lower fair value.
			Market rents	RMB52 to RMB88 per square metre per month	The higher market rent, the higher fair value.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Information about fair value measurements in level 3 are as follows: (Continued)

	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs		
			Name	Range/weighted average	Relationship of unobservable inputs of fair value
Trading financial assets					
Investment of real estate projects in Australia due within one year	3,520,171	Discounted future cash flow	Discount rate	Discount rate for period from one day to three years	The higher discount rate, the lower fair value
Other non-current financial assets					
Investment of real estate projects in Australia over one year	1,066,373	Discounted future cash flow	Discount rate	Discount rate for period from one day to three years	The higher discount rate, the lower fair value
Tiancheng Yongtai	2,150,330	Market approach	Contract price	RMB28,878 to RMB58,200 per square metre	The higher contract price, the higher fair value
Other equity instrument investments					
Equity interests of UCOMMUNE	238,283	Market approach	Equity valuation	Fair value of net assets of UCOMMUNE multiplied by interests held according to the latest capital injection agreement	The higher equity valuation, the higher fair value

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For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES *(Continued)*

(1) Assets/(liabilities) measured at fair value on an ongoing basis *(Continued)*

Information about fair value measurements in level 3 are as follows: *(Continued)*

	Fair value as at 31 December 2018	Valuation techniques	Name	Unobservable inputs	
				Range/weighted average	Relationship of unobservable inputs of fair value
Trading financial assets					
Investment of real estate projects in Australia due within one year	2,950,405	Discounted future cash flow	Discount rate	Discount rate for period from one day to three years	The higher discount rate, the lower fair value
Other non-current financial assets					
Investment of real estate projects in Australia over one year	1,060,729	Discounted future cash flow	Discount rate	Discount rate for period from one day to three years	The higher discount rate, the lower fair value
Tiancheng Yongtai	2,165,471	Market approach	Contract price	RMB28,878 to RMB58,200 per square metre	The higher contract price, the higher fair value
Other equity instrument investments					
Equity interests of UCOMMUNE	238,283	Market approach	Equity valuation	Fair value of net assets of UCOMMUNE multiplied by interests held according to the latest capital injection agreement	The higher equity valuation, the higher fair value

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(1) Assets/(liabilities) measured at fair value on an ongoing basis (Continued)

Information about the fair value measurement of level 2 are as follows:

	Fair value as at 31 December 2019	Valuation techniques	Observable input	
			Name	Range/weighted average
Derivative financial assets	95,931	Discounted future cash flow	AUD forward exchange rate at balance sheet date	4.8960 to 5.0413
		Black Scholes formula, discounted future cash flow	Discounted rate Cross currency interest rate	0.84% to 1.01% Observable exchange rate, interest rate and volatility level
Trading financial assets	51,973	Discounted future cash flow	Discount curves	Discount rate for one year (currency include USD and RMB)
			Forward exchange rate	Forward exchange rate for each forward contract from the valuation date to the maturity date
Other non-current financial assets	233,321	Discounted future cash flow	Discount curves	Discount rate for two years (currency include USD and RMB)
			Forward exchange rate	Forward exchange rate for each forward contract from the valuation date to the maturity date

	Fair value as at 31 December 2018	Valuation techniques	Observable input	
			Name	Range/weighted average
Derivative financial assets	262,202	Discounted future cash flow	AUD forward exchange rate at balance sheet date	4.8522 to 4.9416
			Discounted rate	1.75% to 2.21%
Trading financial liabilities	15,849	Discounted future cash flow	Discount curves	Discount rate for period from two to three years (currency include USD and RMB)
			Forward exchange rate	Forward exchange rate for each forward contract from the valuation date to the maturity date
Derivative financial liabilities	32,871	Black Scholes formula, discounted future cash flow	Cross currency interest rate swap	Observable exchange rate, interest rate and volatility level

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

13. FAIR VALUE ESTIMATES (Continued)

(2) Assets and liabilities not measured at fair value but disclose fair value

Financial assets and liabilities measured at amortized cost mainly include receivables, short-term borrowings, payables, long-term borrowings, debentures payable and long-term payables.

Except for the financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	26,708,636	27,507,849	20,506,000	21,252,592
Debentures payable	35,884,775	36,073,995	35,560,543	35,560,543
Long-term payables	4,297,476	4,309,657	6,227,001	6,313,216
Total	66,890,887	67,891,501	62,293,544	63,126,351

The fair value of long-term borrowings and debentures payable without active market price are determined by the present value of the contracted future cash flow, which is calculated using the discount rate in the market of comparable credit rating that can provide much the same cash flows in the same conditions. This situation belongs to Level 3.

14. CAPITAL MANAGEMENT

The Group's objectives of capital management are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to reduce cost of capital by maintaining an optimal capital structure.

In order to maintain or adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The total capital of the Group is the equity in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements and monitors its capital by Asset-liabilities ratio.

The asset-liability ratios as at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019	31 December 2018
Total liabilities	143,228,212	131,516,141
Total assets	185,269,318	169,716,823
Asset-liability ratio	77%	77%

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

15. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

(1) Important non-adjustment matters

- (i) Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The company’s board of directors assessed the potential impact of the COVID-19 outbreak on the Group, as follows:

1. In 2020, the cash collection of the Group’s real estate sales may be affected by the delay in the resumption of sales at the sales office; the income from real estate development may be affected by the delay of income recognition caused by the suspension of properties under construction and the delay in the property completed filing time, as well as relevant fund arrangement.
2. In 2020, the Group’s rental income and management fee income may be affected by the exemption of rental, property management fee and other expenses, the adjustment of existing lease contract terms, and the change of variable rental income caused by the change of tenant’s turnover caused by the short-term economic slowdown.
3. In 2020, the Group adopts the fair value model to measure the investment properties. As of 31 December 2019, the total fair value of the investment properties is about RMB14,855,841,000(Note 4(13)). The fair value of the investment properties in 2020 may fluctuate due to the COVID-19 outbreak.

From the date of the consolidated financial statements, the overall financial impact of the COVID-19 outbreak cannot be estimated reliably. The Group will closely monitor the development of the COVID-19 outbreak and continue to assess its impact on the Group’s business, financial condition and operating results.

- (ii) At 22 January 2020, the Group released the results of the rights issue. Given the H Share Rights Issue became unconditional and proceeded to completion, no proceeds received in respect of the relevant provisional allotments will be refunded. Dealings in the fully-paid H Rights Shares on the Stock Exchange are expected to commence on 23 January 2020.

As of the reporting date of annual report, the rights issue has been completed, and the proceeds have been fully paid-up which include: increase 824,602,850 domestic rights shares and received the proceeds amounting to RMB1,385,333,000, increase 510,378,000 H rights shares and received the proceeds amounting to HKD954,407,000. After completion of the rights issue, the number of shares has increased from 3,027,960,000 to 4,362,940,850.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

15. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(2) Description of profit distribution

On the Board meeting held on 23 March 2020, the directors proposed a final dividend of RMB0.17 per share to the shareholders, the total amount payable will be RMB741,700,000 based on the Company's total issued number of shares as at 23 March 2020, which is 4,362,940,850. Such distribution of profit will be proposed as resolution at the Annual General Meeting of shareholders to be held on 13 May 2020.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1) Other receivables

	31 December 2019	31 December 2018
Receivables due from subsidiaries (i)	80,486,370	62,448,540
Receivables due from other related parties	6,736,829	4,868,712
Tender bonds and other guarantee deposits	87,600	49,600
Others	1,990,251	15,275
Total	89,301,050	67,382,127
Less: provisions for doubtful debts	(24,000)	(24,000)
Net	89,277,050	67,358,127

- (i) As at 31 December 2019, the loan from the Company to subsidiary Hainan Outlets Tourism amounted to RMB655,844,000 (31 December 2018: RMB246,862,000) with interest rate of 5.66%, with no fixed maturity date; and the loan from the Company to subsidiary Chengdu Ruihua amounted to RMB2,060,043,000 (31 December 2018: RMB980,000,000) with interest rate of 10%, no fixed maturity date.

Except for the receivables above, the other receivables due to related parties were interest free, unmortgaged and unguaranteed, and with no fixed maturity date.

- (a) The aging of other trade receivables is analyzed as follows:

	31 December 2019	31 December 2018
Within 1 year	56,229,329	49,879,058
1 to 2 years	20,179,764	11,178,010
2 to 3 years	6,620,757	4,445,861
Over 3 years	6,271,200	1,879,198
Total	89,301,050	67,382,127

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16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Other receivables (Continued)

(b) Loss provision and changes in book value:

	First stage					Third stage		Total
	Expected credit loss over the next 12 months (grouping)		Expected credit loss over the next 12 months (separate)		Sub-total	Expected credit loss for the Lifetime (impairment has occurred)		
	Carrying amount	Provisions	Carrying amount	Provisions		Carrying amount	Provisions	
					Provisions			
31 December 2018	67,317,252	–	40,875	–	–	24,000	(24,000)	(24,000)
Additions	21,959,798	–	–	–	–	–	–	–
Reductions	–	–	(40,875)	–	–	–	–	–
31 December 2019	89,277,050	–	–	–	–	24,000	(24,000)	(24,000)

As at 31 December 2019, there is no significant expected loss for other receivables at the first stage and no provision for doubtful debts has been recognized.

As at 31 December 2019, there is no other receivables at the second stage.

As at 31 December 2019, the analysis of bad debt provision for other receivables in the third stage are as follows:

	Book value	Lifetime expected credit loss rate	Provision for doubtful debts
Separate provision: Receivables from Beijing Gehua Culture Development Co., Ltd (hereinafter "Gehua Group")	24,000	100	(24,000)

As at 31 December 2019, the loans from the Company to Gehua Group amounted to RMB24,000,000 (31 December 2018: RMB24,000,000). The Group expected that the receivable would not be collected, so a full provision for impairment is recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other non-current financial assets

	31 December 2019	31 December 2018
Investment of Tiancheng Yongtai (a)	1,133,245	80,000

(a) The investment is the right to profit in real estate development project of Tiancheng Yongtai held by the Company.

(3) Long-term equity investments

	31 December 2019	31 December 2018
Subsidiaries (a)	7,679,532	6,474,284
Joint ventures (b)	195,307	197,824
Associates (c)	17,945	270,047
Sub-total	7,892,784	6,942,155
Less: Provision for impairment of long-term equity investment	—	—
Net	7,892,784	6,942,155

There is no significant restriction on sale of the long-term equity investments and collection of the investment income for the Company.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2018	Changes in this year				31 December 2019
		Increase in investment	Decrease in investment	Provisions for impairment	Others	
S.C	734,095	-	-	-	-	734,095
Beijing Anhua Shiji Real Estate Development Ltd.	136,303	-	-	-	-	136,303
Beijing Capital Xinzi Real Estate Ltd.	642,625	-	-	-	-	642,625
Beijing Capital Langyuan Culture Development Co., Ltd.	369,970	-	-	-	-	369,970
Beijing Sunshine City Real Estate Development Co., Ltd.,	82,766	-	-	-	-	82,766
Beijing Ruiyuan Fengji Real Estate Development Co., Ltd.	10,000	-	-	-	-	10,000
Beijing RuiyuanFengxiang Real Estate Development Co., Ltd.	10,000	-	-	-	-	10,000
Beijing Yongyuan Jintai Investment Management Co., Ltd.	216,530	-	(216,530)	-	-	-
Beijing Zhongrui Kaihua Investment Management Co., Ltd.	10,000	209,043	-	-	-	219,043
Capital Guoxin Asset Management Co., Ltd.	100,000	-	-	-	-	100,000
Beijing Dongqi Jinzhao Infrastructure Investment Co., Ltd.	30,000	-	-	-	-	30,000
Beijing Xiangneng Real Estate Ltd.	500,000	-	-	-	-	500,000
Beijing Shouzhi Culture Technology Development Co., Ltd.	60,000	40,000	-	-	-	100,000
Tianjin Eco City Jiaming Ronghe Development Co., Ltd.	60,000	-	-	-	-	60,000
Shoujin Capital	300,000	-	-	-	-	300,000
Beijing Capital Land Chengdu Co., Ltd.	150,000	-	-	-	-	150,000
Jiangsu Capital Real Estate Development Ltd.	60,165	-	-	-	-	60,165
Wuxi Capital Xindong Real Estate Development Co., Ltd.	100,000	-	-	-	-	100,000
Haikou Capital Xinye Investment Co., Ltd.	10,000	-	-	-	-	10,000
Beijing Shangboya Investment Consultant Co., Ltd.	30,000	-	-	-	-	30,000
Central Plaza	39,466	-	-	-	-	39,466
IFC	20,480	-	-	-	-	20,480
BECL Investment Holding Ltd.	67,296	-	-	-	-	67,296
Beijing Zhongzhi Dingfu Real Estate Co., Ltd.	100,000	-	-	-	-	100,000
Shanghai Capital Zhengheng Real Estate Co., Ltd.	10,000	-	-	-	-	10,000
Juyuan Xincheng (Tianjin) Investment Management Co., Ltd.	500,000	-	-	-	-	500,000
Donghuan Xinrong	1,064,065	-	-	-	-	1,064,065
Tiancheng Yongyuan	998,555	-	(998,555)	-	-	-
Shenyang Xinyun	-	20,000	-	-	-	20,000
Beijing Zhoulian Weiye Investment Co., Ltd.	-	1,000,000	-	-	-	1,000,000
Chongqing Capital Xinshi Real Estate Co., Ltd.	-	1,151,290	-	-	-	1,151,290
Others	61,968	-	-	-	-	61,968
Total	6,474,284	2,420,333	(1,215,085)	-	-	7,679,532

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(b) Joint ventures

	31 December 2018	Changes in this year							31 December 2019
		Increase in investment	Decrease in investment	Share of net profit/(loss)	Share of other comprehensive income	Other equity changes	Cash dividend declared	Others	
Beijing Wanzhu	48,938	-	-	4,528	-	-	(12,000)	-	41,466
Tonghua Qiangyu	14,365	-	-	(7,733)	-	-	-	-	6,632
Zhuhai Hengqin Fund Management Company	31,367	-	-	43	-	-	-	-	31,410
Shangbodi	103,154	-	-	12,645	-	-	-	-	115,799
Total	197,824	-	-	9,483	-	-	(12,000)	-	195,307

(c) Associates

	31 December 2018	Changes in this year							31 December 2019
		Increase in investment	Decrease in investment	Share of net profit/(loss)	Share of other comprehensive income	Other equity changes	Cash dividend declared	Others	
Golden Net	13,277	-	-	117	-	-	-	-	13,394
Sunshine City Commercial	250,217	-	(250,217)	-	-	-	-	-	-
Kaiyuan Hean	6,553	-	-	(2,002)	-	-	-	-	4,551
Total	270,047	-	(250,217)	(1,885)	-	-	-	-	17,945

(4) Other payables

	31 December 2019	31 December 2018
Payables to subsidiaries	47,178,519	26,691,360
Payables to other related parties	1,008,097	-
Payables for routine business	2,488,532	2,021,702
Interests payable due to debentures payable	-	577,225
Interests payable due to borrowings	-	15,420
Dividends payable of other equity instruments	578,171	422,697
Total	51,253,319	29,728,404

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)***(5) Other equity instruments**

In April 2019, the Company issued Perpetual Securities amounted to RMB1,000,000,000. According to relevant terms of Offering Circular, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. As at 31 December 2019, other equity instruments amounted to RMB995,500,000 was recognized after deducting the relevant costs.

In April 2019, CFAE established Bond Financing Plan Investment amounted to RMB2,000,000,000 in the Company. According to relevant terms of Offering Circular, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB1,862,842,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In April 2019, AVIC Trust set up a Bond Financing Plan Investment to raise a total amount of RMB1,800,000,000. According to the Trust loan contract, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, reduces registered capital, declares liquidation or breach contractual obligations, the Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. Amounted of RMB1,685,347,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

In September 2018, Sino-Australian International Trust Co., Ltd. (hereinafter "Sino-Australian Trust") set up a special asset management plan to raise a total amount of RMB870,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. Within 12 months from value date, the company shall not exercise the right of deferred interest and the frequency of deferring interest is not restricted. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. Amounted of RMB796,050,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(5) Other equity instruments *(Continued)*

In September 2018, CAFE established Bond Financing Plan investment amounted to RMB350,000,000 in the Company. According to relevant terms of "prospectus", the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and can't exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB337,400,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In August 2018, CFAE established Bond Financing Plan investment amounted to RMB1,800,000,000 in the Company. According to relevant terms of "prospectus", the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and can't exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB1,735,200,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In August 2018, the Company issued Perpetual securities amounted to RMB2,000,000,000. According to relevant terms of "Prospectus", the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and cannot exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB1,991,000,000 was recognized after deducting the relevant costs.

In June 2018, the Company issued Perpetual securities amounted to RMB2,000,000,000. According to relevant terms of "Prospectus", the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and cannot exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB1,988,000,000 was recognized after deducting the relevant costs.

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(5) Other equity instruments *(Continued)*

In April 2018, CFAE established Bond Financing Plan investment amounted to RMB200,000,000 in the Company. According to relevant terms of “prospectus”, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and can’t exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB184,600,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In March 2018, CFAE established Bond Financing Plan investment amounted to RMB600,000,000 in the Company. According to relevant terms of “prospectus”, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend or reduces registered capital, it may elect to defer distribution and can’t exercise any such rights within 12 months of value date without any frequency limitations. The Company has no contracted obligation to pay the principal or interests to other investors, therefore the investment complied with the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. Other equity instruments amounted to RMB553,800,000 was recognized after deducting the inevitable dividend payable in the foreseeable future.

In December 2017, Sino-Australia Trust set up a special asset management plan to raise a total amount of RMB1,100,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. Within 12 months from value date, the company shall not exercise the right of deferred interest and the frequency of deferring interest is not restricted. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. Amounted of RMB1,024,650,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

In September 2017, China Fortune International Trust Co., Ltd. set up a special asset management plan to raise a total amount of RMB2,000,000,000. According to the Investment Agreement, the raised funds are subject to no fixed repayment terms. Unless the Company declares dividend, the Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, this asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends will be treated as profit distribution. Amounted of RMB1,970,027,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(5) Other equity instruments *(Continued)*

In July 2016, Shanghai Xinghan Asset Management Co., Ltd. set up a special asset management plan to raise a total amount of RMB3,000,000,000 and entered into an Investment Agreement with the Company to invest all the raised money in the Company. According to the Investment Agreement, the raised funds are not subject to any fixed repayment terms unless the Company declares any dividends. The Company may elect to defer the distribution without any frequency limitations. In addition, there is no contracted obligation for the Company to repay the principal and distribute the interests. As a result, the investment from the special asset management plan complied the definition of equity instrument and were recognized as other equity instrument in the consolidated level and in the Company financial statement. The dividends declared will be treated as profit distribution. As at 31 December 2018, RMB2,895,291,000 was recognized as other equity instrument after deducting the inevitable dividend payable in the foreseeable future. In March 2019, the Group issued a prepayment notice in accordance with the Investment Agreement to redeem 50% of principal of the Assets Management Plan in July 2019. Since the Group had the inevitable payment obligation pursuant, such amount did not meet the definition of equity instrument any longer and was reclassified as current portion of long-term borrowings after issue of prepayment notice, and a decrease in capital reserve amounted to RMB52,355,000 was recognized accordingly. In July 2019, the Company repaid the remaining other equity instruments amounted to RMB1,447,646,000 and reduced capital reserve by RMB52,354,000 accordingly.

(6) Deferred income tax assets

	31 December 2019		31 December 2018	
	Deductible temporary differences and deductible losses	Deferred income tax assets	Deductible temporary differences and deductible losses	Deferred income tax assets
Provision for impairment of assets	24,000	6,000	24,000	6,000
Accrued expenses	19,130	4,782	19,130	4,782
Accumulated losses	5,397,891	1,349,473	5,146,134	1,286,534
Total	5,441,021	1,360,255	5,189,264	1,297,316

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(7) Short-term borrowings

	31 December 2019	31 December 2018
Credit borrowings (a)	90,000	400,000
Pledged borrowings (b)	833,263	1,350,000
Interest accrued	6,850	—
Total	930,113	1,750,000

(a) Credit borrowings

As at 31 December 2019, short-term borrowings of RMB90,000,000 (31 December 2018: RMB400,000,000) are credit borrowings obtained by the Company.

(b) Pledged borrowings

As at 31 December 2019, short-term borrowings of RMB833,263,000 (31 December 2018: RMB1,350,000,000) are pledged by the right to profit of trade receivables to be collected after sale of properties under development of the Company.

As at 31 December 2019, the range of annual interest rate for short-term borrowings is 5.70% to 6.50% (31 December 2018: 5.23% to 6.50%).

(8) Current portion of non-current liabilities

	31 December 2019	31 December 2018
Long-term borrowings due within one year (Note 16(9))	4,032,000	4,544,000
Debentures payable due within one year (Note 16(10))	6,690,454	10,000,427
Interest accrued	505,815	—
Total	11,228,269	14,544,427

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(9) Long-term borrowings

	31 December 2019	31 December 2018
Credit borrowings (a)	1,532,000	1,576,000
Guaranteed borrowings (b)	2,500,000	4,500,000
Sub-total	4,032,000	6,076,000
Less: Long-term borrowings due within one year, including:		
Credit borrowings (a)	(1,532,000)	(44,000)
Guaranteed borrowings (b)	(2,500,000)	(4,500,000)
Subtotal	(4,032,000)	(4,544,000)
Net	—	1,532,000

(a) Credit borrowings

As at 31 December 2019, borrowings of RMB1,532,000,000 (31 December 2018: RMB1,576,000,000) were credit borrowings obtained by the Company. Principal of RMB1,532,000,000 should be repaid on or before 31 December 2020, such amount was classified as long-term borrowings due within one year in financial statements.

(b) Guaranteed borrowings

As at 31 December 2019, the guaranteed borrowings amounted to RMB2,500,000,000 (31 December 2018: RMB4,500,000,000) are guaranteed by the Capital Group for the Company.

Interests of the borrowings above are paid quarterly. The principal amounted to RMB2,500,000,000 should be repaid on or before 31 December 2020, and such amount was classified as long-term borrowings due within one year in financial statements.

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)***(10) Debentures payable**

	31 December 2018	Issued in current year	Amortization for discount and premium	Redemption in this year	Other movements	31 December 2019	Interest accrued
Corporate bonds (i)	25,740,420	11,495,685	41,865	(8,340,000)	–	28,937,970	1,416,664
Including: debentures payable due within one year	(10,000,427)					(6,690,454)	
Net	15,739,993					22,247,516	

- (i) With approval of Bond Financing Plan Investment (CFAE letters [2018] 472) of CFAE, the Company issued non-public corporate bonds with amount of RMB1,500,000,000 at 30 January 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB1,482,000,000. The bond has a three-year term with a fixed annual interest rate at 6%. The principal and the interests for the last period will be fully repaid on the maturity date.

With approval of Bond Financing Plan Investment (CFAE letters [2019] 0577) of CFAE, the Company issued non-public corporate bonds with amount of RMB2,000,000,000 at 9 September 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB1,952,000,000. The bond has a three-year term with a fixed annual interest rate at 5.4%. The principal and the interests for the last period will be fully repaid on the maturity date.

With the approval of Shanghai Stock Exchange (SSE letters [2019] 171), the Company issued non-public corporate bonds across four tranches with amount of RMB8,090,000,000 before 31 December 2019. After deducting the related underwriting and issuing fees, the net amount of bonds actually received by the Company is RMB8,061,685,000. The term of the bonds are three years or five years respectively with a fixed annual interest rate range from 4.3% to 4.58%. The principal and the interests for the last period will be fully repaid on the maturity date.

As at December 31, 2019, the Company holds corporate bonds with a total face value of RMB29,060,000,000, after deducting the related underwriting and issuing fees, net amount totaling RMB28,937,970,000 with interest rate range from 3.70% to 6.00%. As at December 31 2019, the book value of corporate bonds amounted to RMB6,690,454,000 should be repaid on or before 31 December 2020, such amount was classified as debentures payable due within one year in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(11) Capital reserve

	31 December 2018	Additions	Reductions	31 December 2019
Share premium	3,059,320	560,730	(104,709)	3,515,341

	31 December 2017	Additions	Reductions	31 December 2018
Share premium	3,113,441	–	(54,121)	3,059,320

The Company received RMB1,385,333,000 from the rights issue of domestic shares in December 2019, of which 560,730,000 was included in capital reserve (share premium) (Note 4(31)).

In July 2016, Shanghai Xinghan Asset Management Co., Ltd. set up a special asset management plan to raise a total amount of RMB3,000,000,000 and entered into an Investment Agreement with the Company to invest all the raised money in the Company. In March 2019, the Group issued a prepayment notice in accordance with the Investment Agreement to redeem 50% of principal of the Assets Management Plan in July 2019. Since the Group had the inevitable payment obligation pursuant, such amount did not meet the definition of equity instrument any longer and was reclassified as current portion of long-term borrowings after issue of prepayment notice, and a decrease in capital reserve amounted to RMB52,355,000 was recognized accordingly. In July 2019, the Company repaid the remaining other equity instruments amounted to RMB1,447,646,000 and reduced capital reserve by RMB52,354,000 accordingly (Note 16(5)).

(12) Revenue and cost of sales

	2019	2018
Revenue from main operations (a)	47,654	17,929
Revenue from other operations (b)	1,614	7,366
Total	49,268	25,295

	2019	2018
Cost of sales from main operations (a)	–	–
Cost of sales from other operations (b)	–	–
Total	–	–

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(12) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from main operations

	2019		2018	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Consulting services	47,654	–	17,929	–

(b) Revenue and cost from other operations

	2019		2018	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Temporary rental	1,614	–	7,366	–

(13) Financial expenses

	2019	2018
Interest expense	1,955,508	1,909,327
Interest income	(197,122)	(133,358)
Exchange losses	10,174	9,827
Others	89,734	88,701
Total	1,858,294	1,874,497

(14) Investment income

	2019	2018
Share of net profit or loss of investees under equity method	7,598	46,448
Gains from disposal of subsidiaries	1,981,460	589,625
Interest income earned during the period of ownership of debt investment	556,947	296,707
Gains from disposal of associates	134,552	14,293
Distribution of dividends by subsidiaries	964,000	1,593,000
Others	75,687	99,476
Total	3,720,244	2,639,549

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 (All amounts in thousands of RMB unless otherwise stated)

16. NOTES TO THE COMPANY FINANCIAL STATEMENTS *(Continued)*

(15) Cash at bank and on hand

	31 December 2019	31 December 2018
Cash on hand	4	4
Bank deposits	10,003,374	8,580,016
Total	10,003,378	8,580,020

17. NET CURRENT ASSETS

	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Current assets	155,377,694	137,511,685	99,510,837	76,050,851
Less: current liabilities	(69,262,690)	(63,777,213)	(63,641,823)	(46,183,341)
Net current assets	86,115,004	73,734,472	35,869,014	29,867,510

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	31 December 2019 Consolidated	31 December 2018 Consolidated	31 December 2019 Company	31 December 2018 Company
Total assets	185,269,318	169,716,823	110,000,644	84,472,175
Less: current liabilities	(69,262,690)	(63,777,213)	(63,641,823)	(46,183,341)
Total assets less current liabilities	116,006,628	105,939,610	46,358,821	38,288,834



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