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## **ZHENRO PROPERTIES GROUP LIMITED**

**正榮地產集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6158)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS**

- Contracted sales for the year ended December 31, 2019 was RMB130.71 billion, representing a year-on-year increase of 21.0%.
- Revenue for the year ended December 31, 2019 was RMB32.56 billion, representing a year-on-year increase of 23.1%.
- Profit for the year ended December 31, 2019 was RMB3.09 billion, representing a year-on-year increase of 38.6%.
- Core profit<sup>(1)</sup> for the year ended December 31, 2019 was RMB2.90 billion, representing a year-on-year increase of 42.7%.
- Core profit<sup>(1)</sup> attributable to owners of the parent for the year ended December 31, 2019 was RMB2.31 billion, representing a year-on-year increase of 20.4%.
- As of December 31, 2019, net debt to total equity ratio was 75.2%, short term debt to total debt ratio was 34.2% and cash on hand was RMB35,306.8 million.
- Proposed final dividend of HK\$0.1 per share for the year ended December 31, 2019.

(1): Defined as net profit excludes changes in fair values of investment properties and financial assets, exchange gain or loss and the relevant deferred taxes.

## ANNUAL RESULTS

The board of directors (the “**Board**”) of Zhenro Properties Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2019. The annual results have been prepared in accordance with International Financial Reporting Standards (the “**IFRS**”). In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS Year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> RMB' 000	2018 RMB' 000
<b>REVENUE</b>	5	<b>32,557,660</b>	26,453,106
Cost of sales		<u>(26,059,803)</u>	<u>(20,431,790)</u>
<b>Gross profit</b>		<b>6,497,857</b>	6,021,316
Other income and gains	5	<b>471,131</b>	327,113
Selling and distribution expenses		<b>(972,294)</b>	(876,602)
Administrative expenses		<b>(1,214,481)</b>	(980,864)
Impairment losses of financial assets, net		<b>(482)</b>	(4,141)
Other expenses		<b>(98,935)</b>	(44,921)
Fair value gains on investment properties		<b>326,507</b>	144,561
Net gain or loss from financial assets at fair value through profit or loss		<b>(14,513)</b>	80,452
Finance costs	7	<b>(484,091)</b>	(381,482)
Share of profits and losses of:			
Joint ventures		<b>357,503</b>	(59,482)
Associates		<u><b>163,429</b></u>	<u>(98,471)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>5,031,631</b>	4,127,479
Income tax expense	8	<u><b>(1,937,647)</b></u>	<u>(1,894,942)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>3,093,984</b></u>	<u>2,232,537</u>
Attributable to:			
Owners of the parent		<b>2,506,405</b>	2,120,734
Non-controlling interests		<u><b>587,579</b></u>	<u>111,803</u>
		<u><b>3,093,984</b></u>	<u>2,232,537</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	10	<u><b>RMB0.59</b></u>	<u>RMB0.52</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2019**

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
<b>PROFIT FOR THE YEAR</b>	<b>3,093,984</b>	2,232,537
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(94,964)</u>	<u>(66,015)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(94,964)</u>	<u>(66,015)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>(94,964)</u>	<u>(66,015)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>2,999,020</b></u>	<u>2,166,522</u>
Attributable to:		
Owners of the parent	<b>2,411,441</b>	2,054,719
Non-controlling interests	<u><b>587,579</b></u>	<u>111,803</u>
	<u><b>2,999,020</b></u>	<u>2,166,522</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 December 2019**

	<i>Notes</i>	<b>2019</b> <b>RMB' 000</b>	2018 RMB' 000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>579,770</b>	876,882
Investment properties		<b>9,377,800</b>	8,461,900
Prepaid land lease payments		–	213,674
Right-of-use assets		<b>390,518</b>	–
Other intangible assets		<b>6,843</b>	9,940
Prepayments, other receivables and other assets		<b>120,120</b>	–
Investments in joint ventures		<b>2,341,631</b>	1,931,702
Investments in associates		<b>3,199,926</b>	1,796,827
Deferred tax assets		<b>1,684,744</b>	1,463,999
		<hr/>	<hr/>
Total non-current assets		<b>17,701,352</b>	14,754,924
		<hr/> <hr/>	<hr/> <hr/>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		<b>773,896</b>	862,161
Properties under development		<b>86,379,442</b>	63,588,003
Completed properties held for sale		<b>7,626,154</b>	11,433,470
Trade receivables	11	<b>66,293</b>	34,151
Due from related companies		<b>6,696,104</b>	7,686,366
Prepaid land lease payments		–	754,184
Prepayments, other receivables and other assets	12	<b>13,533,906</b>	12,755,716
Tax recoverable		<b>1,135,255</b>	1,160,983
Restricted cash		<b>5,137,032</b>	4,866,036
Pledged deposits		<b>1,801,205</b>	963,560
Cash and cash equivalents		<b>28,368,571</b>	22,538,953
		<hr/>	<hr/>
Total current assets		<b>151,517,858</b>	126,643,583
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**31 December 2019**

	<i>Notes</i>	2019 RMB' 000	2018 RMB' 000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	16,752,615	8,212,543
Other payables and accruals	14	10,571,875	5,449,969
Contract liabilities		38,797,781	47,149,486
Due to related companies		7,386,244	3,332,983
Interest-bearing bank and other borrowings		14,534,136	21,629,210
Senior notes		3,482,134	1,094,198
Corporate bonds		2,024,173	1,115,788
Tax payable		2,828,821	2,297,672
Lease liabilities		68,171	—
		<u>96,445,950</u>	<u>90,281,849</u>
Total current liabilities		<u>96,445,950</u>	<u>90,281,849</u>
<b>NET CURRENT ASSETS</b>		<u>55,071,908</u>	<u>36,361,734</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>72,773,260</u>	<u>51,116,658</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		21,782,986	16,541,379
Other payables and accruals		2,321,843	3,285,661
Corporate bonds		3,481,130	2,034,399
Senior notes		13,360,910	4,076,627
Deferred tax liabilities		702,925	699,591
Lease liabilities		63,477	—
		<u>41,713,271</u>	<u>26,637,657</u>
Total non-current liabilities		<u>41,713,271</u>	<u>26,637,657</u>
<b>Net assets</b>		<u>31,059,989</u>	<u>24,479,001</u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		282	265
Reserves		16,396,245	13,528,703
		<u>16,396,527</u>	<u>13,528,968</u>
Perpetual capital securities		1,439,510	3,008,224
Non-controlling interests		13,223,952	7,941,809
<b>Total equity</b>		<u>31,059,989</u>	<u>24,479,001</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2014. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018. The registered office of the Company is located at 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and commercial property management.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is RoYue Limited, which is incorporated in the British Virgin Islands.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

### **New definition of a lease**

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

### **As a lessee – Leases previously classified as operating leases**

#### ***Nature of the effect of adoption of IFRS 16***

The Group has lease contracts for various items of property, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

#### ***Impact on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

### As a lessee – Leases previously classified as operating leases (Continued)

#### *Impact on transition (Continued)*

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 at 1 January 2019 are as follows:

	<b>Increase/ (decrease) RMB'000</b>
<b>Assets</b>	
Decrease in property, plant and equipment	(273,993)
Increase in properties under development	967,858
Decrease in prepaid land lease payments	(967,858)
Increase in right-of-use assets	375,785
	<hr/>
Increase in total assets	<b>101,792</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Increase in lease liabilities	101,792
	<hr/>
Increase in total liabilities	<b>101,792</b>
	<hr/> <hr/>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<b>RMB'000</b>
<b>Operating lease commitments as at 31 December 2018</b>	<b>113,901</b>
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(5,339)
Commitments relating to leases of low-value assets	(662)
	<hr/>
	107,900
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	101,792
	<hr/>
<b>Lease liabilities as at 1 January 2019</b>	<b>101,792</b>
	<hr/> <hr/>

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> No mandatory effective date yet determined but available for adoption

## **2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### **Judgements**

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

#### ***Property lease classification – Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

#### ***Significant judgement in determining the lease term of contracts with renewal options***

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

#### ***Classification between investment properties and owner-occupied properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### ***Classification between investment properties and completed properties held for sale***

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### **Estimation uncertainty**

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

#### ***Provision for expected credit losses on trade receivables and prepayments, other receivables and other assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and prepayments, other receivables and other assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the properties sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and prepayments, other receivables and other assets is disclosed in note 24 and note 25 to the financial statements, respectively.

#### ***Provision for properties under development and completed properties held for sale***

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

#### ***Leases – Estimating the incremental borrowing rate***

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### *PRC corporate income tax (“CIT”)*

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

##### *PRC land appreciation tax (“LAT”)*

The Group is subject to LAT in the PRC. The provision for LAT is based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

##### *Estimation of fair value of investment properties*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

At 31 December 2019, the carrying amount of investment properties was RMB9,377,800,000 (31 December 2018: RMB8,461,900,000).

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceed 10% of the Group's consolidated revenue, net profit or total asset, respectively. As the economic characteristics are similar in all the locations, where the nature of property development and leasing and management are similar, as well as the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, and thus all locations were aggregated as one reportable operating segment.

#### **Geographical information**

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

#### **Information about major customers**

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue at the end of the reporting period.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>	32,423,362	26,348,294
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	134,298	104,812
	<u>32,557,660</u>	<u>26,453,106</u>

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

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
<b>Types of goods or services</b>		
Sale of properties	32,184,576	26,179,344
Property management service income	85,492	56,610
Management consulting service income	153,294	112,340
	<u>32,423,362</u>	<u>26,348,294</u>
Total revenue from contracts with customers	<u>32,423,362</u>	<u>26,348,294</u>
<b>Timing of revenue recognition:</b>		
Properties transferred at a point in time	32,184,576	26,179,344
Services transferred over time	238,786	168,950
	<u>32,423,362</u>	<u>26,348,294</u>
Total revenue from contracts with customers	<u>32,423,362</u>	<u>26,348,294</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	<u>29,516,507</u>	<u>21,452,373</u>

#### (ii) *Performance obligations*

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

##### *Sale of properties*

For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

##### *Property management services*

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the property management service contracts do not have a fixed term.

##### *Management consulting services*

For management consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The majority of the management consulting service contracts do not have a fixed term. The term of the contracts for pre-delivery and consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

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

### Revenue from contracts with customers (Continued)

#### (ii) Performance obligations (Continued)

	2019 RMB' 000	2018 RMB' 000
<u>Other income</u>		
Interest income	373,261	272,424
Others	22,622	11,486
	395,883	283,910
<u>Gains</u>		
Exchange gain	4,866	11,052
Forfeiture of deposits	14,543	16,313
Gain on disposal of subsidiaries	54,961	11,641
Gain on bargain purchase	–	3,734
Gain on disposal of items of property, plant and equipment	878	463
	75,248	43,203
	471,131	327,113

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2019 RMB' 000	2018 RMB' 000
Cost of inventories sold		26,140,970	20,274,343
Impairment losses written off for completed properties held for sale (Note)		(227,701)	(186,508)
Impairment losses recognised for properties under development		66,456	282,783
Depreciation of items of property, plant and equipment		57,679	29,235
Depreciation of right-of-use assets		44,224	–
Amortisation of other intangible assets		4,906	4,437
Gain/(Loss) on disposal of items of property plant and equipment, net		(785)	46
Gain on disposal of subsidiaries		(54,961)	(11,641)
Auditors' remuneration		10,717	9,816
Impairment losses on financial assets, net	12	482	4,141
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		580,518	452,908
Pension scheme contributions and social welfare		79,968	59,606
		580,518	452,908

*Note:* It is included in cost of sales in the consolidated statement of profit or loss.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2019</b>	<b>2018</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
Interest on bank loans and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	4,500,931	3,771,616
Interest expense arising from revenue contracts	558,799	860,149
Interest on lease liabilities	6,591	–
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	5,066,321	4,631,765
Less: Interest capitalised	(4,582,230)	(4,250,283)
	<hr/>	<hr/>
	<b>484,091</b>	<b>381,482</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2019.

Subsidiaries of the Group operating in Mainland China were subject to PRC CIT at a rate of 25% for the year.

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

	<b>2019</b>	<b>2018</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
Current tax:		
PRC CIT	1,330,378	1,279,020
PRC LAT	872,547	1,047,904
Deferred tax	(265,278)	(431,982)
	<hr/>	<hr/>
Total tax charge for the year	<b>1,937,647</b>	<b>1,894,942</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Profit before tax	5,031,631	4,127,479
At the statutory income tax rate	1,257,908	1,031,870
Profits and losses attributable to joint ventures and associates	(130,233)	39,488
Expenses not deductible for tax	23,164	22,480
Tax losses and deductible temporary differences utilised from previous years	(147,664)	(185,337)
Deductible temporary differences not recognised	111,206	75,961
Tax losses not recognised	168,796	124,552
Provision for LAT	872,547	1,047,904
Tax effect on LAT	(218,077)	(261,976)
Tax charge at the Group's effective rate	1,937,647	1,894,942

The share of tax charge attributable to joint ventures and associates amounted to RMB520,249,000 for the year (2018: RMB620,547,000). The share of tax credit attributable to joint ventures and associates amounting to RMB693,893,000 for the year (2018: RMB567,895,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

Tax payable in the consolidated statement of financial position represents:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
PRC CIT payable	1,397,227	1,228,218
PRC LAT payable	1,431,594	1,069,454
Total tax payable	2,828,821	2,297,672

## 9. DIVIDENDS

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Proposed final – HK\$0.1 (2018: HK\$0.15) per ordinary share	396,763	527,662

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

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,226,937,479 (2018: 4,069,435,616) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2019 and 2018 was based on 50,000 shares of the Company as at 1 January 2018, and 2,999,950,000 ordinary shares of the Company issued under the capitalisation issue occurred on 16 January 2018, as if these additional shares issued under the capitalisation issue had been in issue throughout the years ended 31 December 2018. On the same day, the Company issued 1,000,000,000 new ordinary shares. On 2 February 2018, the over-allotment option has been partially exercised and the Company allotted and issued 123,000,000 additional shares. On 30 July 2019, 244,756,000 shares of the Company were placed to a certain investor at a price of HK\$4.95 per share.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	<b>2019</b> <b>RMB'000</b>	<b>2018</b> <b>RMB'000</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	<u>2,506,405</u>	<u>2,120,734</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	<u>4,226,937,479</u>	<u>4,069,435,616</u>
<b>Earnings per share</b>		
Basic and diluted	<u>RMB0.59</u>	<u>RMB0.52</u>

## 11. TRADE RECEIVABLES

	<b>2019</b> <b>RMB'000</b>	<b>2018</b> <b>RMB'000</b>
Trade receivables	66,293	34,151
Impairment	<u>—</u>	<u>—</u>
	<u>66,293</u>	<u>34,151</u>

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

## 11. TRADE RECEIVABLES (Continued)

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Less than 1 year	57,772	33,432
Over 1 year	8,521	719
	<u>66,293</u>	<u>34,151</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered to be immaterial and therefore there has not been a loss allowance provision.

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Prepayments related to land use rights	2,384,636	5,033,898
Deposits	2,168,928	1,321,197
Prepayments for acquisition of land use rights	1,865,408	–
Other tax recoverable	2,259,873	2,105,124
Due from non-controlling shareholders of subsidiaries	4,418,306	3,964,789
Prepayments for construction cost	224,592	158,239
Consideration receivable of disposal of subsidiaries	11,962	–
Prepayments for investments in subsidiaries	60,120	–
Prepayments for investments in joint ventures and associates	60,000	–
Other receivables	204,824	176,610
	<u>13,658,649</u>	<u>12,759,857</u>
Impairment	(4,623)	(4,141)
	<u>13,654,026</u>	<u>12,755,716</u>
Less: Current portion	13,533,906	12,755,716
Non-current portion	<u>120,120</u>	<u>–</u>

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in provision for impairment of prepayments, other receivables and other assets are as follows:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Carrying amount at 1 January	4,141	–
Impairment losses recognised (note 6)	482	4,141
	<hr/>	<hr/>
Carrying amount at 31 December	<u>4,623</u>	<u>4,141</u>

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries, amounts due from third parties and other deposits was performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB4,623,000 as at 31 December 2019 (2018: RMB4,141,000).

## 13. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2019</b> <b>RMB' 000</b>	<b>2018</b> <b>RMB' 000</b>
Within 1 year	16,494,363	8,115,173
Over 1 year	258,252	97,370
	<hr/>	<hr/>
	<u>16,752,615</u>	<u>8,212,543</u>

The trade payables are unsecured and are normally settled based on the progress of construction.

#### 14. OTHER PAYABLES AND ACCRUALS

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Deposits related to land use rights	1,215,452	1,992,577
Advances from non-controlling shareholders of subsidiaries	6,531,535	2,181,899
Retention deposits related to construction	724,592	377,638
Interest payable	135,801	119,067
Payroll and welfare payable	266,461	248,924
Deposits related to sales of properties	105,297	161,958
Business tax and surcharges	322,371	185,937
Maintenance fund	104,242	119,607
Proceeds from asset-backed securities (Note)	3,346,334	3,285,661
Others	141,633	62,362
	<hr/>	<hr/>
	12,893,718	8,735,630
Less: current portion	10,571,875	5,449,969
	<hr/>	<hr/>
Non-current portion	2,321,843	3,285,661
	<hr/> <hr/>	<hr/> <hr/>

Except for proceeds from asset-backed securities, other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

*Note:* The balance represented proceeds received from a special purpose entity (“SPE”) set up by a financial institution in the Mainland China for issuance of asset-backed securities, to which the Group has collateralised certain future trade receivables for the remaining receipts from sales of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sales proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE. As at 31 December 2019, the current portion of the proceeds from asset-backed securities was RMB1,024,491,000 (2018: Nil) and the non-current portion is RMB2,321,843,000 (2018: RMB3,285,661,000).

## CHAIRMAN’S STATEMENT

Dear shareholders,

I am pleased to present to you the results and business review of Zhenro Properties Group Limited (“**Zhenro Properties**” or the “**Company**”, together with subsidiaries, the “**Group**”) for the year ended December 31, 2019 and its outlook for 2020.

### RESULTS

For the year ended December 31, 2019, the revenue of the Group increased by 23.1% year-on-year to RMB32,557.7 million; the profit increased by 38.6% year-on-year to RMB3,094.0 million; the core profit increased by 42.7% year-on-year to RMB2,900.0 million; and the core profit attributable to owners of the parent was RMB2,312.3 million, representing a year-on-year increase of 20.4%. The Board recommended a final dividend of HK\$0.1 per share.

### BUSINESS REVIEW OF 2019

#### High Quality Growth

In 2019, the Central Government continued to adhere to the principle of “housings are built for living in, not for speculation” and promote “city-specific housing policies”, and pledged for the first time “not to use real estate as a short-term means to stimulate economic growth”. The Central Economic Work Conference held in December 2019 further put forward “fully implementation of city-specific housing policies, and developing a long-term mechanism for stabilizing land prices, property prices and expectations to ensure the steady and healthy development of the property market”, reflecting the continuity of government policies and the Central Government’s resolution to promote the steady and healthy development of the property market. Within the context of “stability”, the property industry, on the one hand, is still a pillar industry of the national economy, which will continue to play a significant role in stabilizing economic growth; and on the other hand, local governments will have greater authority to adjust property regulation policies as appropriate. Such regulatory ideas with both control and promotion will bring various opportunities and challenges to property companies, leading to further integration and differentiation of the property industry. The Group has actively taken responsive measures to capture growth opportunities in future.

Year 2019 marks the first year of the Group’s “New Three-Year Strategy” and took “high quality growth” as our first priority, focusing on balancing of sound financial position, business scale and profitability. Despite of risks arising from uncertainties in the macro environment, the Group has striven for a steady progress by undertaking the optimization and upgrading of corporate structure to continuously enhance our core competitiveness, and steadily improved our operating performance through various measures.

## **Steady Increase in Contracted Sales**

In terms of contracted sales, the Group recorded accumulated contracted sales of RMB130.7 billion with year-on-year increase of 21%, successfully achieving contracted sales target for the year despite of market fluctuations in 2019. The Group recorded accumulated contracted gross floor areas (“GFA”) of 8,439,482 sq.m., with contracted average selling price (“ASP”) of RMB15,488 per sq.m in 2019.

## **Steady Investment    Regional Penetration**

In terms of land investment, the Group insisted on the idea of steady investment and the strategy of regional penetration, and focused on core second-tier cities with strong base, laying a solid foundation for the continuous high-quality growth in the future. In 2019, through actively capturing the window time for land acquisitions, the Group acquired 41 parcels of land and expanded our presence into 30 cities, including the first land acquisition in Xiamen at near base price. In 2019, the Group added land bank with a total GFA of approximately 5.6 million sq. m., in which 85% are located at promising second-tier cities, further deepening our presence in six major regions of China. As at December 31, 2019, the Group had a total land bank with GFA of 26.15 million sq.m. in 30 cities across China, with an average land cost of RMB4,647 per sq.m. 74% of the land bank is located in first- and second-tier cities.

## **Optimization of Structure and Products    Enhancement of Operational Efficiency**

Under the regulatory background of “housings are built for living in, not for speculation”, operational efficiency and product quality have become the core competitiveness for property companies to cope with cyclical fluctuations, which are also the foundation of the Group’s high quality growth.

Following the guideline of “optimization of headquarter and enhancement of regional companies”, the Group was committed to continuously enhancing operational efficiency, and reshaped our organizational structure and introduced management innovations through functional consolidation, differentiated authorization and standardized product management, thus embarking on a journey of sustainable and high quality growth. In addition, the Group focused on improving efficiency across the operational chain, and deepened reform of our operational system, achieving significant results. In 2019, the Group further reduced its average initial sale period to approximately 7 months with the average initial sale through rate of over 70%. On the other hand, the Group’s operational capacity of commercial property has improved steadily, with the leasing rate, rental collection rate and operating revenue reached regional benchmarks.

Guided by the brand positioning of “Home Upgrade Master”, the Group has created three benchmarking product series, i.e. “Zhenro Mansion”, “Zhenro Pinnacle” and “Zhenro Habitat”. In 2019, the Group has increased the replication rate of standardized projects to 100% through upgrading computing methods and accelerating standardization of products. While significantly contributing to growth in sales revenue, the Group’s high quality products have also been recognized by various professional institutions of the industry. In 2019, the Group has received various design awards and recognitions by renowned institutions, including:

- “Zhenro Mansion” Series was honored as “2019 Top Ten Quality Housing Products”
- Changsha Meixi Zhenro Pinnacle was honored as “2019 New Landmarks in 100 Cities of China”
- Xi’an Zhenro Pinnacle was honored “2019 Cultural Space Award for Western Cities and Architectures” at the Second Asia Architecture and Urbanism Alliance (AAUA) Competition Program
- Putian Zhenro Fortune Center Tianyue was honored “2019 GFDA Nomination Award for Global Future Design Award”
- Jinan Zhenro Jade Yue Jinyue Mansion was honored “2019 JCPRIZE Award for Excellent Space Design”

### **Optimization of Financial Structure    Upgrading Credit Rating**

Since the beginning of the second quarter of 2019, with the continuous introduction of new policies on the financing of the property industry, onshore and offshore financing channels for property sector were tightening to some extent, and the industry was facing a quite challenging financing environment as a whole. Under the guidance of “high quality growth”, the Group insisted on promoting financial soundness and maintaining sufficient liquidity, achieving breakthroughs in financing despite of the prevalent tightening financing environment in the industry. In 2019, the Group has raised funds through diversified funding channels, which include the issuances of senior notes, dim sum bonds, senior perpetual capital securities, syndicated loans, special bonds for long-term rental apartments, asset-backed securities, asset-backed notes, corporate bonds and shares placement. Meantime, the Group’s debt structure was further optimized and the debt maturity has been extended through continuous debt swaps.

On the other hand, the Group continued to improve its major financial ratios and credit ratios. As at December 31, 2019, the Group’s net debt to total equity ratio was 75.2%, which continued to maintain at the average level of the industry, and the cash to short term debt ratio was improved to approximately 1.8 times with the proportion of short-term debt to total borrowings decreasing to 34.2%. The weighted average financing cost of debt as of year end was 7.5%.

The Group's prudent financial management and comprehensive strength were also highly recognized by credit rating agencies. In 2019, Moody's upgraded the Company's credit rating to B1 (stable), Fitch Ratings upgraded the Company's credit rating to B+ (stable), and Standard & Poor's upgraded the Company's rating outlook to B (positive). In the meantime, China Chengxin Securities Rating Co., Ltd. raised the corporate credit rating of Zhenro Property Holdings Company Limited, a wholly-owned subsidiary of the Company, to the highest AAA rating with a "stable" outlook.

## **AWARDS AND RECOGNITION**

Since the Group's listing in 2018, the investment value of the Company was well recognized by the public for our prudent operation principles, sound business results and outstanding brand values. In November 2019, the Company's shares have been included as a constituent stock of the MSCI China Index. The Group has received research coverages and positive commentaries by various well-known institutions such as BNP Paribas, CCB International, Deutsche Bank, Haitong International, Huatai International, Industrial Securities, JP Morgan Chase, UOB Kay Hian, Northeast Securities, Soochow Securities, Southwest Securities and Guotai Junan Securities.

In addition, the Group has received a number of honors and more than 90 awards in 2019, including ranking 17th in "China's Top 200 Real Estate Enterprises in terms of Comprehensive Strength", ranking No.1 in "2019 Top Five Operating Performance of Chinese Public Real Estate Companies", "2019 China Top 100 Real Estate Developers – Growth Enterprises TOP 10", "2019 Listed Enterprise Award" by Bloomberg Businessweek, "2019 Most Valuable Real Estate Company of Golden Hong Kong Stocks", and "Top 10 Real Estate Companies Listed in Hong Kong with the Greatest Comprehensive Strength" for consecutive years.

## **OUTLOOK FOR 2020**

### **Focusing on Operation and Improving Efficiency and Effectiveness**

Looking forward to 2020, the principles of "housings are built for living in, not for speculation" and "long-term mechanism", remain the key government's policy objectives, the "city-specific housing policy" principle will play a significant role in balancing home prices with urbanization, talents attraction and the development of metropolitan areas. Although the tightening of financing channels for property enterprises will become a normal trend in the foreseeable future, the reasonable financing demand of individuals and enterprises will still be supported. In the new stage of the property industry, the core competitiveness of a property company lies in its own strength rather than the boom of the industry. The Group will size up the trend and capture investment windows amid the continuous integration and differentiation of the industry. We will focus on our operations and improve our efficiency and effectiveness in order to achieve high quality growth.

2020 will be a year of hard battle for the Group's "New Three-Year Strategy". With a view to realizing our vision of high quality growth, we will focus on core businesses and spare no efforts in making breakthroughs, and we will build our sustainable and cross-cyclical competitiveness driven by both capitals and operations. In this regard, the Group will continue to enhance its management structure and talent pipelines, and improve incentive mechanisms to strengthen employee's core competitiveness. The Group will continue to improve its decision-making mechanism and standardized management as well as upgrade its management mechanism, so as to enhance its operational and management capabilities. Meanwhile, the Group will focus on improving operational efficiency, cost control and develop core capabilities under the guidance of its strategic objectives, thus maintaining its industry-leading position and overall competitiveness.

In 2020, we will stick to the principle of prudent investment, pay close attention to market changes, insist on the strategy of regional penetration, and focus on first and second-tier cities and their metropolitan circles, so as to fully explore investment opportunities through diversified ways.

The Group has set the contracted sales target of RMB140 billion in 2020. Its sufficient and high-quality saleable resources will support the Group in achieving a high-quality, sustainable and steady growth. China's economy was impacted by the COVID-19 epidemic in the first quarter, and the sales and construction progress of the property industry were also negatively affected under the general environment. However, the Group remains confident about the outlook and believes that the end-user demand for homes contained by the epidemic will be released and compensated in the future.

In terms of financial management, the Group will focus on improving the efficiency and effectiveness of funds based on the management of cash flow and profit, and further improve its credit ratings and reduce financing costs. The Group will strengthen its capabilities for risk management, emphasize high turnover, and adhere to the strategy of strong operation, investment control and leverage control.

## **APPRECIATION**

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support, and all employees for their dedication and hard work over the past year. We will continue to uphold our core value of “prosperity from integrity” and achieve a sustainable and high quality growth, to bring our shareholders and investors economic returns and develop ourselves into a respectful, sustainable and competitive enterprise.

**Zhenro Properties Group Limited**  
**HUANG Xianzhi**  
*Chairman*

China

27 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY DEVELOPMENT

#### Contracted Sales

For the year ended December 31, 2019, the Group recorded contracted sales of RMB130,707.7 million, representing a 21.0% year-over-year increase from 2018, which was primarily due to the increase in salable GFA accumulated by the Group in first- and second-tier cities in the past several years by executing the Group's development strategies.

For the year ended December 31, 2019, total contracted GFA sold amounted to approximately 8.4 million sq.m., representing an increase of approximately 31.0% from approximately 6.4 million sq.m. for the year ended December 31, 2018. Contracted average selling price ("ASP") for the year ended December 31, 2019 was approximately RMB15,488 per sq.m., compared with RMB16,765 per sq.m. for the year ended December 31, 2018. The decrease was primarily due to the increase in the proportion of GFA with a relatively lower ASP among total contracted GFA in 2019.

Contracted sales from Yangtze River Delta Region, Western Taiwan Straits Region, Central China Region, Bohai Rim Region, Western China Region and Pearl River Delta Region contributed to approximately 55.2%, 24.2%, 9.6%, 7.2%, 3.5% and 0.3%, respectively, of the Group's total contracted sales in 2019.

The following table sets out the geographic breakdown of the Group's contracted sales in 2019.

	<b>Contracted GFA Sold</b> <i>sq.m.</i>	<b>Contracted Sales</b> <i>RMB'000</i>	<b>Contracted ASP</b> <i>RMB/sq.m.</i>	<b>% of Contracted Sales</b> <i>%</i>
Yangtze River Delta Region	3,959,350	72,159,353	18,225	55.2%
Western Taiwan Straits Region	2,339,084	31,674,936	13,542	24.2%
Central China Region	1,154,278	12,527,321	10,853	9.6%
Bohai Rim Region	566,727	9,391,399	16,571	7.2%
Western China Region	395,734	4,549,347	11,496	3.5%
Pearl River Delta Region	24,310	405,328	16,673	0.3%
<b>Total</b>	<b>8,439,482</b>	<b>130,707,685</b>	<b>15,488</b>	<b>100.0%</b>

## Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 22.9% from RMB26,179.3 million for the year ended December 31, 2018 to RMB32,184.6 million for the year ended December 31, 2019, accounting for 99.0% of the Group's total revenue. The Group's recognized ASP from sales of properties was approximately RMB15,035 per sq.m. in 2019, representing a 13.8% decrease from RMB17,445 per sq.m. in 2018, primarily due to the increase in the proportion of GFA with a relatively lower ASP among total delivered GFA in 2019.

The increase in revenue recognized from sales of properties was primarily due to more GFA completed and delivered as a result of the Group's continuing expansion.

During the year of 2019, the properties delivered by the Group included Tianjin Zhenro Mansion (天津•正榮府), Nanjing Zhenro Royal Fame (南京正榮•潤峯) and Hefei City 1907 (合肥•都會1907) and others. The following table sets forth the details of the revenue recognized from the sales of properties of the Group by geographical location for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sale of Properties		Total GFA Delivered		Recognized ASP	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>	<i>sq.m.</i>	<i>sq.m.</i>	<i>RMB/Sq.m.</i>	<i>RMB/Sq.m.</i>
	2019	2018	2019	2018	2019	2018	2019	2018
Yangtze River Delta Region	13,002,205	20,541,020	40.4	78.5	734,282	854,608	17,707	24,036
Western Taiwan Straits Region	11,612,940	4,426,047	36.1	16.9	974,532	478,171	11,916	9,256
Bohai Rim Region	5,303,964	94,051	16.5	0.3	253,758	4,019	20,902	23,400
Central China Region	2,265,467	1,093,383	7.0	4.2	178,127	161,372	12,718	6,776
Western China Region	-	24,843	-	0.1	-	2,481	-	10,014
<b>Total</b>	<b>32,184,576</b>	<b>26,179,344</b>	<b>100.0</b>	<b>100.0</b>	<b>2,140,699</b>	<b>1,500,651</b>	<b>15,035</b>	<b>17,445</b>

## Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As of December 31, 2019, the Group had completed properties held for sale of RMB7,626.2 million, representing a 33.3% decrease from RMB11,433.5 million as of December 31, 2018. The decrease was primarily due to the delivery of the completed properties sold and the revenue recognised in 2019. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

## **Properties Under Development**

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalized interests and other costs directly attributable to such properties incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale.

As of December 31, 2019, the Group had properties under development of RMB86,379.4 million, representing an 35.8% increase from RMB63,588.0 million as of December 31, 2018. The increase was primarily due to an increase in the number of projects developed by the Group in 2019.

## **PROPERTY INVESTMENT**

### **Rental Income**

The Group's rental income for the year ended December 31, 2019 was approximately RMB134.3 million, representing a 28.1% increase from 2018. The increase was primarily due to the commencement of operation of Fuzhou Mawei Zhenro Fortune Center.

### **Investment Properties**

As of December 31, 2019, the Group had 11 investment properties with a total GFA of approximately 780,842 sq.m. Out of such investment properties portfolio of the Group, 7 investment properties with a total GFA of approximately 496,928 sq.m. had commenced leasing.

## **LAND BANK**

In 2019, the Group continued deep ploughing in the extended cities. It acquired a total of 41 new land parcels with a total site area of approximately 2.0 million sq.m., an aggregate estimated GFA of approximately 5.6 million sq.m., a total contractual land premium of approximately RMB33,400.1 million and an average cost of approximately RMB5,968 per sq.m.. The following table sets forth details of the Group's newly acquired land parcels during the year ended December 31, 2019.

## PROPERTIES DEVELOPED BY THE GROUP AND ITS SUBSIDIARIES

City	Land Parcel/ Project Name	Land Use	Site Area <i>sq.m</i>	Estimated Total GFA <i>sq.m.</i>	Land Premium <i>RMB million</i>	Average Land Cost (Based on the Estimated Total GFA) <i>RMB/sq.m.</i>	Attributable Interest
<b><i>Yangtze River Delta Economic Region</i></b>							
Hefei	Hefei Beicheng Zhenro Mansion Parcel No.7	Residential/retail	50,857	128,114	717	5,597	63%
Hefei	Hefei Beicheng Zhenro Mansion Parcel No.8	Residential/retail	30,488	76,727	430	5,603	63%
Hefei	Hefei Beicheng Zhenro Mansion Parcel No.10	Residential/retail	43,324	109,808	611	5,563	63%
Hefei	Hefei Jade Zhenro Mansion	Residential/retail	58,464	155,397	1,114	7,167	100%
Nanjing	Nanjing Zhenro East Mansion	Residential	84,929	231,655	1,440	6,216	100%
Nanjing	Nanjing Zhenro Waterfront Mansion	Residential/retail	36,292	112,449	1,450	12,895	51%
Nanjing	Nanjing Zhenro Joy City Mansion	Residential	11,561	43,956	510	11,602	49%
Nanjing	Chuzhou Time Elegance Garden	Residential	55,719	129,109	223	1,723	50%
Suzhou	Suzhou Zhenro Parcel 007	Residential	45,742	130,510	1,086	8,317	38%
Suzhou	Suzhou Zhenro South Wujiang Parcel	Residential	50,058	137,857	927	6,725	100%
Suzhou	Suzhou Zhenro Parcel 41	Residential/retail	26,480	66,946	440	6,572	51%
<b><i>Middle China Economic Region</i></b>							
Wuhan	Wuhan Panlong Zhenro Mansion	Residential/retail	49,251	205,107	922	4,496	100%
Wuhan	Wuhan Guanggu Zhenro Mansion	Residential/retail	46,463	136,818	1,018	7,444	100%
Xiangyang	Zhenro Yue River Mansion	Residential/retail	20,142	82,327	348	4,227	76%
Zhengzhou	Zhengzhou Parcel No.23	Residential	49,924	198,526	473	2,382	51%
<b><i>West China Economic Region</i></b>							
Xi'an	Xi'an Zhenro Pinnacle Phase 1	Residential/retail/ SOHO and office	36,041	143,125	724	5,059	97%
Xi'an	Xi'an Zhenro Pinnacle Phase 2	Residential/retail/ SOHO and office	75,748	226,960	1,070	4,714	97%
Xi'an	Xi'an Zhenro Daxing Mansion	Residential/retail	15,586	61,089	213	3,488	94%
Chongqing	Chongqing Shuitu Parcel	Residential	88,177	190,725	820	4,299	100%
Chongqing	Chongqing Dadukou Parcel	Residential/retail	46,757	131,728	514	3,902	51%
Chengdu	Chengdu Guihu Zhenro Mansion	Residential	21,205	60,934	322	5,290	100%
Chengdu	Chengdu Dujiangyan Parcel	Residential/retail	48,140	128,926	318	2,464	70%
<b><i>Bohai Economic Rim</i></b>							
Tianjin	Xiqing Parcel 09	Residential/retail	137,767	253,947	2,233	8,793	100%
Tianjin	Beichen Parcel 053	Residential/retail	34,244	98,288	730	7,427	100%

City	Land Parcel/ Project Name	Land Use	Site Area sq.m	Estimated Total GFA sq.m.	Land Premium RMB million	Average Land Cost (Based on the Estimated Total GFA) RMB/sq.m.	Attributable Interest
<b><i>Western Taiwan Straits Economic Zone</i></b>							
Fuzhou	Fuzhou Zhenro Yue Mountain Mansion	Residential/retail	61,510	232,036	1,893	8,158	80%
Fuzhou	Fuzhou Zhenro Seascape Wonderland	Residential/retail	33,436	132,495	747	5,638	27%
Fuzhou	Fuzhou Zhenro Sanjiang Cloud Piedmont	Residential/retail	110,191	257,338	2,890	11,230	100%
Putian	Putian Royal Palace Zhenro Mansion	Residential/retail	29,559	80,838	482	5,956	100%
Putian	Putian Royal Palace Zhenro Mansion Phase 2	Residential/retail	22,667	76,649	534	6,967	100%
Nanchang	Nanchang Zhenro Yue Lan Bay Phase 1	Residential/retail	55,635	162,010	945	5,835	100%
Nanchang	Nanchang Wanli Bay Mansion	Residential/retail	22,841	55,736	210	3,774	50%
Nanchang	Nanchang New Project 68 Mu	Residential/retail	39,116	125,649	560	4,459	62%
Nanchang	Nanchang Project Xianghu	Residential	53,563	178,393	734	4,116	34%
Yichun	Yuanzhou new town 72 acres Parcel	Residential/retail	48,000	135,054	274	2,027	100%
Quanzhou	Jinjiang P2019-27 Parcel	Residential/retail	57,632	137,942	416	3,016	34%
Quanzhou	Jinjiang P2019-34 Parcel	Residential/retail	34,124	138,159	533	3,858	51%
Xiamen	Xiamen 2019JP05 Parcel	Residential/retail	18,218	69,295	1,000	14,431	41%
<b><i>Pearl River Delta Economic Rim</i></b>							
Foshan	Foshan Project Lishui	Residential/retail	32,937	119,881	1,221	10,182	51%
<b>Subtotal</b>			<b>1,782,787</b>	<b>5,142,505</b>	<b>31,091</b>	<b>6,046</b>	

**PROPERTIES DEVELOPED BY THE GROUP'S JOINT VENTURES AND ASSOCIATED COMPANIES**

City	Land Parcel/ Project Name	Land Use	Site Area <i>sq.m</i>	Estimated Total GFA <i>sq.m.</i>	Land Premium <i>RMB million</i>	Average Land Cost (Based on the Estimated Total GFA) <i>RMB/sq.m.</i>	Attributable Interest
<i>Yangtze River Delta Economic Region</i>							
Suzhou	Suzhou Project Wangting	Residential/retail	95,836	281,134	1,562	5,555	19.9%
<i>Bohai Economic Rim</i>							
Tianjin	Tianjin Xiqing Zhongbei Parcel	Residential/retail	38,670	77,672	577	7,429	33.0%
<i>Western Taiwan Straits Economic Zone</i>							
Ganzhou	Ganzhou Zhenro Yuerong Mansion	Residential/retail	32,740	95,145	170	1,789	50.0%
<b>Sub-total</b>			<u>167,247</u>	<u>453,951</u>	<u>2,309</u>	<u>5,086</u>	
<b>Total</b>			<u><u>1,950,034</u></u>	<u><u>5,596,456</u></u>	<u><u>33,400</u></u>	<u><u>5,968</u></u>	

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 23.1% from RMB26,453.1 million for the year ended December 31, 2018 to RMB32,557.7 million for the year ended December 31, 2019. Out of the Group's total recognized revenue in 2019, (i) sales of properties increased by approximately 22.9% to RMB32,184.6 million from 2018, (ii) property leasing increased by approximately 28.1% to RMB134.3 million from 2018, (iii) Management service increased by approximately 36.5% to RMB153.3 million from 2018, and (iv) provision of commercial property management services increased by approximately 51.0% to RMB85.5 million from 2018. The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	2019		2018		Year- over- Year Change %
	Revenue RMB'000	% of Total Revenue %	Revenue RMB'000	% of Total Revenue %	
Sales of properties	32,184,576	98.9	26,179,344	99.0	22.9
Rental income	134,298	0.4	104,812	0.4	28.1
Management service income <sup>(1)</sup>	153,294	0.5	112,340	0.4	36.5
Property management income	85,492	0.3	56,610	0.2	51.0
<b>Total</b>	<b>32,557,660</b>	<b>100.0</b>	<b>26,453,106</b>	<b>100.0</b>	<b>23.1</b>

Note:

- (1) Primarily includes revenue generated from provision of design consultation services to joint ventures and associates and third parties.

### Cost of Sales

The Group's cost of sales primarily represents the costs it incurs directly for the property development activities as well as its commercial property management and leasing operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 27.5% from RMB20,431.8 million for the year ended December 31, 2018 to RMB26,059.8 million for the year ended December 31, 2019, primarily attributable to the increase in the number of properties completed and delivered by the Group during the year ended December 31, 2019.

## **Gross Profit and Gross Profit Margin**

As a result of the foregoing, the Group's gross profit increased by approximately 7.9% from RMB6,021.3 million for the year ended December 31, 2018 to RMB6,497.9 million, for the year ended December 31, 2019.

Gross profit margin was 20.0% for the year ended December 31, 2019, decreased from 22.8% for the year ended December 31, 2018, primarily due to the increase in the proportion of GFA with a relatively lower ASP among total delivered GFA in 2019.

## **Other Income and Gains**

The Group's other income and gains primarily consist of interest income, commercial compensation and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently entered into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains increased by approximately 44.0% from RMB327.1 million for the year ended December 31, 2018 to RMB471.1 million for the year ended December 31, 2019, primarily due to an increase in interest income on bank deposits mainly as a result of the increase in the total amount of bank deposits in 2019.

## **Selling and Distribution Expenses**

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff cost, office expenses, fees paid to our third-party sales agents, rental and other expenses relating to sales of our properties and property leasing services.

The Group's selling and distribution expenses increased by approximately 10.9% from RMB876.6 million for the year ended December 31, 2018 to RMB972.3 million for the year ended December 31, 2019, primarily due to (i) the strengthened selling and marketing efforts to promote newly-launched property projects in new cities and regions in which the Group operates as part of its business expansion; and (ii) the expansion of the Group's in-house sales and marketing team to support its business expansion in 2019.

## **Administrative Expenses**

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses increased by approximately 23.8% from RMB980.9 million for the year ended December 31, 2018 to RMB1,214.5 million for the year ended December 31, 2019, primarily due to the continuous increase in the number of property projects under development and planned for future development, which was in line with the Group's business expansion, resulting in increases in its management and administrative headcount, traveling expenses and other miscellaneous expenses.

### **Other Expenses**

Other expenses increased by 120.3% from RMB44.9 million for the year ended December 31, 2018 to RMB98.9 million for the year ended December 31, 2019, primarily due to an increase of foreign exchange losses.

### **Fair Value Gains on Investment Properties**

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Fair value gains on investment properties increased by approximately 125.9% from RMB144.6 million for the year ended December 31, 2018 to RMB326.5 million for the year ended December 31, 2019.

### **Finance Costs**

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs increased by approximately 26.9% from RMB381.5 million for the year ended December 31, 2018 to RMB484.1 million for the year ended December 31, 2019, primarily due to an increase in the scale of total interest-bearing borrowings in 2019.

### **Share of Profits of Joint Ventures and Associated Companies**

The Group's share of profits of joint ventures was RMB357.5 million for the year ended December 31, 2019, compared with the share of losses of RMB59.5 million for the year ended December 31, 2018, primarily due to the increase in the number of properties delivered of joint ventures.

The Group's share of profits of associated companies was RMB163.4 million for the year ended December 31, 2019, compared with the share of losses of RMB98.5 million for the year ended December 31, 2018, primarily due to the increase in the number of properties delivered of associated companies.

## **Income Tax Expenses**

Income tax expenses represent corporate income tax and land appreciation tax (“LAT”) payable by the Group’s subsidiaries in the PRC.

The Group’s income tax expenses increased by approximately 2.3% from RMB1,894.9 million for the year ended December 31, 2018 to RMB1,937.6 million for the year ended December 31, 2019, primarily due to an increase in the Group’s profit before tax. The effective corporate income tax rate was 25.6% for the year ended December 31, 2019, compared with 27.5% for the year ended December 31, 2018.

## **Profit for the Year**

As a result of the foregoing, the Group’s profit for the year increased by approximately 38.6% from RMB2,232.5 million for the year ended December 31, 2018 to RMB3,094.0 million, for the year ended December 31, 2019.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the IPO, proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group’s need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group’s short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new bank loans. The Group’s need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan.

### **Cash Positions**

As of 31 December 2019, the Group had cash and bank balances of approximately RMB28,368.6 million (31 December 2018: RMB22,539.0 million), pledged deposits of approximately RMB1,801.2 million (31 December 2018: RMB963.6 million) and restricted cash of approximately RMB5,137.0 million (31 December 2018: RMB4,866.0 million).

### **Indebtedness**

As of December 31, 2019, the Group has total outstanding bank and other borrowings of RMB36,317.1 million, compared with RMB38,170.6 million as of December 31, 2018. As of December 31, 2019, the Group also had onshore corporate bond and senior notes with carrying amounts of approximately RMB22,348.3 million, compared with RMB8,321.0 million as of December 31, 2018. The Group’s borrowings are mainly denominated in Renminbi and US dollars.

The following table sets forth the Group's total borrowings as of the dates indicated.

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current borrowings:		
Bank borrowings – secured	312,740	80,000
Bank borrowings – unsecured	69,871	–
Other borrowings – secured	490,000	5,292,063
Other borrowings – unsecured	1,718,688	15,900
Plus: current portion of non-current borrowings		
Bank borrowings – secured	5,420,954	8,379,839
Bank borrowings – unsecured	454,782	832,643
Other borrowings – secured	4,123,401	5,185,600
Other borrowings – unsecured	1,943,700	1,843,165
Senior notes and Corporate bonds	<u>5,506,307</u>	<u>2,209,986</u>
 Total current borrowings	 <u>20,040,443</u>	 <u>23,839,196</u>
Non-current borrowings:		
Bank borrowings – secured	16,551,576	11,655,746
Bank borrowings – unsecured	1,541,086	583,896
Other borrowings – secured	3,211,344	4,066,849
Other borrowings – unsecured	478,980	234,888
Senior notes and Corporate bonds	<u>16,842,040</u>	<u>6,111,026</u>
 Total non-current borrowings	 <u>38,625,026</u>	 <u>22,652,405</u>
 <b>Total</b>	 <b><u>58,665,469</u></b>	 <b><u>46,491,601</u></b>

The following table sets forth the maturity profiles of the Group's total borrowings as of the dates indicated.

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable within one year	20,040,443	23,839,196
Repayable in the second year	19,554,347	15,344,380
Repayable within third to fifth years	18,207,193	6,775,551
Repayable more than five years	<u>863,486</u>	<u>532,474</u>
 <b>Total</b>	 <b><u>58,665,469</u></b>	 <b><u>46,491,601</u></b>

Additionally, as of December 31, 2019, the Group issued varieties of corporate bond and unsecured senior notes. Please refer to “BOND, SENIOR NOTES AND SENIOR PERPETUAL CAPITAL SECURITIES OFFERINGS, REPURCHASE AND REDEMPTION” below for more details.

## **Borrowing Costs**

The Group's weighted average effective interest rates on bank and other borrowings were 7.5% for the year ended December 31, 2019, compared with 7.8% for the year ended December 31, 2018. The decrease was primarily due to the Group's effective measures to optimize its debt structure, as well as its stronger bargaining power to access to capital at competitive costs as a result of its growing operation scale.

## **Charge on Assets**

As at December 31, 2019, the Group's asset portfolio which includes investment properties with carrying value of RMB4,315.4 million (31 December 2018: RMB4,005.1 million), properties under development with carrying value of RMB56,639.2 million (31 December 2018: RMB48,508.9 million), completed properties held for sale with carrying value of RMB998.8 million (31 December 2018: RMB1,503.5 million), property, plant and equipment with carrying value of RMB251.0 million (31 December 2018: RMB515.7 million), other right-of-use assets with carrying value of RMB261.0 million and financial assets at fair value through profit or loss with carrying value of RMB670.2 million (31 December 2018: RMB743.1 million) were pledged as security for the Group's secured borrowings.

## **OFF-BALANCE SHEET EQUITY DATA**

For the year ended December 31, 2019, revenue attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB4.70 billions. As of December 31, 2019, cash and bank balances attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB4.73 billions.

## **FINANCIAL RISKS**

The Group is not subject to significant credit risk and liquidity risk.

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

## **KEY FINANCIAL RATIOS**

The Group's current ratio was 1.6 as of December 31, 2019, compared with 1.40 as of December 31, 2018.

The Group's net gearing ratio was 75.2% as of December 31, 2019, compared with 74.0% as of December 31, 2018.

## **CONTINGENT LIABILITIES**

### **Mortgage Guarantees**

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As of December 31, 2019, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB36,516.9 million, compared with RMB32,844.4 million as of December 31, 2018.

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on our financial condition and results of operations.

### **Other Financial Guarantees**

As of December 31, 2019, the guarantees given to banks and other institutions in connection with borrowings made to the joint ventures and associates and a third party were approximately RMB4,774.1 million, compared with RMB3,690.9 million as of December 31, 2018.

### **Legal Contingents**

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on our business, financial condition or operating results.

### **Commitments**

As of December 31, 2019, the Group's capital commitment it had contracted but yet provided for was RMB23,900.3 million, compared with RMB13,396.1 million as of December 31, 2018.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Except for the contingent liabilities disclosed above, as of December 31, 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

## **BOND, SENIOR NOTES AND SENIOR PERPETUAL CAPITAL SECURITIES OFFERINGS, REPURCHASE AND REDEMPTION**

The Group continuously looks for financing opportunities to support its business development. These opportunities include the raising of funds through asset-backed securities programs, corporate bonds and other debt offerings.

In January 2019, the Group issued senior notes with an aggregate principal amount of US\$200.0 million through public offering. The notes bear interest at a rate of 8.6% per annum due January 2020.

In January 2019, the Group issued additional senior notes with an aggregate principal amount of US\$150.0 million through public offering. The additional notes bear interest at a rate of 10.5% per annum due June 2020.

In February 2019, the Group issued senior notes with an aggregate principal amount of US\$230.0 million through public offering. The notes bear interest at a rate of 9.8% per annum due August 2021.

In February 2019, the Group repurchased the entire outstanding principal amount of the senior notes which bear interest at a rate of 8.5% per annum issued in 2018 and due 2019. In April 2019, the Group completed cancellation of the senior notes.

In March 2019, the Group issued senior notes with an aggregate principal amount of US\$200.0 million through public offering. The notes bear interest at a rate of 9.15% per annum due March 2022.

In April 2019, the Group issued senior notes with an aggregate principal amount of US\$420.0 million through public offering. The notes bear interest at a rate of 8.65% per annum due January 2023.

In June 2019, the Group issued a three-year corporate bond with an aggregate principal amount of RMB350.0 million. The bond bear interest at a rate of 6.8% per annum due June 2022.

In June 2019, the Group issued senior perpetual capital securities (the “**Senior Perpetual Capital Securities**”) with an aggregate principal amount of US\$200.0 million. The Senior Perpetual Capital Securities have no fixed maturity date and are redeemable on or after January 25, 2022 or if such day is not a business day, the next following business day (“**First Reset Date**”) at the Company’s option at the principal amount together with accrued, unpaid or deferred distribution payments. The distribution rate for the instruments is (i) 10.25% per annum from date of issue to, but excluding, the First Reset Date; and (ii) in respect of the periods (A) from, and including, the First Reset Date to, but excluding, the Reset Date (being each of the First Reset Date and each day falling every three calendar years after the First Reset Date) immediately after the First Reset Date and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Treasury Rate (as defined in the terms and conditions of the Senior Perpetual Capital Securities) with respect to the relevant Reset Date plus the initial spread of 8.414% plus the step-up margin of 5% per annum, then increase by 5% per annum thereafter. The Senior Perpetual Capital Securities are classified as equity instruments and presented as a part of equity in the consolidated statement of financial position.

In August 2019, the Group issued additional senior notes with an aggregate principal amount of US\$110.0 million through public offering. The additional senior notes bear interest at a rate of 9.15% per annum and have been consolidated and form a single series with the 9.15% senior notes due March 2022 in the aggregate principal amount of USD200.0 million issued on 8 March 2019.

In September 2019, the Group issued the first tranche of a four-year corporate bond with an aggregate principal amount of RMB1,100.0 million. The bond bear interest at a rate of 7.16% per annum due September 2023.

In October 2019, the Group issued senior notes with an aggregate principal amount of US\$300.0 million. The notes bear interest at a rate of 8.7% per annum due August 2022.

In November 2019, the Group redeemed the senior notes with the principal amount of US\$200.0 million which bear interest at a rate of 8.6% per annum issued in 2019 and due 2020.

In November 2019, the Group issued senior notes with an aggregate principal amount of US\$300.0 million. The notes bear interest at a rate of 9.15% per annum due May 2023.

In November 2019, the Group issued senior notes with an aggregate principal amount of RMB700.0 million. The notes bear interest at a rate of 8.0% per annum due November 2020.

In November 2019, the Group issued a three-year corporate bond with an aggregate principal amount of RMB1,050.0 million. The bond bear interest at a rate of 6.0% per annum due November 2022.

In November 2019, the Group issued a two-year corporate bond with an aggregate principal amount of RMB950.0 million. The bond bear interest at a rate of 7.5% per annum due November 2021.

The Group intends to use the proceeds from these bond offerings to repay external borrowings and may also consider other debt offering plans in the near future.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended December 31, 2019.

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

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

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

## **EMPLOYEES**

As of December 31, 2019, the Group had a total of 1,954 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

## **SUBSEQUENT EVENTS**

Other than the following mentioned matters, no material events were undertaken by the Group subsequent to December 31, 2019 and up to the date of this announcement.

In January 2020, the Group issued senior notes with an aggregate principal amount of US\$290.0 million through public offering. The notes bear interest at a rate of 7.875% per annum due April 2024.

In February 2020, the Group issued senior notes with an aggregate principal amount of US\$200.0 million through public offering. The notes bear interest at a rate of 5.6% per annum due February 2021.

## **IMPACT OF NOVEL CORONAVIRUS PNEUMONIA**

Since January 2020, novel coronavirus has spread rapidly in different cities in China and all over the world, posing a major challenge to the global economy. Under the effective control measures of the Chinese government, the outbreak has been gradually controlled.

The Group has fully assessed the impact of the outbreak on its business and believes that the outbreak has a short-term impact on all trades and industries in the first quarter, and the sales and construction progress in the real estate industry has been affected by the general environment. However, many local governments have recently adopted policies for phased relaxation of controls for the real estate industry to ensure the steady development of the real estate market.

The Group will closely monitor the development of the outbreak and continue to assess the impact of the outbreak on the Group's finances and operations.

## **DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES**

Reference is made to the announcement made by the Company on 5 July 2019.

In July 2019, pursuant to a facility agreement entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, The Bank of East Asia, Limited, Goldman Sachs (Asia) L.L.C. and BNP Paribas, acting through its Hong Kong Branch, collectively as the original lenders, dual-currency term loan facilities in the amount of HK\$234,000,000 and US\$90,000,000 (totaling approximately US\$120,000,000) will be made available to the Company for a term of 36 months from the date of the facility agreement. Details can be referred to the Company's announcement dated 5 July 2019.

As provided in the facility agreement, if Mr. Ou Zongrong, Mr. Ou Guoqiang and Mr. Ou Guowei collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in, carrying at least 51% of the voting right in the Company, of which at least 45% beneficial shareholding must, at any time on or after the first date of utilisation of the Loan Facility, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company, the commitments under the loan facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facilities may become immediately due and payable.

## **USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING**

The Group completed its IPO and was successfully listed on the Main Board of the Stock Exchange on January 16, 2018. Net proceeds from the IPO (including the exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the Offering which the Company received amounted to approximately HK\$4,392.3 million.

During the year of 2019, in a manner consistent with the proposed allocations in the prospectus, the Group utilized the proceeds from IPO, of which approximately RMB902.1 million was used to repay borrowings falling due and approximately RMB377.5 million was allocated to project companies as general working capital. Among the remaining proceeds used for construction and development of property projects, RMB1,376.1 million was paid, while the remaining will be paid year by year according to the progress of construction in the following years.

## **PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

On 19 July 2019, the Company, RoYue Limited (“**RoYue**”), a controlling shareholder of the Company and CCB International Capital Limited (the “**Placing Agent**”) entered into a placing and subscription agreement (“**Agreement**”) pursuant to which (i) RoYue agreed to appoint the Placing Agent and the Placing Agent agreed to act as agent of RoYue and to use its best efforts to procure purchasers for up to 244,756,000 existing shares of the Company at HK\$4.95 per placing share; and (ii) RoYue agreed to subscribe for up to 244,756,000 new shares of the Company (“**Subscription Shares**”) at HK\$4.95 per Subscription Share. Such 244,756,000 Subscription Shares have an aggregate nominal value of US\$2,447.56 based on the par value of US\$0.00001 per share and a market value of HK\$1,236,017,800 based on the closing price of HK\$5.05 per share as quoted on the Stock Exchange on the last trading day prior to the signing of the Agreement. The net price for the subscription is approximately HK\$4.90 per Subscription Share.

The completion of the placing of 244,756,000 existing shares at HK\$4.95 per placing share to no less than six independent places and the subscription of a total of 244,756,000 new shares of the Company at HK\$4.95 per Subscription Share took place on 24 July 2019 and 30 July 2019, respectively. The Company received total net proceeds from the subscription of approximately HK\$1,199,300,000 and intends to use the net proceeds for possible investments in the future when opportunities arise and as general working capital of the Group. Details can be referred to the Company’s announcements dated 21 July 2019 and 30 July 2019.

## **OTHER INFORMATION**

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended December 31, 2019.

### **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.1 per share (equivalent to RMB0.09 per share), amounting to approximately a total of HK\$436.8 million (or approximately RMB396.8 million) for the year ended December 31, 2019 (the “**2019 Proposed Final Dividend**”). The 2019 Proposed Final Dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (the “**AGM**”) to be held on June 8, 2020. The 2019 Proposed Final Dividend will be declared and paid in Hong Kong dollars.

### **AGM AND CLOSURE OF REGISTER OF MEMBERS**

The AGM of the Company will be held on Monday, June 8, 2020. A notice convening the AGM will be published on the Company’s website and the Stock Exchange’s website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 4, 2020 to Monday, June 8, 2020 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Monday, June 8, 2020, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, June 3, 2020.

Subject to the approval of the 2019 Proposed Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Friday, June 12, 2020 to Sunday, June 14, 2020 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2019 Proposed Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, June 11, 2020. The 2019 Proposed Final Dividend, if approved by the Company’s shareholders at the forthcoming AGM, will be paid on or about Thursday, July 16, 2020 to those shareholders whose name appear on the register of member of the Company on Sunday, June 14, 2020.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the “**Code**”) set out in Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

On November 20, 2019, Mr. Wang Benlong resigned and ceased to act as the executive director, chief executive officer and the authorized representative of the Company. The Board expects that more time will be required to identify and appoint a suitable candidate as the chief executive officer of the Company. During the transitional period, Mr. Huang Xianzhi, an executive director of the Company and the chairman of the Board, has been appointed as the chief executive officer on November 20, 2019, to temporarily take up the duties of Mr. Wang Benlong until a suitable candidate is appointed. Code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board believes that Mr. Huang Xianzhi's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and the vesting of the roles as the chairman and chief executive officer to Mr. Huang Xianzhi would allow efficient business planning and decision, which the Board believes is in the best interest of the business development of the Group during this transitional period. The Company will, however, seek to re-comply with Code Provision A.2.1 by identifying and appointing a suitable and qualified candidate to fill the casual vacancy as soon as practicable. Further announcement(s) will be made as and when appropriate in accordance with applicable requirements under the Listing Rules.

So far as the Directors are aware, other than the abovementioned matter, the Company has complied with the Code during the year ended December 31, 2019.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

#### **CHANGES IN MEMBER OF BOARD OF DIRECTOR'S AND CHIEF EXECUTIVE'S BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES**

On June 6, 2019, (i) Mr. LIN Hua has been appointed as an independent non-executive Director and a member of both the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company; and (ii) Mr. SHEN Guoquan has resigned as an independent non-executive Director and a member of both the Remuneration Committee and the Nomination Committee, with effect from June 6, 2019.

With effect from November 20, 2019, (i) Mr. HUANG Xianzhi has been appointed as chief executive officer; (ii) Mr. CHAN Wai Kin has been appointed as the authorised representative of the Company; and (iii) Mr. WANG Benlong has resigned as an executive director, chief executive officer and authorised representative.

Save as disclosed above, there is no other change in Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the year of 2019.

## **Audit Committee**

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises of three members, namely Dr. Loke Yu (alias LOKE Hoi Lam), and Mr. Wang Chuanxu, two of our independent non-executive Directors, and Mr. Ou Guowei, our non-executive Director. Dr. Loke Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications.

The Audit Committee has reviewed and discussed the annual results for the year ended December 31, 2019. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The annual results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.zhenrodc.com](http://www.zhenrodc.com)). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board  
**Zhenro Properties Group Limited**  
**HUANG Xianzhi**  
*Chairman*

China, March 27, 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Huang Xianzhi, and Mr. Chan Wai Kin, the non-executive directors of the Company are Mr. Ou Guoqiang and Mr. Ou Guowei, and the independent non-executive directors of the Company are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Lin Hua.*