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CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The board (the “Board”) of directors (the “Directors”) of China Sandi Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2019 together with the comparative figures for the nine months ended 31 December 2018:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019	Nine months ended 31 December 2018
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited and restated)
Revenue			
Goods and services	5	1,825,886	265,705
Rental of investment properties	5	115,679	99,343
		<hr/>	<hr/>
Total revenue		1,941,565	365,048
Cost of sales and services		(1,322,124)	(216,671)
		<hr/>	<hr/>
Gross profit		619,441	148,377
Other income	7	14,709	23,844
Other gains and losses	8	125,490	(45,491)
Change in fair value of investment properties		19,747	63,690
Change in fair value upon transfer from inventories of properties to investment properties		382,058	–
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(30,364)	(49,157)
Change in fair value of derivative component of convertible bond		(9,334)	–
Selling and distribution expenses		(104,508)	(81,032)
Administrative expenses		(143,549)	(102,449)
Finance costs	9	(139,388)	(37,255)
Share of results of an associate		(11,643)	(632)
		<hr/>	<hr/>
Profit (loss) before tax	10	722,659	(80,105)
Income tax expense	11	(255,477)	(44,002)
		<hr/>	<hr/>
Profit (loss) for the year/period		467,182	(124,107)
		<hr/>	<hr/>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,524)	11,546
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Increase in fair value of property, plant and equipment, right-of-use assets and properties under development upon transfer to investment properties		943,369	–
Deferred tax arising on fair value change of property, plant and equipment, right-of-use assets and properties under development upon transfer to investment properties		(235,842)	–
		<hr/>	<hr/>
Total comprehensive income (expense) for the year/period		1,173,185	(112,561)
		<hr/> <hr/>	<hr/> <hr/>

	Year ended 31 December 2019	Nine months ended 31 December 2018
<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Profit (loss) for the year/period attributable to:		
– Owners of the Company	482,165	(114,580)
– Non-controlling interests	(14,983)	(9,527)
	467,182	(124,107)
Total comprehensive income (expense) attributable to:		
– Owners of the Company	1,188,168	(103,034)
– Non-controlling interests	(14,983)	(9,527)
	1,173,185	(112,561)
EARNINGS (LOSS) PER SHARE		
Basic (RMB cents)	9.70	(2.57)
Diluted (RMB cents)	8.89	(2.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

		At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)	At 1 April 2018 <i>RMB'000</i> (Unaudited and restated)
Non-current assets				
Property, plant and equipment		42,261	94,385	91,682
Right-of-use assets		1,011,054	–	–
Investment properties		7,451,740	4,693,149	4,623,040
Properties under development		279,860	351,253	362,413
Prepaid lease payments		–	1,150,516	1,055,819
Interest in an associate		–	256,406	–
Deposits paid for properties under development		–	50,000	63,224
Loan receivables		–	127,790	17,790
Deferred tax assets		62,122	39,039	21,932
		<u>8,847,037</u>	<u>6,762,538</u>	<u>6,235,900</u>
Current assets				
Inventories of properties		8,849,683	7,677,875	4,886,753
Contract costs		111,150	77,429	1,898
Trade receivables, other receivables and prepayments	14	1,039,976	1,758,983	2,867,401
Prepaid lease payments – due within one year		–	27,271	27,271
Loan receivables		–	–	20,021
Prepaid income tax		119,582	124,749	78,437
Investments held for trading		–	–	100,701
Financial assets at FVTPL	15	24,889	60,611	107,197
Amounts due from related companies		491,784	1,083,582	753,048
Amounts due from non-controlling shareholders of subsidiaries		20,595	–	–
Restricted bank deposits		62,840	90,344	31,767
Bank balances and cash		707,276	409,498	245,856
		<u>11,427,775</u>	<u>11,310,342</u>	<u>9,120,350</u>
Current liabilities				
Trade and other payables and accruals	16	2,303,680	2,082,545	2,673,158
Lease liabilities		2,500	–	–
Contract liabilities		6,553,298	4,721,726	2,221,418
Income tax payable		153,547	128,187	187,952
Amounts due to related companies		642,927	1,480,448	549,752
Amounts due to non-controlling shareholders of subsidiaries		–	278,372	167,690
Amount due to a director		99,626	385,826	286,200
Bank and other borrowings – due within one year	17	619,493	2,675,715	1,351,249
Bonds payable – due within one year		–	9,404	–
		<u>10,375,071</u>	<u>11,762,223</u>	<u>7,437,419</u>

		At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)	At 1 April 2018 <i>RMB'000</i> (Unaudited and restated)
Net current assets (liabilities)		1,052,704	(451,881)	1,682,931
Total assets less current liabilities		9,899,741	6,310,657	7,918,831
Capital and reserves				
Share capital	18	42,881	37,468	37,468
Reserves		3,902,682	3,944,889	3,508,625
Equity attributable to owners of the Company		3,945,563	3,982,357	3,546,093
Non-controlling interests		53,969	78,637	58,364
Total equity		3,999,532	4,060,994	3,604,457
Non-current liabilities				
Lease liabilities		607	–	–
Debt component of convertible bond		322,972	–	–
Derivative component of convertible bond		293,981	–	–
Promissory note		446,249	–	–
Bonds payable		–	–	8,280
Deferred tax liabilities		1,225,965	857,881	819,043
Bank borrowings – due after one year		3,610,435	1,391,782	3,487,051
		5,900,209	2,249,663	4,314,374
		9,899,741	6,310,657	7,918,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

China Sandi Holdings Limited (the “Company”) is a public limited company incorporated in the Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate parent is United Century International Limited (incorporated in the British Virgin Islands (“BVI”). The ultimate controlling party is Mr. Guo Jiadi. The address of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

Change of presentation currency

The presentation currency of the consolidated financial statements in prior financial periods was Hong Kong Dollars (“HK\$”). In current year, the Group has changed its presentation currency for the preparation of its consolidated financial statements from HK\$ to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are now conducted in the People’s Republic of China (“the PRC”) with substantially all of its transactions denominated and settled in RMB. The directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. Comparative financial information was represented in RMB accordingly.

Change of functional currency

During the current year, the functional currency of the Company was changed from HK\$ to RMB upon the completion of an acquisition of All Excel Industries Limited (“All Excel”) as detailed in note 2. Subsequent to the acquisition, the Company mainly holds subsidiaries whose underlying operations are primarily in the PRC with RMB being the currency that mainly influences the Group’s underlying transactions, events and conditions. The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding interest in subsidiaries with primary economic environment in the PRC. Accordingly, the functional currency of the Company was changed prospectively from the date of acquisition.

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants.

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL – Continued

Acquisition of All Excel

Pursuant to the sale and purchase agreement (“S&P Agreement 1”) with Primary Partner International Limited (the “Vendor”) dated 21 September 2018, the Group, through a subsidiary namely Grand Supreme Limited (“Grand Supreme”), acquired 100% equity interest in All Excel (together with its subsidiaries collectively referred to as “All Excel Group”), from the Vendor, a company beneficially owned by Mr. Guo Jiadi. Pursuant to the S&P Agreement 1, the total consideration of the acquisition was HK\$1,500,000,000 (approximately RMB1,284,956,000), which is satisfied by i) cash of HK\$200,000,000 (approximately RMB171,327,000); ii) issue of interest bearing promissory notes with principal amount of HK\$600,000,000 (approximately RMB513,983,000); iii) issue of 485,436,893 ordinary shares of the Company (“Consideration Shares”) to the Vendor at HK\$0.412 per Consideration Share (equivalent to HK\$200,000,000, and approximately RMB171,327,000); and iv) issue of convertible bond in the principal amount of HK\$500,000,000 (approximately RMB428,319,000) and is convertible into shares of the Company at conversion price of HK\$0.412 per conversion share. The maturity date of the convertible bond is 5 years from the date of issue. All Excel was established in the BVI and its subsidiaries are principally engaged in property development, property investment and hotel operation business in the PRC. The acquisition was completed on 30 January 2019.

Acquisition of Power Success Development Incorporated

Pursuant to the sale and purchase agreement (“S&P Agreement 2”) with Top Trendy Limited (“Top Trendy”), the Group, through Grand Supreme acquire 100% equity interests in Power Success Development Incorporated (“Power Success”) and its subsidiaries (together referred to as “Power Success Group”), from Top Trendy, a company beneficially owned by Mr. Guo Jiadi. Pursuant to the S&P Agreement 2, the consideration is approximately RMB243,670,000 which is satisfied by cash. Power Success was established in the BVI and its subsidiaries are principally engaged in property development business in the PRC. The acquisition was completed on 28 November 2019.

In applying AG 5 to the acquisition of All Excel Group and Power Success Group, the consolidated statement of financial position of the Group as at 1 April 2018 and 31 December 2018 have been restated to include the assets and liabilities of All Excel Group and Power Success Group as if they were within the Group on these respective dates (see below for the financial impact). The consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 31 December 2018 have also been restated to include the financial performance, changes in equity and cash flows of All Excel Group and Power Success Group as if they were within the Group throughout the period (also see below for financial impact).

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL – Continued

The effects of acquisition of All Excel Group and Power Success Group using merger accounting on the consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2018 are as follows:

	Audited and restated	Business combination of entities under common control (Unaudited)	After adjustment and unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
Goods and services	47,502	218,203	265,705
Rental of investment properties	80,377	18,966	99,343
	<u>127,879</u>	<u>237,169</u>	<u>365,048</u>
Total revenue			
Cost of sales and services	(28,348)	(188,323)	(216,671)
	<u>99,531</u>	<u>48,846</u>	<u>148,377</u>
Gross profit			
Other income	19,828	4,016	23,844
Other gains and losses	(22,470)	(23,021)	(45,491)
Change in fair value of investment properties	(900)	64,590	63,690
Change in fair value of financial assets at FVTPL	(49,157)	–	(49,157)
Selling and distribution expenses	(32,062)	(48,970)	(81,032)
Administrative expenses	(36,082)	(66,367)	(102,449)
Finance costs	(29,550)	(7,705)	(37,255)
Share of results of an associate	(632)	–	(632)
	<u>(51,494)</u>	<u>(28,611)</u>	<u>(80,105)</u>
Loss before tax			
Income tax expense	(21,002)	(23,000)	(44,002)
	<u>(72,496)</u>	<u>(51,611)</u>	<u>(124,107)</u>
Loss for the period			
	<u>(72,496)</u>	<u>(51,611)</u>	<u>(124,107)</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations	11,546	–	11,546
	<u>11,546</u>	<u>–</u>	<u>11,546</u>
Total comprehensive expense for the period	<u>(60,950)</u>	<u>(51,611)</u>	<u>(112,561)</u>

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL – Continued

	Audited and restated	Business combination of entities under common control (Unaudited)	After adjustment and unaudited
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period attributable to			
– Owners of the Company	(69,102)	(45,478)	(114,580)
– Non-controlling interests	(3,394)	(6,133)	(9,527)
	<u>(72,496)</u>	<u>(51,611)</u>	<u>(124,107)</u>
Total comprehensive expense for the period attributable to:			
– Owners of the Company	(57,556)	(45,478)	(103,034)
– Non-controlling interests	(3,394)	(6,133)	(9,527)
	<u>(60,950)</u>	<u>(51,611)</u>	<u>(112,561)</u>
LOSS PER SHARE			
– Basic (RMB cents)	<u>(1.55)</u>	<u>(1.02)</u>	<u>(2.57)</u>
– Diluted (RMB cents)	<u>(1.55)</u>	<u>(1.02)</u>	<u>(2.57)</u>

The effects of the adoption of merger accounting on the consolidated statement of financial position as at 31 December 2018 and 1 April 2018 are as follows:

	31.12.2018 (Audited and as previously reported)	Business combination of entities under common control (Unaudited)	31.12.2018 (Unaudited and restated)	1.4.2018 (Audited and as previously reported)	Business combination of entities under common control (Unaudited)	1.4.2018 (Unaudited and restated)
	<i>RMB'000</i>	<i>RMB'000</i> (Note)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Note)	<i>RMB'000</i>
Non-current assets						
Property, plant and equipment	7,720	86,665	94,385	4,265	87,417	91,682
Investment properties	3,163,600	1,529,549	4,693,149	3,164,500	1,458,540	4,623,040
Properties under development	172,099	179,154	351,253	286,742	75,671	362,413
Prepaid lease payments	142,420	1,008,096	1,150,516	–	1,055,819	1,055,819
Interests in an associate	256,406	–	256,406	–	–	–
Deposits paid for properties under development	50,000	–	50,000	63,224	–	63,224
Loan receivables	110,000	17,790	127,790	–	17,790	17,790
Deferred tax assets	11,503	27,536	39,039	11,524	10,408	21,932
	<u>3,913,748</u>	<u>2,848,790</u>	<u>6,762,538</u>	<u>3,530,255</u>	<u>2,705,645</u>	<u>6,235,900</u>

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL – Continued

The effects of the adoption of merger accounting on the consolidated statement of financial position as at 31 December 2018 and 1 April 2018 are as follows: – Continued

	31.12.2018 (Audited and as previously reported)	Business combination of entities under common control (Unaudited) <i>RMB'000</i> <i>(Note)</i>	31.12.2018 (Unaudited and restated) <i>RMB'000</i>	1.4.2018 (Audited and as previously reported) <i>RMB'000</i>	Business combination of entities under common control (Unaudited) <i>RMB'000</i> <i>(Note)</i>	1.4.2018 (Unaudited and restated) <i>RMB'000</i>
Current assets						
Inventories of properties	2,387,869	5,290,006	7,677,875	1,000,007	3,886,746	4,886,753
Contract costs	38,797	38,632	77,429	–	1,898	1,898
Trade receivables, other receivables and prepayments	242,565	1,516,418	1,758,983	880,811	1,986,590	2,867,401
Prepaid lease payments – due within one year	–	27,271	27,271	–	27,271	27,271
Loan receivables	–	–	–	20,021	–	20,021
Prepaid income tax	14,647	110,102	124,749	8,300	70,137	78,437
Investments held for trading	–	–	–	100,701	–	100,701
Financial assets at FVTPL	60,611	–	60,611	107,197	–	107,197
Amounts due from related companies	13	1,083,569	1,083,582	111	752,937	753,048
Restricted bank deposits	505	89,839	90,344	504	31,263	31,767
Bank balances and cash	130,923	278,575	409,498	161,423	84,433	245,856
	<u>2,875,930</u>	<u>8,434,412</u>	<u>11,310,342</u>	<u>2,279,075</u>	<u>6,841,275</u>	<u>9,120,350</u>
Current liabilities						
Trade and other payables and accruals	363,175	1,719,370	2,082,545	188,778	2,484,380	2,673,158
Contract liabilities	2,127,229	2,594,497	4,721,726	1,083,406	1,138,012	2,221,418
Income tax payable	37,107	91,080	128,187	45,990	141,962	187,952
Amounts due to related companies	19,889	1,460,559	1,480,448	39,294	510,458	549,752
Amounts due to non-controlling shareholders of subsidiaries	198,990	79,382	278,372	123,190	44,500	167,690
Amount due to a director	–	385,826	385,826	–	286,200	286,200
Bank and other borrowings – due within one year	119,750	2,555,965	2,675,715	147,797	1,203,452	1,351,249
Bonds payable – due within one year	9,404	–	9,404	–	–	–
	<u>2,875,544</u>	<u>8,886,679</u>	<u>11,762,223</u>	<u>1,628,455</u>	<u>5,808,964</u>	<u>7,437,419</u>
Net current assets (liabilities)	<u>386</u>	<u>(452,267)</u>	<u>(451,881)</u>	<u>650,620</u>	<u>1,032,311</u>	<u>1,682,931</u>
Total assets less current liabilities	<u>3,914,134</u>	<u>2,396,523</u>	<u>6,310,657</u>	<u>4,180,875</u>	<u>3,737,956</u>	<u>7,918,831</u>

2. MERGER ACCOUNTING FOR A BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL – Continued

The effects of the adoption of merger accounting on the consolidated statement of financial position as at 31 December 2018 and 1 April 2018 are as follows: – Continued

	31.12.2018 (Audited and as previously reported)	Business combination of entities under common control (Unaudited) <i>RMB'000</i> <i>(Note)</i>	31.12.2018 (Unaudited and restated) <i>RMB'000</i>	1.4.2018 (Audited and as previously reported) <i>RMB'000</i>	Business combination of entities under common control (Unaudited) <i>RMB'000</i> <i>(Note)</i>	1.4.2018 (Unaudited and restated) <i>RMB'000</i>
Capital and reserves						
Share capital	37,468	–	37,468	37,468	–	37,468
Reserves	2,674,885	1,270,004	3,944,889	2,692,013	816,612	3,508,625
Equity attributable to owners of the Company	2,712,353	1,270,004	3,982,357	2,729,481	816,612	3,546,093
Non-controlling interests	49,935	28,702	78,637	(71)	58,435	58,364
Total equity	2,762,288	1,298,706	4,060,994	2,729,410	875,047	3,604,457
Non-current liabilities						
Bonds payable	–	–	–	8,280	–	8,280
Deferred tax liabilities	624,626	233,255	857,881	606,272	212,771	819,043
Bank and other borrowings – due after one year	527,220	864,562	1,391,782	836,913	2,650,138	3,487,051
	1,151,846	1,097,817	2,249,663	1,451,465	2,862,909	4,314,374
	3,914,134	2,396,523	6,310,657	4,180,875	3,737,956	7,918,831

Note: These adjustments are to include the assets and liabilities of All Excel Group and Power Success Group as at 31 December 2018 and 1 April 2018 into the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Starting from the annual consolidated financial statements for the nine-month period ended 31 December 2018, the financial year end date of the Company was changed from 31 March to 31 December to align with the financial year end date of the Company's principal operating subsidiaries established in the PRC for which their accounts are statutorily required to be prepared with a financial year end date of 31 December. Accordingly, the consolidated financial statements for the current year covers the twelve-month period from 1 January 2019 to 31 December 2019. The corresponding comparative figures shown for the consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the nine-month period from 1 April 2018 to 31 December 2018 and therefore may not be comparable with amounts shown for the current year.

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

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

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

HKFRS 16 Leases

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

Definition of a lease

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

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

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

HKFRS 16 Leases – Continued

As a lessee

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

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis; and

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is ranged from 5.13% to 6.18% per annum.

	At 1 January 2019 <i>RMB'000</i> (Unaudited and restated)
Operating lease commitments as at 31 December 2018	1,118
Lease liabilities discounted at relevant incremental borrowing rates	1,060
Less: Recognition exemption – short-term leases	(231)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>829</u>
Analysed as	
Current	344
Non-current	485
	<u>829</u>

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

HKFRS 16 Leases – Continued

As a lessee – Continued

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

	<i>Note</i>	Right-of-use assets <i>RMB’000</i> (Unaudited and restated)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		829
Reclassified from prepaid lease payments	(a)	1,177,787
		<u>1,178,616</u>
By class:		
Leasehold lands		1,177,787
Leased properties		829
		<u><u>1,178,616</u></u>

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB27,271,000 and RMB1,150,516,000 respectively were reclassified to right-of-use assets.

Effective from 1 January 2019, leasehold lands which were classified as properties under development are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

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

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

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustment has had no material financial impact on the consolidated financial statements for the current year.

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

4. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

HKFRS 16 Leases – Continued

As a lessor – Continued

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

	Carrying amounts as at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Non-current assets			
Right-of-use assets	–	1,178,616	1,178,616
Prepaid lease payments	1,150,516	(1,150,516)	–
Current assets			
Prepaid lease payments	27,271	(27,271)	–
Current liabilities			
Lease liabilities	–	344	344
Non-current liabilities			
Lease liabilities	–	485	485

New and amendments to HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

5. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

Segments	For the year ended 31 December 2019 (Unaudited)			
	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Types of goods or service				
Sales of properties	1,787,352	–	–	1,787,352
Hotel operation income				
– Hotel accommodation	–	–	13,122	13,122
– Catering service and other hotel income	–	–	15,822	15,822
Property management and related fee income	–	9,590	–	9,590
Revenue from contracts with customers	1,787,352	9,590	28,944	1,825,886
Rental income	–	115,679	–	115,679
	<u>1,787,352</u>	<u>125,269</u>	<u>28,944</u>	<u>1,941,565</u>
Geographical market				
Mainland China	<u>1,787,352</u>	<u>125,269</u>	<u>28,944</u>	<u>1,941,565</u>
Timing of revenue recognition				
A point in time	1,787,352	–	15,822	1,803,174
Over time	–	9,590	13,122	22,712
	<u>1,787,352</u>	<u>9,590</u>	<u>28,944</u>	<u>1,825,886</u>

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

Segments	For the year ended 31 December 2019 (Unaudited)			
	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Total RMB'000
Revenue disclosed in segment information				
External customer	1,787,352	125,269	28,944	1,941,565
Inter-segment	–	–	–	–
	<u>1,787,352</u>	<u>125,269</u>	<u>28,944</u>	<u>1,941,565</u>
Less: rental income	–	(115,679)	–	(115,679)
Revenue from contracts with customers	<u>1,787,352</u>	<u>9,590</u>	<u>28,944</u>	<u>1,825,886</u>

5. REVENUE FROM GOODS AND SERVICES – Continued

Disaggregation of revenue – Continued

Segments	For the nine months ended 31 December 2018 (Unaudited and restated)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service				
Sales of properties	238,008	–	–	238,008
Hotel operation income				
– Hotel accommodation	–	–	9,650	9,650
– Catering service and other hotel income	–	–	9,461	9,461
Property management and related fee income	–	8,586	–	8,586
Revenue from contracts with customers	238,008	8,586	19,111	265,705
Rental income	–	99,343	–	99,343
	<u>238,008</u>	<u>107,929</u>	<u>19,111</u>	<u>365,048</u>
Geographical market				
Mainland China	<u>238,008</u>	<u>107,929</u>	<u>19,111</u>	<u>365,048</u>
Timing of revenue recognition				
A point in time	238,008	–	9,461	247,469
Over time	–	8,586	9,650	18,236
	<u>238,008</u>	<u>8,586</u>	<u>19,111</u>	<u>265,705</u>

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

Segments	For the nine months ended 31 December 2018 (Unaudited and restated)			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information				
External customer	238,008	107,929	19,111	365,048
Inter-segment	–	–	–	–
	<u>238,008</u>	<u>107,929</u>	<u>19,111</u>	<u>365,048</u>
Less: rental income	–	(99,343)	–	(99,343)
Revenue from contracts with customers	<u>238,008</u>	<u>8,586</u>	<u>19,111</u>	<u>265,705</u>

6. SEGMENT INFORMATION

Information regularly reported to the Group's chief executive officer (the chief operating decision maker ("CODM")) for the purposes of resource allocation and assessment of performance focuses on the type of goods and services delivered or provided. During the year, the Group commenced the business in hotel operation along with the acquisition of All Excel Group (as detailed in note 2) and it is considered as a new operating and reportable segment by the CODM. Prior period segment information has been represented to conform with the current year's presentation. On 31 December 2019, the Group ceased the business of hotel operation when the relevant hotel properties are leased to independent third parties upon signing of the lease contracts dated 31 December 2019. As at 31 December 2019, the hotel segment assets and liabilities is aggregated in property investment segment. The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Property development – development and sale of properties

Property investment – lease of investment properties and provision of property management service

Hotel operation – provision of hotel accommodation and catering service.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2019 (Unaudited)

Segments	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
External sales	1,787,352	125,269	28,944	1,941,565
Inter-segment sales	–	–	–	–
	<u>1,787,352</u>	<u>125,269</u>	<u>28,944</u>	<u>1,941,565</u>
Segment profit (loss)	<u>415,165</u>	<u>449,677</u>	<u>(5,833)</u>	859,009
Other income				9,692
Other gains and losses				(25,890)
Change in fair value on financial assets at FVTPL				(30,364)
Change in fair value of derivative component of convertible bond				(9,334)
Unallocated corporate expenses				(17,177)
Finance costs				<u>(63,277)</u>
Profit before tax				<u>722,659</u>

6. SEGMENT INFORMATION – Continued

For the nine months ended 31 December 2018 (Unaudited and restated)

Segments	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
External sales	238,008	107,929	19,111	365,048
Inter-segment sales	–	–	–	–
	<u>238,008</u>	<u>107,929</u>	<u>19,111</u>	<u>365,048</u>
Segment (loss) profit	<u>(106,101)</u>	<u>123,068</u>	<u>1,043</u>	18,010
Other income				18,063
Other gains and losses				(45,491)
Change in fair value on financial assets at FVTPL				(49,157)
Unallocated corporate expenses				(20,721)
Finance costs				<u>(809)</u>
Loss before tax				<u>(80,105)</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit generated or loss incurred by each segment without allocation of change in fair value on financial assets at FVTPL, part of other gains and losses, change in fair value of derivative component of convertible bond, part of other income, part of corporate expenses and part of finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Property development	12,317,840	12,965,267
Property investment	7,569,139	4,743,446
Hotel operation	–	104,784
Total segment assets	<u>19,886,979</u>	<u>17,813,497</u>
Unallocated assets:		
Financial asset at FVTPL	24,889	60,611
Loan receivables	–	127,790
Bank balances and cash	342,474	6,093
Unallocated corporate assets	<u>20,470</u>	<u>64,889</u>
Consolidated assets	<u><u>20,274,812</u></u>	<u><u>18,072,880</u></u>

6. SEGMENT INFORMATION – Continued

Segment liabilities

	At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Property development	12,533,919	10,790,040
Property investment	2,266,362	1,460,446
Hotel operation	–	26,922
	<hr/>	<hr/>
Total segment liabilities	14,800,281	12,277,408
Unallocated liabilities:		
Bonds payable	–	9,404
Debt component of convertible bond	322,972	–
Derivative component of convertible bond	293,981	–
Promissory note	446,249	–
Provisional consideration payable	–	50,382
Amount due to a related company	222,292	854,776
Other unallocated liabilities	189,505	819,916
	<hr/>	<hr/>
Consolidated liabilities	<u>16,275,280</u>	<u>14,011,886</u>

For the purposes monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable and operating segments other than financial assets at FVTPL, loan receivables, certain bank balances and cash and unallocated corporate assets not attributable to respective segment.
- all liabilities are allocated to reportable and operating segments other than bonds payable, debt component of convertible bond, derivative component of convertible bond, promissory note, provisional consideration payable, amount due to a related company and unallocated corporate liabilities not attributable to respective segment.

6. SEGMENT INFORMATION – Continued

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

Revenue from external customers:

	Year ended 31 December 2019 RMB'000 (Unaudited)	Nine months ended 31 December 2018 RMB'000 (Unaudited and restated)
Baoji	1,228,072	158,005
Xi'an	580,516	20,771
Fuzhou	125,406	160,017
Jilin	7,333	26,255
Shanghai	238	–
	1,941,565	365,048

Non-current assets:

	Year ended 31 December 2019 RMB'000 (Unaudited)	Nine months ended 31 December 2018 RMB'000 (Unaudited and restated)
Fuzhou	4,555,940	3,749,205
Shanghai	2,653,649	1,324,171
Baoji	1,528,418	1,231,544
Xi'an	30,043	283,902
Nanping	7,063	5,424
Jilin	4,360	73
Hong Kong	2,375	349
Others	3,067	1,041
	8,784,915	6,595,709

Note: Non-current assets excluded loan receivables and deferred tax assets.

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the year ended 31 December 2019 and nine months ended 31 December 2018.

7. OTHER INCOME

	Year ended 31 December 2019 <i>RMB'000</i> (Unaudited)	Nine months ended 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Bank interest income	3,046	3,494
Interest income from loan receivables	8,657	17,376
Dividend income from financial assets at FVTPL	436	546
Others	2,570	2,428
	<u>14,709</u>	<u>23,844</u>

8. OTHER GAINS AND LOSSES

	Year ended 31 December 2019 <i>RMB'000</i> (Unaudited)	Nine months ended 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Gain (loss) on disposal of property, plant and equipment	41	(2)
Loss on disposal of an investment property	(235)	–
Gain on disposal of an associate	151,380	–
Gain on disposal of financial assets at FVTPL	239	–
Exchange loss, net	(23,267)	(22,464)
Others	(2,668)	(23,025)
	<u>125,490</u>	<u>(45,491)</u>

9. FINANCE COSTS

	Year ended 31 December 2019 <i>RMB'000</i> (Unaudited)	Nine months ended 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Interests on bank and other borrowings	404,246	287,884
Interests on bonds payable	638	809
Effective interests on convertible bond	25,938	–
Effective interests on promissory note	36,583	–
Interests on contract liabilities	387,698	167,037
Interests on lease liabilities	179	–
	<hr/>	<hr/>
Total borrowing costs	855,282	455,730
Less: amounts capitalised to inventories of properties	(633,938)	(359,570)
amounts capitalised to properties under development	(60,707)	(44,824)
amounts capitalised to investment properties under development	(21,249)	(14,081)
	<hr/>	<hr/>
	139,388	37,255
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the year/period arose on the bank and other borrowings pool and are calculated by applying a capitalisation rate of 8.52% (unaudited) (Nine months ended 31 December 2018: 7.44% (unaudited and restated)) per annum to expenditure on qualifying assets.

10. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December 2019 <i>RMB'000</i> (Unaudited)	Nine months ended 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' emoluments	4,229	4,787
Other staff costs		
Staff salaries and allowances	82,708	50,315
Retirement benefit contributions	5,051	2,681
Share-based payments	2,639	2,973
	<u>90,398</u>	<u>55,969</u>
Less: amounts capitalised to inventories of properties	(13,728)	(7,867)
amounts capitalised to investment properties	(516)	(320)
amounts capitalised to properties under development	(1,393)	(1,341)
amounts capitalised to investment properties under development	(1,756)	(1,697)
	<u>73,005</u>	<u>44,744</u>
Cost of inventories recognised as an expense	1,284,722	198,419
Depreciation of property, plant and equipment	13,910	9,247
Depreciation of right-of-use assets	29,338	–
Release of prepaid lease payments	–	20,453
(Gain) loss on disposal of property, plant and equipment	(41)	2
Loss on disposal of an investment property	178	–
Impairment loss on inventories of properties	–	605
Reversal on impairment loss on other receivables	–	(320)
Gross rental income inspect of investment properties	(115,679)	(99,343)
Less: direct operating expenses from investment properties that generated rental income during the year/period	<u>12,594</u>	<u>5,670</u>
	<u><u>(103,085)</u></u>	<u><u>(93,673)</u></u>

11. INCOME TAX EXPENSE

	Year ended 31 December 2019 RMB'000 (Unaudited)	Nine months ended 31 December 2018 RMB'000 (Unaudited and restated)
Current tax:		
Enterprise Income Tax ("EIT")	93,786	19,349
Land appreciation tax ("LAT")	48,050	12,932
	<u>141,836</u>	<u>32,281</u>
Under (over) provision in prior years:		
EIT in the PRC	4,481	(7,548)
	<u>4,481</u>	<u>(7,548)</u>
Deferred tax:	109,160	19,269
	<u>255,477</u>	<u>44,002</u>

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year/period.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulation. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

12. DIVIDENDS

No dividend was paid or proposed to ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (Nine months ended 31 December 2018: Nil).

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	Year ended 31 December 2019 RMB'000 (Unaudited)	Nine months ended 31 December 2018 RMB'000 (Unaudited and restated)
Profit (loss) for the year/period attributable to owners of the Company	482,165	(114,580)
Effect of dilutive potential ordinary shares on convertible bond	<u>60,789</u>	<u>–</u>
Earnings (loss) for the purpose of diluted earnings (loss) per share	<u>542,954</u>	<u>(114,580)</u>

Number of shares

	Year ended 31 December 2019 '000 (Unaudited)	Nine months ended 31 December 2018 '000 (Unaudited and restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	4,970,348	4,458,901
Effect of dilutive potential ordinary shares:		
Convertible bond	1,113,845	–
Share options	<u>26,002</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>6,110,195</u>	<u>4,458,901</u>

Share options

For the nine months ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the share options because the assumed exercise will result in decrease in loss per share.

14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
Trade receivables		
– goods and services	15,511	8,766
– rental income	14,849	9,725
Other receivables	211,745	1,114,177
Security deposit paid to financial institution for borrowing	–	122,500
Prepayment to constructors and suppliers	301,518	165,196
Deposits paid for acquisition of land use rights for property development for sale	99,000	36,933
Other refundable deposits	93,729	57,731
Other tax prepayments	303,697	244,028
Less: Allowance for impairment loss	(73)	(73)
	<u>1,039,976</u>	<u>1,758,983</u>

The following is an aged analysis of the Group's trade receivables, determined based on the date of properties and sales were recognised:

	At 31 December 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Unaudited and restated)
0 – 30 days	4,174	4,685
31 – 90 days	4,999	1,208
Over 90 days	21,187	12,598
	<u>30,360</u>	<u>18,491</u>

15. FINANCIAL ASSETS AT FVTPL

	At 31 December 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Unaudited and restated)
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
– Equities securities listed in Hong Kong	<u>24,889</u>	<u>60,611</u>

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 31 December 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Unaudited and restated)
Trade payables (<i>Note</i>)	864,704	591,958
Other payables and accruals	402,591	1,043,096
Provisional consideration payable	–	50,382
Deposits received from tenants	25,484	20,144
Other tax payables	22,717	33,500
Accrued construction cost	988,184	343,465
	<u>2,303,680</u>	<u>2,082,545</u>

Note: The following is an aging analysis of trade payables determined based on the invoice date:

	At 31 December 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Unaudited and restated)
0 – 30 days	85,420	202,871
31 – 90 days	66,572	9,121
91 – 365 days	319,961	223,990
Over 1 year	392,751	155,976
	<u>864,704</u>	<u>591,958</u>

17. BANK AND OTHER BORROWINGS

	At 31 December 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Unaudited and restated)
Secured bank borrowings	3,729,928	1,402,897
Secured other borrowings	500,000	2,664,600
	<u>4,229,928</u>	<u>4,067,497</u>

The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements as follows:

	At 31 December 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Unaudited and restated)
Within one year	619,493	2,675,715
More than one year, but not exceeding two years	813,400	727,837
More than two years, but not exceeding five years	1,938,035	473,525
More than five years	859,000	190,420
	<u>4,229,928</u>	<u>4,067,497</u>
Less: Amounts due within one year shown under current liabilities	<u>(619,493)</u>	<u>(2,675,715)</u>
Amounts shown under non-current liabilities	<u>3,610,435</u>	<u>1,391,782</u>

18. SHARE CAPITAL

	Number of shares		Share capital	
	At 31 December 2019 (Unaudited) '000	At 31 December 2018 (Unaudited) '000	At 31 December 2019 (Unaudited) RMB'000	At 31 December 2018 (Unaudited) RMB'000
Authorised				
Ordinary shares of HK\$0.01 each	200,000,000	200,000,000	1,979,280	1,979,280
Convertible preference shares	602,000	602,000	4,902	4,902
Issued and fully paid				
At the beginning of the year/period	4,458,901	4,458,901	37,468	37,468
Acquisition of entities under common control	485,437	–	4,158	–
Acquisition of additional interests in a subsidiary from non-controlling interests	135,870	–	1,195	–
Exercise of share options	7,000	–	60	–
At the end of the year/period	<u>5,087,208</u>	<u>4,458,901</u>	<u>42,881</u>	<u>37,468</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group recorded a total revenue of approximately RMB1,941.6 million, representing an increase of approximately RMB1,576.6 million compared with the nine months ended 31 December 2018.

Profit attributable to the owners of the Company for the year ended 31 December 2019 amounted to approximately RMB482.2 million as compared with a loss of approximately RMB114.6 million for the nine months ended 31 December 2018. Basic earnings per share was RMB9.70 cents (nine months ended 31 December 2018: basic loss per share of RMB2.57 cents).

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (nine months ended 31 December 2018: Nil).

BUSINESS REVIEW

The Group is principally engaged in property development, and holding of property for investment and rental purpose.

Property development

Following the completion of a very substantial acquisition in January 2019 and several acquisitions during the year ended 31 December 2019, the Group has added multiple quality property development projects to its portfolio and successfully expanded its business into new regional markets in the People's Republic of China (the "PRC"). As at 31 December 2019, the Group had 12 property projects under development which are situated in different cities in the PRC, key cities included Shanghai, Fuzhou, and Xian. The Group primarily focuses on the development of residential properties, as well as residential and commercial complex properties, product types including apartments, offices, retail shops and villas, etc.

Contracted property sales

During the year ended 31 December 2019, the Group achieved contracted sales of approximately RMB3,173.4 million with contracted gross floor area ("GFA") of approximately 317,137 square metres ("sq.m"), representing an increase of 53.6% in contracted sales and 38.0% in contracted GFA as compared with the nine months ended 31 December 2018. Such increase is mainly contributed from the new projects launched for pre-sales during the year ended 31 December 2019.

The table below illustrates the contracted sales (stated before the deduction of applicable taxes) achieved by the Group for the year ended 31 December 2019:

Contracted Sales for the year ended 31 December 2019

Property projects	Type	Contracted sales RMB'000	Contracted GFA (sq.m.)	Contracted average selling price RMB/sq.m	Percentage of total contracted sales %	Group interest %
Shaanxi Province						
Qujiang Xiangsong Fengdan • Xian Sandi	Residential/ Commercial	1,054,385	69,453	14,375	33.2	100
Sandi Century New City	Residential/ Commercial	889,073	140,882	6,175	28.0	100
Fujian Province						
Wuyishan Sandi New Times Square	Residential	469,186	42,060	11,155	14.8	60
Xicheng Fengdan	Residential/ Commercial	397,916	33,637	11,514	12.5	51
Shanghai						
Sandi Manhattan	Commercial	186,754	3,768	49,563	5.9	100
Others	Residential/ Commercial	176,062	27,337	6,440	5.6	
Total		<u>3,173,376</u>	<u>317,137</u>	9,736	<u>100.0</u>	
Attributable to the Group		<u>2,739,334</u>	<u>274,711</u>			

Notes:

- (i) Contracted sales and the calculation of contracted average selling price are based on the sales revenue before the deduction of business/value-added tax and other surcharges/taxes.
- (ii) Contracted sales and GFA attributable to the car parking spaces are excluded in the contracted GFA and contracted average selling price calculation.

Property under development

The table below summaries the major property development projects of the Group as at 31 December 2019:

Property projects	Expected completion year	Site area sq.m.	Completed		GFA under development sq.m	Planned GFA for future development sq.m.	Group's interest %
			Saleable GFA delivered/pre-sold sq.m	GFA available for sale sq.m			
Shaanxi Province							
Sandi Century New City	2021	235,080	834,419	–	319,090	221,481	100
Qujiang Xiangsong Fengdan • Xian Sandi	2022	124,304	129,022	18,346	283,370	42,269	100
Yunding Fengdan	2022	52,867	–	–	124,753	28,181	100
Fujian Province							
Wuyishan Sandi New Times Square	2022	168,669	–	–	180,986	–	60
Xicheng Fengdan	2020	66,707	–	–	120,739	–	51
Jiangshan Waterfront	2021	310,176	–	–	94,949	91,090	100
Xishanyuan	2022	177,010	–	–	–	96,449	100
Yungu Fengdan	2022	57,813	–	–	149,942	–	100
Fuzhou Fengdan Yazhu	2021	58,169	–	–	160,700	–	100
Nanping Fengdan Yazhou	2022	57,813	–	–	–	150,000	51
Shanghai							
Sandi Manhattan	2020	104,251	88,672	4,640	181,592	–	100
Jilin Province							
Shouchuang International Plaza	2021	30,313	970	–	139,599	–	51
Total		<u>1,443,172</u>	<u>1,053,083</u>	<u>22,986</u>	<u>1,755,720</u>	<u>629,470</u>	
Attributable to the Group		<u>1,299,836</u>	<u>1,052,607</u>	<u>22,986</u>	<u>1,555,760</u>	<u>555,970</u>	

Notes:

- (i) The table above includes properties for which the Group has obtained the relevant land use rights certificate(s) but has not obtained the requisite construction permits or the Group has received the confirmation letter on bidding of granting land use rights but in progress to obtain the land use right certificate(s). The figures for “GFA available for sale”, “GFA under development” and “Planned GFA for future development” are based on figures provided in the relevant governmental documents, such as the property ownership certificates, the construction work planning permits, the pre-sale permits, the construction land planning permits or the land use rights certificate. The categories of information are based on our internal records.
- (ii) The figures of “Saleable GFA pre-sold” and “GFA available for sale” include saleable GFA of car parks lot; the figures of “GFA under development” and “Planned GFA for future development” also include non-saleable GFA such as ancillary area.
- (iii) “GFA available for sale” and “GFA under development” and “Planned GFA for future development” are derived from the Group’s internal records and estimates.

The following section provides further details of the development progress of major ongoing projects of the Group.

1) Qujiang Xiangsong Fengdan • Xian Sandi

Qujiang Xiangsong Fengdan Xian Sandi is a residential project located in Qujiang New District in Xian City, which is a new urban development zone designated for promoting the cultural and tourism industry. The project occupies a site area of approximately 124,304 sq.m in total and divided into 3 phases in development, each phase mainly comprised high-rise apartments with ancillary facilities.

Phase 1 consists of two zones. Zone A consists of 3 blocks of residential buildings with certain retail units and was completed in 2017. They are mostly delivered to the buyers since then. Zone B consists of 2 blocks of residential buildings and a kindergarten and was completed in 2019. Pre-sales for Phase 1 had commenced since 2015 and the contracted sales amount of approximately RMB60.2 million was recorded during the year ended 31 December 2019.

Phase 2 and Phase 3 are currently under construction and scheduled to complete in 2021 and 2022, respectively. Pre-sales for Phase 2 had commenced since 2017 and Phase 3 had launched for pre-sales in September 2018 after pre-sales permits were granted for 2 blocks of residential buildings. During the year ended 31 December 2019, Phase 2 and Phase 3 achieved the contracted sales amount of approximately RMB39.9 million and RMB954.3 million, respectively.

2) Sandi Century New City

Sandi Century New City is located in Jintai district, Baoji City, Shannxi Province, involving a site area of 235,080 sq.m planned for residential and commercial development of which 834,419 sq.m GFA was completed and 540,571 sq.m GFA is under construction which is expected to be completed in 2021. During the year ended 31 December 2019, the contracted sales amount of approximately RMB889.1 million was achieved.

3) *Wuyishan Sandi New Times Square*

The project situated at 4 kilometres west of Da Hong Pao Scenic Area (a PRC National 4A-level scenic spot), Wuyishan City, Fujian Province, with a total site area of 168,669 sq.m, and is planned to develop into low-density residential properties with a commercial complex.

Construction work commenced in July 2018 and the project is expected to be completed in 2022. The first and second phases of residential properties were launched for pre-sales following its sales permit granted in November 2018 and contracted sales amount of approximately RMB469.2 million were recorded during the year ended 31 December 2019.

4) *Sandi Manhattan*

Sandi Manhattan is situated in the prime location of Shanghai Songjiang District, involving a site area of 104,251 sq.m planned for a mixed-use development complex and an office and shopping complex of which 93,312 sq.m GFA was completed. 181,592 sq.m GFA is under construction which is expected to be completed in 2020. During the year ended 31 December 2019, the contracted sales amount of approximately RMB186.8 million was achieved.

5) *Jiangshan Waterfront*

Jiangshan Waterfront is located in Yong Tai Country of Fuzhou City, Fujian Province, sitting alongside Dazhang Brook with a total site area of approximately 310,176 sq.m. It is planned to be developed into a various terrace houses and low-rise apartment buildings which is scheduled to be completed by 2021. The project had been launched for pre-sales by phrases since 2018 and contracted sales amount of approximately RMB48.2 million were recorded during the year ended 31 December 2019.

Land bank replenishment

The Group's strategy is to maintain a land bank portfolio sufficient to support the Group's own development pipeline for the next few years. As at 31 December 2019, the Group had a quality land bank amounting to a total GFA of approximately 2,408,000 sq.m, of which approximately 2,135,000 sq.m were attributable to the owners of the Company.

The table below summaries the landbank by location as at 31 December 2019:

Landbank by location	Total GFA (‘000 sq.m.)	Attributable GFA (‘000 sq.m.)
Shannxi Province	1,037	1,037
Fujian Province	1,045	841
Shanghai	186	186
Jilin Province	140	71
Total	<u>2,408</u>	<u>2,135</u>

Subsequent to the year ended 31 December 2019, the Group has acquired the land use rights of two land parcels located in Fuzhou City, Fujian Province and Hangzhou City, Zhejiang Province, the PRC through public auction at a total consideration of approximately RMB839.5 million for a total site area of approximately 66,030 sq.m.

Hotel Operation

Revenue from hotel operation amounted to approximately RMB28.9 million for the year ended 31 December 2019 (nine months ended 31 December 2018: approximately RMB19.1 million), which was derived from hotel accommodation and catering service provided by three hotels operated in Baoji, namely Ramada Baoji Jintai (寶雞三迪華美達酒店), Pesht Boutique Hotel Baoji (寶雞三迪佩斯精品酒店) and Jinjiang Inn, Baoji Administration Center (錦江之星寶雞行政中心店) (collectively, the “Baoji Hotels”).

In order to secure a stable stream of income, in December 2019, the Group had leased the Baoji Hotels to an independent hotel management company who also acts as the exclusive operator to direct and manage the operation of the Baoji Hotels effective from January 2020. After this lease arrangement, the Group is entitled to receive hotel rental income for a term of 10 years. Accordingly, the Group has ceased to carry on hotel operations and stay focus on the property development businesses.

Property Investment

During the year ended 31 December 2019, the Group recognised rental income and property management and related fee income of approximately RMB125.3 million (nine months ended 31 December 2018: approximately RMB107.9 million), which is mainly generated by two furniture malls situated in Fuzhou and Baoji. The Group’s investment properties also include hotels, kindergarten, commercial and office premise, which are all located in the PRC and provided a stable income stream to the Group.

Following the lease arrangement of Baoji Hotels in December 2019, the Group’s investment properties now included 6 hotels properties with GFA of approximately 111,800 sq.m in aggregate, which comprise international brand hotels and domestic brand chain hotels. Apart from the Baoji Hotels aforesaid, the Group currently had two leased hotel properties in Fuzhou which are managed by the hotel’s lessee, namely, Ramada Plaza Fuzhou (福州三迪華美達廣場酒店) and DoubleTree by Hilton Fuzhou South (福州南三迪希爾頓逸林酒店), and a hotel under development in Shanghai namely, Hyatt Regency Songjiang, Shanghai (上海松江凱悅酒店), which is expected to be completed in 2020.

Other investments

Our other investments include investing surplus cash from operations in listed equity securities in Hong Kong. We have invested in listed high yield stocks with growth potentials. The objectives of these investments are to strike a balance between risk and return in order to maximise return to shareholders of the Company (the “Shareholders”).

The equity securities acquired are principally for short term investment purpose. The Group would closely monitor performances of the mentioned investments and will seek for disposal opportunities for profit if any. Our principal business is still engaged in property development, property investment and hotel operation business and thus we will continue to proactively take up opportunities in real estate market. Therefore, the Group would consider disposing or downsizing the existing listed-equities investment portfolio when the Group has funding needs for expanding the property development business in the future.

Significant events during the year

(i) Very substantial acquisition and connected transaction – Acquisition of the entire issued share capital of All Excel Industries Limited (“All Excel”) involving issue of consideration shares and convertible bonds under specific mandate

On 21 September 2018, Grand Supreme Limited (“Grand Supreme”), a wholly-owned subsidiary of the Company (as purchaser), Primary Partner International Limited (“Primary Partner”), a company incorporated in the British Virgin Islands with limited liability which is wholly held by Mr. Guo Jiadi (“Mr. Guo”), a Director and a controlling Shareholder (as vendor) and Mr. Guo (as guarantor) (the “Guarantor”) entered into an agreement, pursuant to which Grand Supreme has conditionally agreed to acquire, and Primary Partner has conditionally agreed to sell the entire issued share capital in All Excel at the consideration of HK\$1,500 million, which shall be satisfied as to HK\$200 million by way of cash, as to HK\$600 million by way of the issue of promissory note, as to HK\$200 million by the issue of 485,436,893 shares of the Company and as to HK\$500 million by the issue of convertible bonds, and the Guarantor has conditionally agreed to guarantee the performance by Primary Partner of its obligations thereunder.

The acquisition was approved at the Company’s special general meeting held on 16 January 2019. Upon the completion of the acquisition, All Excel has become an indirect wholly-owned subsidiary of the Company. The acquisition was completed on 30 January 2019 and the financial results of All Excel and its subsidiaries were consolidated into the financial statements of the Group.

Further details are set out in the announcements of the Company dated 21 September 2018, 16 January 2019 and 30 January 2019 and the circular of the Company dated 26 December 2018, respectively.

(ii) Share transaction and connected transaction - Acquisition of 49% equity interest in Wuyishan Gaojia Real Estate Development Company Limited (“Wuyishan Gaojia”)

On 28 June 2019, Fuzhou Gaojia Real Property Development Company Limited (“Fuzhou Gaojia”), a wholly-owned subsidiary of the Company (as purchaser) and Nanping Huiteng Trade Co., Ltd (“Nanping Huiteng”, as vendor) entered into a sale and purchase agreement, pursuant to which Fuzhou Gaojia conditionally agreed to purchase, and Nanping Huiteng conditionally agreed to sell, the 49% equity interest in Wuyishan Gaojia and the shareholder loan at the consideration of RMB55 million, which shall be satisfied by the issue of 135,869,565 shares of the Company (the “Consideration Shares”) to the vendor at an issue price of HK\$0.46 per Consideration Share. The Consideration Shares were issued on 25 July 2019 and the Acquisition was then completed on the same day. Upon the completion, Wuyishan Gaojia had become an indirect wholly-owned subsidiary of the Company.

Further details are set out in the announcements of the Company dated 28 June 2019, 10 July 2019 and 25 July 2019, respectively.

(iii) Discloseable and connected transaction - Acquisition of the entire issued share capital of Power Success Development Incorporated (“Power Success”)

On 26 July 2019, Grand Supreme, a wholly-owned subsidiary of the Company (as purchaser) and Top Trendy Holdings Limited (“Top Trendy”), a company incorporated in the British Virgin Islands with limited liability which is wholly held by Mr. Guo, a Director and controlling Shareholder (as vendor) entered into a sale and purchase agreement, pursuant to which Grand Supreme conditionally agreed to acquire, and Top Trendy conditionally agreed to sell the entire issued share capital in Power Success at a cash consideration of RMB243,670,000.

The acquisition was completed on 28 November 2019 after it was approved at the Company’s special general meeting held on the same day.

Further details are set out in the announcements of the Company dated 26 July 2019, 28 November 2019 and the circular of the Company dated 8 November 2019, respectively.

(iv) Discloseable transaction - Disposal of 37% equity interest in Xian Zhichengda Real Estate Company Limited (“Xian Zhichengda”)

On 4 October 2019, Fujian Sinco Industrial Co., Ltd (“Fujian Sinco”) and Grand International Development Company Limited (“Grand International”), both being wholly-owned subsidiaries of the Company (as vendors), entered into a sale and purchase agreement with Xian Chongfeng Real Estate Company Limited (“Chongfeng Real Estate”, as purchaser), pursuant to which Fujian Sinco and Grand International conditionally agreed to sell, and Chongfeng Real Estate conditionally agreed to purchase the aggregate equity interest of 37% in Xian Zhichengda at a cash consideration of approximately RMB362,328,000. The transaction was completed in November 2019 and the Group had ceased to have any interest in Xi’an Zhichengda since then.

Further details are set out in the announcements of the Company dated 4 October 2019 and 9 October 2019, respectively.

OUTLOOK

At the beginning of the year 2020, the COVID-19 outbreak is likely to cloud the global economic sentiment. However, the Group is confident to the future development of the PRC economy arising from China's further opening-up and reforms over the long term. The Group is also positive in the PRC government's stabilisation policy which is important to accelerate the development of the domestic economic system of China. Moreover, the reduction of loan prime rate ("LPR") has played a key role in stabilising economic development, as well as the real estate industry. It will play a positive role in stabilising the market confidence in the real estate market.

As the capital city of Shaanxi province in the PRC, Xi'an is one of the three international metropolises and the 9th Regional Central City of China designated by the PRC Central Government. Besides, Xi'an is a transport hub and open frontier. It is an important fulcrum city on the "One Belt One Road" initiative, and the central city in the west of the China section of the New Eurasian Continental Bridge. Baoji, one of the cities in Shaanxi province, is aimed to accelerate in promoting as an internationalized city for living in terms of city infrastructure, historical and cultural, technical and innovation, etc., according to the 2018 "One Belt One Road" Construction Action Plan of Baoji. Fujian is not only the main starting point of the ancient maritime Silk Road, but also is a core area of the "21st Century Maritime Silk Road" on the "One Belt One Road" initiative. Shanghai is aimed to maximize the impact of existing policies to better serve demands from countries and regions involved in the "One Belt One Road" initiative in the aspects including trade and financing, cultural exchanges. This should support and provide the new business opportunities and we anticipate the economy in both Xian, Baoji, Fujian and Shanghai will continue to generate sustained growth. The Group will continue to deepen its development projects in Shaanxi province, Fujian province and Shanghai city, and we will strategically expand our geographical coverage, enhance our regional and provincial penetrations in the PRC real estate market.

In a view of creating the maximum value for customers, Shareholders, employees and society, the Group will continue to drive the diversified channels for the land acquisition and proactively look into various opportunities in the property investment sector to expand its operating scale for continuous development and accomplishing sustainable growth in the years ahead.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from property sales, which contributed approximately 92.1% of the revenue for the year ended 31 December 2019. The table below sets forth the breakdown of the Group's revenue by operating segment as indicated:

	For the year ended 31 December 2019		For the nine months ended 31 December 2018	
	RMB'000	%	RMB'000	%
Property sales	1,787,352	92.1	238,008	65.2
Property investment	125,269	6.4	107,929	29.6
Hotel operation	28,944	1.5	19,111	5.2
	1,941,565	100.0	365,048	100.0

Revenue from property sales

The Group's revenue from property sales increased to approximately RMB1,787.4 million for the year ended 31 December 2019 (nine months ended 31 December 2018: approximately RMB238.0 million).

The table below summarises the revenue from property sales for the year ended 31 December 2019:

Property projects	Type	Sales revenue RMB'000	GFA (sq.m)	Average selling price RMB/sq.m	Percentage of total amount %
Shaanxi Province					
Sandi Century New City	Residential	1,175,868	220,099	5,225	65.8
Qujiang Xiangsong Fengdan • Xian Sandi	Residential	578,376	55,388	9,889	32.4
Fujian Province					
Sandi Kaixuan Fengdan	Residential	23,867	1,308	18,254	1.3
Others	Residential/ Commercial	9,241	1,017	8,142	0.5
Total		<u>1,787,352</u>	<u>277,812</u>	6,230	<u>100.0</u>

Notes:

- i. Sales revenue amount and the calculation of average price are based on the sales revenue after the deduction of business/value-added tax and other surcharges/taxes.
- ii. GFA and sales revenue attributable to the car parking spaces and the compensation areas are excluded in the GFA sold and the average selling price calculation.

Revenue from property investment

Revenue from property investment including rental income and property management and related fee income amounted to approximately RMB125.3 million for the year ended 31 December 2019 (nine months ended 31 December 2018: approximately RMB107.9 million), which was derived from the Group's investment properties situated in the PRC, including shopping malls, commercial buildings and kindergartens.

Revenue from hotel operation

Revenue from hotel operation for the year ended 31 December 2019 amounted to approximately RMB28.9 million (nine months ended 31 December 2018: approximately RMB19.1 million), which was derived from hotel accommodation and catering service provided by the Group's hotels operated in Baoji, the PRC.

Cost of properties sales

The Group's cost of properties sales increased to approximately RMB1,284.7 million for the year ended 31 December 2019 (nine months ended 31 December 2018: approximately RMB198.4 million). The increase was primarily attributable to the increase in the total GFA of properties delivered during the year ended 31 December 2019 compared with the nine months ended 31 December 2018, which led to the increase in the cost of properties sales.

Change in fair value on investment properties and upon transfer to investment properties

For the year ended 31 December 2019, the Group recognised a net fair value gain of approximately RMB19.7 million on its investment properties (nine months ended 31 December 2018: net fair value gain of approximately RMB63.7 million).

In addition, following a change of purpose of certain properties during the year, the Group had reclassified certain investment properties which previously classified as property, plant and equipment, properties under development and inventories of properties. As a result, an increase in fair value of approximately RMB382.1 million was recognised to the consolidated statement of profit or loss and an increase in fair value of approximately RMB943.4 million was recognised to properties revaluation reserve during the year (nine months ended 31 December 2018: Nil).

Change in fair value of derivative components of convertible bonds

During the year, the Group recognised a fair value loss of approximately RMB9.3 million on the derivative components of the convertible bonds with principal amount of HK\$500 million, issued to Mr. Guo on 30 January 2019 as the consideration for acquisition of All Excel. For further details about the acquisition, please refer to note 2 to the consolidated financial statements and the section of "Management and Discussion Analysis" in this announcement. The derivative components of the convertible bonds represented the conversion option to convert into shares of the Company and early redemption option before its maturity date on 30 January 2024, which are classified as derivative financial instrument and measured at fair value with changes in fair value recognised in profit or loss.

Gain on disposal of an associate and share of result of an associate

During the year ended 31 December 2019, the Group recognised a gain on disposal of an associate of approximately RMB151.4 million which was resulted from the disposal of Xian Zhichengda, which was owned as to 37% by the Group, completed in November 2019. Such gain represents the difference between the sales proceed and the carrying amount of the equity interest in Xian Zhichengda.

Share of loss of Xian Zhichengda for the year ended 31 December 2019 amounted to approximately RMB11.6 million before its disposal (nine months ended 31 December 2018: loss of approximately RMB0.6 million).

Other gains and losses

The Group recognised a net other gains of approximately RMB125.5 million for the year ended 31 December 2019 (nine months ended 31 December 2018: net other losses of approximately RMB45.5 million), which is mainly attributed to the gain on disposal of an associate as mentioned above.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately RMB23.5 million from approximately RMB81.0 million for the nine months ended 31 December 2018 to approximately RMB104.5 million for the year ended 31 December 2019, which was mainly due to the increase in sales commission recognised during the year.

Administrative expenses

The Group's administrative expenses increased by approximately RMB41.1 million from approximately RMB102.4 million for the nine months ended 31 December 2018 to approximately RMB143.5 million for the year ended 31 December 2019. The increase was primarily attributable to the overall increase in staff cost and depreciation of right-of-use assets after the adoption of new lease standard.

Finance costs

Finance costs consist of interest expenses on bank and other borrowings, bonds payable, convertible bonds, promissory note, contract liabilities and lease liabilities. The finance costs amounted to approximately RMB139.4 million (nine months ended 31 December 2018: approximately RMB37.3 million) for the year ended 31 December 2019. The increase in finance cost was attributable to the convertible bonds and promissory note issued in January 2019.

Income tax expense

Income tax expense mainly comprises the PRC enterprise income tax and land appreciation tax amounted to approximately RMB255.5 million for the year ended 31 December 2019 (nine months ended 31 December 2018: approximately RMB44.0 million). The substantial increase was mainly attributable to the increase in sales of properties recognised during the year.

Investments in securities

As at 31 December 2019, the investment portfolio comprises 2 equity securities (2018: 4 equity securities) with carrying amount of approximately RMB24.9 million (2018: approximately RMB60.6 million) listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The carrying amount of these investments is equal to its fair values, which are determined by reference to the quoted market bid prices available on the Stock Exchange.

During the year ended 31 December 2019, the Group recorded unrealised fair value losses of approximately RMB30.4 million (nine months ended 31 December 2018: approximately RMB49.2 million) on these investments and a net realised gain of approximately RMB0.2 million (nine months ended 31 December 2018: Nil). The composition of the Group's investments portfolio as at 31 December 2019 is illustrated as follow:

Company name/(stock code)	Notes	Percentage of shareholdings at 31 December 2019 %	Realised fair value gain/ (loss) for the year RMB'000	Unrealised fair value loss for the year RMB'000	Fair value at 31 December 2019 RMB'000
Kingston Financial Group Limited (1031)	(i)	0.23%	-	(29,870)	22,885
EverChina Int'l Holdings Company Limited (202)	(ii)	0.14%	-	(494)	2,004
Far East Holdings International Limited (36)	(iii)	-	(1,728)	-	-
Sincere Watch (Hong Kong) Limited (444)	(iv)	-	1,967	-	-
			239	(30,364)	24,889
			239	(30,364)	24,889

Notes

- i. Kingston Financial Group Limited ("Kingston Financial") is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services, futures brokerage and asset management services. Kingston Financial also provides gaming and hospitality services in Macau.

Dividend income received from shares of Kingston Financial was approximately RMB0.4 million during the year ended 31 December 2019.

- ii. EverChina International Holdings Company Limited and its subsidiaries are principally engaged in property investment operation, hotel operation, financing and securities investment operation and agricultural operation.
- iii. Far East Holdings International Limited ("Far East Holdings") is principally engaged in manufacturing and export of garment products, property investment and investment in securities in Hong Kong and PRC.

During the year ended 31 December 2019, the Group fully disposed of 10,845,000 shares in Far East Holdings which led to a realised loss of approximately RMB1.7 million.

- iv. Sincere Watch (Hong Kong) Limited ("Sincere Watch") is principally engaged in distribution of branded luxury watch, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC, dining business and property investments.

During the year ended 31 December 2019, the Group fully disposed of 29,000,000 shares in Sincere Watch which led to a realised gain of approximately RMB2.0 million.

- v. None of these investments represented more than 1% of the total assets of the Group as at 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB4,229.9 million denominated in RMB (2018: approximately RMB4,067.5 million denominated in RMB) and other debts comprising convertible bonds, promissory note and bonds payable in total amount to approximately RMB1,063.2 million denominated in HK\$ (2018: approximately RMB9.4 million denominated in HK\$). As at 31 December 2019 and 2018, all bank and other borrowings were secured with fixed interest rate. The bank and other borrowings with maturities falling due within one year, in the second year, in the third to the fifth year, over five years amounted to approximately RMB619.5 million, RMB813.4 million, RMB1,938.0 million and RMB859.0 million, respectively (2018: approximately RMB2,675.7 million, RMB727.9 million, RMB473.5 million and RMB190.4 million, respectively). Further details of the bank and other borrowings are set out in note 17 to the consolidated financial statements in this announcement.

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB707.3 million (2018: approximately RMB409.5 million) which were mainly denominated in HK\$ and RMB.

As at 31 December 2019, the gearing ratio for the Group was approximately 114.7% (2018: approximately 90.3%), calculated based on the net debts (comprising bank and other borrowings and other debts comprising convertible bonds, promissory note and bonds payable less cash and cash equivalent) of approximately RMB4,585.9 million (2018: approximately RMB3,667.4 million) over the total equity of approximately RMB3,999.5 million (2018: approximately RMB4,061.0 million). The debt ratio was approximately 80.3% (2018: approximately 77.5%), calculated as total liabilities over total assets of the Group.

The Group's current available liquidity resources are sufficient to meet its capital commitments. As at 31 December 2019, the Group's net current assets amounted to approximately RMB1,052.7 million (2018: net current liabilities approximately RMB451.9 million). The Group's current ratio, being percentage of its current assets and its current liabilities, amounted to approximately 110.1% (2018: approximately 96.2%).

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the year ended 31 December 2019 are summarised as follows:

(i) Bank and other borrowings

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB4,229.9 million (2018: approximately RMB4,067.5 million), of which approximately RMB619.5 million are repayable within one year and approximately RMB3,610.4 million are repayable beyond one year. The Group's bank and other borrowings bear interest rates ranging from approximately 4.8% to 12.8% per annum. All the bank and other borrowings were denominated in RMB.

(ii) Bonds payable

As at 31 December 2019 and 2018, the Company had a 4-year 7% coupon bonds with principal amount of HK\$11 million (the "7% Coupon Bonds") issued to certain independent third parties. The 7% Coupon Bonds are denominated in HK\$. Interest is payable semi-annually and the principal had been fully repaid when the 7% Coupon Bonds fell due on 23 July 2019. There is no early redemption of the 7% Coupon Bonds neither by the Company nor the 7% Coupon Bonds holders during the year ended 31 December 2019.

(iii) Promissory note

As at 31 December 2019, the Company had a 5-year promissory note (the "Promissory Note") with principal amount of HK\$600 million issued to Mr. Guo, a Director, with interest of 3% per annum for the first and second years after the date of issuance, 4.5% per annum for the third and fourth years after the date of issuance and 6% per annum for the fifth year after the date of issuance, with interest payable annually in arrears and the principal will be repaid when the Promissory Note fall due on 29 January 2024. The Promissory Note is denominated in HK\$. There was no early redemption of the Promissory Note requested by the Company or Mr. Guo during the year ended 31 December 2019.

(iv) Convertible bonds

As at 31 December 2019, the Company had a 5-year convertible bonds (the “CB”) with principal amount of HK\$500 million to Mr. Guo, a Director, with interest of 1% per annum payable annually in arrears and carrying a conversion price of HK\$0.412 per conversion share, with conversion rights to convert into a maximum of 1,231,592,233 shares of the Company. The principal will be repaid when the CB fall due on 29 January 2024 if no conversion happens on or before 29 January 2024. The CB are denominated in HK\$. There was no early redemption of the CB requested by the Company or Mr. Guo during the year ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as the acquisitions of subsidiaries and disposal of an associate disclosed in the “Management Discussion and Analysis” section in this announcement the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in “Management Discussion and Analysis” section in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2019 and up to the date of this announcement.

USE OF NET PROCEEDS FROM THE EQUITY FUND RAISING ACTIVITIES

The use of the net proceeds from the equity fund raising activities during the year are summarised as follows:

Issue of Warrant Shares

On 19 December 2017, a total of 312,500,000 shares of the Company were allotted and issued to Beyond Steady Limited, the warrant holder, raising gross proceeds of approximately HK\$75.0 million. The Group intends to apply the net proceeds for general working capital, capital expenditures and future investments.

Approximately HK\$5.0 million was utilised as general working capital, and approximately HK\$70.0 million was utilised to satisfy part of the investment costs in an associate during the nine month ended 31 December 2018.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2019, the Group had pledged certain investment properties, properties under development, land use rights and certain inventories of properties of an aggregate carrying value of approximately RMB11,863.2 million (2018: approximately RMB9,588.8 million) together with certain rental proceeds over investment properties, and shares of certain subsidiaries of the Group to secure the bank and other facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage facilities granted to purchasers of the Group's properties. As at 31 December 2019, the Group provided guarantees for mortgage loans in an amount of approximately RMB3,566.9 million (2018: approximately RMB2,517.0 million) to banks in respect of such agreements. Certain subsidiaries of the Group has provided corporate guarantees amounting to approximately RMB1,122.0 million (2018: approximately RMB1,339.3 million) to certain financial institutions in respect of loan facilities granted to certain companies that were indirectly wholly owned or controlled by Mr. Guo or Ms. Shum Xi Xia, the sister-in-law of Mr. Guo. In addition, certain subsidiaries of the Group had also provided corporate guarantees amounting to approximately RMB82.4 million (2018: approximately RMB407.2 million) to certain financial institutions in respect of loan facilities granted to certain independent third parties during the year ended 31 December 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB884.7 million (2018: approximately RMB2,091.2 million).

CHANGE OF PRESENTATION AND FUNCTIONAL CURRENCIES

In prior financial periods, HK\$ was regarded as the presentation and functional currencies of the Company.

In the current year, the Company changed its presentation currency for the preparation of its consolidated financial statements from HK\$ to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in the PRC with substantially all of its businesses denominated and settled in RMB. The Directors consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. Comparative financial information was presented in RMB accordingly.

During the year ended 31 December 2019, the functional currency of the Company changed from HK\$ to RMB upon the completion of an acquisition of All Excel on 30 January 2019. Subsequent to the acquisition, the Company mainly holds subsidiaries whose underlying operations are primarily in the PRC with RMB being the currency that mainly influences the Group's underlying transactions, events and conditions. The Directors are of the view that that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primary holding subsidiaries with primary economic environment in the PRC. Accordingly, the functional currency of the Company was changed prospectively from the date of acquisition.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and HK\$, respectively. The functional currency of the Company and certain of its subsidiaries which operate in Hong Kong as investment holding companies or companies providing corporate services to other group entities and its principal operating subsidiaries in the PRC is RMB. The functional currency of certain of the Company's subsidiaries which operate in Hong Kong as investment holding companies is HK\$. As at 31 December 2019, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 31 December 2019, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

As at 31 December 2019, the Group employed a total of 795 employees (2018: 609 employees) of which 791 employees (2018: 606 employees) were hired in the PRC and 4 employees (2018: 3 employees) in Hong Kong. Total remuneration paid to the employees for the year ended 31 December 2019 amounted to approximately RMB87.8 million (nine months ended 31 December 2018: approximately RMB53.0 million). In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

PROPERTY VALUATION

Property valuation on the Group's investment properties located in the PRC as at 31 December 2019 had been carried out by an independent qualified professional valuer, Ravia Global Appraisal Advisory Limited. The property valuation was used in preparing the annual results. The valuation was based on direct capitalization approach by making reference to comparable market information as available in the relevant markets. For investment properties under development, the valuation has also taken into account the construction costs expended and to be expended to complete the development. The Group's investment properties were valued at approximately RMB7,451.7 million as at 31 December 2019 (2018: approximately RMB4,693.1 million). A net fair value gain of approximately RMB19.7 million and an increase in fair value of approximately RMB382.1 million were recognised to the consolidated statement of profit or loss for the year (nine months ended 31 December 2018: net fair value gain of approximately RMB63.7 million) and an increase in fair value of approximately RMB943.4 million was recognised to properties revaluation reserve during the year (nine months ended 31 December 2018: Nil).

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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct in respect of the securities dealing by the Directors. The Company has made specific enquiry with all Directors in respect of the securities dealing by the Directors and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

For the year ended 31 December 2019 and up to date of this announcement, the Company has complied with the code provisions (“Code Provisions”) set out in the Corporate Governance Code (the “CG Code”) under Appendix 14 to the Listing Rules except for the deviations from Code Provision A.2.1, A.6.7, E.1.2 and Rule 3.28 and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company. The corporate governance principles of the Company emphasise to provide an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the Shareholders. The Board will continue to monitor and revise the Company’s corporate governance policies in order to ensure that such policies will meet the general rules and standards required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group’s assets. The Company had complied with the CG Code throughout the year ended 31 December 2019 except for the following deviations:

Code Provision A.2.1

The roles of the chairman and the chief executive officer should be segregated and not be exercised by the same individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group’s business. Mr. Guo currently serves as the chairman of the Board (the “Chairman”). Up to date of this announcement, no individual was appointed as the chief executive officer of the Company (the “CEO”). The day-to-day management of the Group’s business is monitored by the executive Directors and senior management. Given the size and that the Group’s current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the view of the Shareholders. Ms. Ma Shujuan and Mr. Zheng Yurui, both being independent non-executive Directors, were unable to attend the special general meeting of the Company held on 16 January 2019 due to other business commitments. As an action plan to address the aforesaid deviation, the Company will require all the independent non-executive Directors to attend all future general meetings in order to comply with code provision A.6.7 of the CG Code.

Code Provision E.1.2

Code provision E.1.2 currently in force stipulates, among other things, that the chairman of the issuer should attend the annual general meeting. Mr. Guo, being the Chairman, was unable to attend the annual general meeting of the Company held on 31 May 2019 (the “2019 AGM”) due to another commitment and Mr. Guo appointed Ms. Amika Lan E Guo, an executive Director, to act as his representative at the 2019 AGM and take the chair of the 2019 AGM and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less sufficient than those in the CG Code. This constitutes a deviation of code provision E.1.2.

Rule 3.28

The former company secretary of the Company, Ms. Chan Po Yu (“Ms. Chan”), had resigned with effect from 28 December 2018. On 1 November 2019, Mr. Chan Wai Shing has been appointed as the company secretary to fill the vacancy in the office of company secretary of the Company occasioned by the resignation of Ms. Chan. Accordingly, the Company had not complied with the requirement under Rule 3.28 of the Listing Rules during the period between 28 December 2018 and 31 October 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee which comprised Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Zheng Yurui, being all the independent non-executive Directors, has reviewed the accompanying financial statements prior to their publication. The Audit Committee has reviewed with management, the Group’s unaudited consolidated results for the year ended 31 December 2019, and is of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with Messrs. Deloitte Touche Tohmatsu, the auditors of the Company (the “Auditors”) as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed no later than 17 April 2020.

PUBLICATION OF UNAUDITED RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinasandi.com.hk). The annual report of the Company for the year ended 31 December 2019 will be despatched to the Shareholders and will be published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank our valued customers, suppliers and business associates for their invaluable contributions and support. I also want to express my gratitude to our management team and all staff of the Group for their hard work during the year. Last but not least, I am most grateful to our shareholders for their continuous support and confidence.

By order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Guo Jiadi, Ms. Amika Lan E Guo and Mr. Wang Chao, being the executive Directors; Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Zheng Yurui, being the independent non-executive Directors.