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五礦地產有限公司 MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 230)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RESULTS

The board of directors (“Directors”) of Minmetals Land Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the comparative figures in 2018, as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	3	11,261,431	10,930,824
Cost of sales		(8,588,071)	(7,044,153)
Gross profit		2,673,360	3,886,671
Other income, other gains and losses	5	103,616	126,207
Fair value changes on investment properties		107,550	134,052
Selling and marketing expenses		(242,035)	(175,506)
Administrative and other expenses		(567,088)	(539,148)
Impairment losses reversed/(recognised) under expected credit loss model, net of reversal		3,832	(6,514)
Finance income		221,744	189,019
Finance costs		(26,739)	(137,524)
Share of results of associates		(3,761)	(10,531)
Share of results of joint ventures		(10,380)	(3,310)
Profit before tax		2,260,099	3,463,416
Income tax expense	6	(907,516)	(1,716,273)
Profit for the year	4	1,352,583	1,747,143
Profit for the year attributable to:			
Equity holders of the Company		942,689	934,964
Holders of perpetual capital instruments		219,089	184,362
Non-controlling interests		190,805	627,817
		1,352,583	1,747,143
Earnings per share for profit attributable to equity holders of the Company, in HK cents			
Basic	7	28.17	27.94
Diluted	7	28.17	27.93

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>1,352,583</u>	<u>1,747,143</u>
Other comprehensive income/(expense):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(485,635)	(902,215)
Fair value loss on hedging instruments in cash flow hedges	(36,033)	(45,994)
Share of other comprehensive expense of associates	(25,155)	(55,635)
Share of other comprehensive expense of joint ventures	<u>(1,947)</u>	<u>(4,407)</u>
	<u>(548,770)</u>	<u>(1,008,251)</u>
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on financial assets at fair value through other comprehensive income	<u>587,698</u>	<u>18,437</u>
Other comprehensive income/(expense) for the year	<u>38,928</u>	<u>(989,814)</u>
Total comprehensive income for the year	<u>1,391,511</u>	<u>757,329</u>
Total comprehensive income for the year attributable to:		
Equity holders of the Company	1,092,306	214,924
Holders of perpetual capital instruments	168,525	71,312
Non-controlling interests	<u>130,680</u>	<u>471,093</u>
	<u>1,391,511</u>	<u>757,329</u>

Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		262,791	196,512
Investment properties		2,366,668	2,256,393
Interests in associates		1,123,361	1,152,277
Interests in joint ventures		84,701	97,028
Financial assets at fair value through other comprehensive income		1,398,952	811,254
Other financial assets		–	30,091
Deferred tax assets		639,144	778,610
		<u>5,875,617</u>	<u>5,322,165</u>
Current assets			
Inventories		24,723,350	25,787,021
Prepayments, trade and other receivables	9	13,934,151	11,868,354
Contract assets		500,439	453,833
Contract costs		15,237	12,275
Other financial assets		19,771	–
Cash and bank deposits, restricted		42,702	201,353
Cash and bank deposits, unrestricted		3,850,098	3,607,776
		<u>43,085,748</u>	<u>41,930,612</u>
Total assets		<u>48,961,365</u>	<u>47,252,777</u>
EQUITY			
Share capital		334,691	334,691
Reserves	10	8,859,154	8,033,017
Equity attributable to equity holders of the Company		<u>9,193,845</u>	<u>8,367,708</u>
Perpetual capital instruments		3,803,647	3,854,289
Non-controlling interests		<u>3,269,226</u>	<u>2,588,454</u>
Total equity		<u>16,266,718</u>	<u>14,810,451</u>
LIABILITIES			
Non-current liabilities			
Borrowings		9,491,281	14,039,272
Deferred tax liabilities		134,818	133,288
Lease liabilities		71,742	–
Other financial liabilities		25,713	–
Other liabilities		–	223
		<u>9,723,554</u>	<u>14,172,783</u>
Current liabilities			
Borrowings		7,262,623	1,015,365
Trade and other payables	11	10,906,885	10,682,838
Contract liabilities		4,553,520	6,119,742
Deferred revenue		4,064	5,461
Lease liabilities		16,598	–
Taxation payable		227,403	446,137
		<u>22,971,093</u>	<u>18,269,543</u>
Total liabilities		<u>32,694,647</u>	<u>32,442,326</u>
Total equity and liabilities		<u>48,961,365</u>	<u>47,252,777</u>
Net current assets		<u>20,114,655</u>	<u>23,661,069</u>
Total assets less current liabilities		<u>25,990,272</u>	<u>28,983,234</u>

Notes to the Consolidated Financial Statements

1. General information

The Group is principally engaged in real estate development, specialised construction, property investment and securities investment. The People's Republic of China (the "PRC") is the major market for the Group's businesses.

The Company is a limited liability company incorporated in Bermuda. The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is June Glory International Limited (incorporated in the British Virgin Islands) and its ultimate holding company is China Minmetals Corporation (incorporated in Mainland China).

The consolidated financial statements are presented in Hong Kong dollars ("HK\$" or "HK dollar(s)"), unless otherwise stated, which is also the functional currency of the Company.

2. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value at the end of each reporting period.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

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

2.1 Impacts and changes in accounting policies of application on 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.

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 right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) 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. 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 Mainland China was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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 5.39%.

	<u>At 1 January 2019</u>
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	<u>58,934</u>
Lease liabilities discounted at relevant incremental borrowing rates	52,678
Less: Recognition exemption - short-term leases	<u>(9,745)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u>42,933</u>
Lease liabilities as at 1 January 2019	<u>42,933</u>
Analysed as	
Current	1,455
Non-current	<u>41,478</u>
	<u>42,933</u>

Effective from 1 January 2019, leasehold lands which were classified as properties under development and properties for sale 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, except for sub-leases in which the Group acts as an intermediate lessor, 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.

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.

Sale and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

Subleases

At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date.

There was no material impact of transition to HKFRS 16 on the retained earnings at 1 January 2019.

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 previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	196,512	42,933	239,445
Non-current liabilities			
Lease liabilities	-	41,478	41,478
Current liabilities			
Lease liabilities	-	1,455	1,455

3. Revenue and segment information

Revenue (represents turnover) comprised the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of properties	10,329,101	9,918,725
Revenue from specialised construction contracts	864,603	941,654
Rental and management fee income from investment properties	67,727	70,445
	11,261,431	10,930,824

(a) Operating segments

The chief operating decision maker has been identified as the executive directors. The executive directors review the Group's internal financial reports in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports as follows:

Real estate development:	Development and sales of residential and commercial properties
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and other materials
Property investment:	Holding of properties to generate rental income and/or to gain from the appreciation in the properties' values in the long-term
Securities investment:	Investment of securities

No operating segments identified by the executive directors have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue										
Total segment revenue	10,329,101	9,918,725	894,945	1,044,183	73,379	75,613	—	—	11,297,425	11,038,521
Inter-segment revenue	—	—	(30,342)	(102,529)	(5,652)	(5,168)	—	—	(35,994)	(107,697)
Sales to external customers	10,329,101	9,918,725	864,603	941,654	67,727	70,445	—	—	11,261,431	10,930,824
Results										
Segment results	2,044,622	3,371,789	(11,658)	1,609	215,542	191,744	50,646	69,121	2,299,152	3,634,263
Unallocated corporate expenses, net									(219,917)	(208,501)
Finance income									221,744	189,019
Finance costs									(26,739)	(137,524)
Share of results of associates									(3,761)	(10,531)
Share of results of joint ventures									(10,380)	(3,310)
Profit before tax									2,260,099	3,463,416

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit before tax without allocation of unallocated corporate expenses, finance income, finance costs and share of results of associates and joint ventures.

Inter-segment revenue is charged at prevailing market rates.

Finance income, finance costs and share of results of associates and joint ventures are not included in the measure of segment results.

Segment assets and liabilities

	Real estate development		Specialised construction		Property investment		Securities investment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Assets										
Segment assets	40,792,490	40,524,343	985,625	1,049,409	2,211,748	2,027,991	1,398,952	811,254	45,388,815	44,412,997
Unallocated corporate assets									3,572,550	2,839,780
Total assets									48,961,365	47,252,777
Liabilities										
Segment liabilities	29,482,240	29,161,255	640,621	740,702	24,704	23,367	—	—	30,147,565	29,925,324
Unallocated corporate liabilities									2,547,082	2,517,002
Total liabilities									32,694,647	32,442,326

Segment assets consist primarily of interests in associates, interests in joint ventures, property, plant and equipment, investment properties, inventories, receivables, contract assets, contract costs and operating cash but exclude items such as bank deposits for corporate use and deferred tax assets. Segment liabilities comprise all operating liabilities but exclude items such as taxation.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Real estate development		Specialised construction		Property investment		Securities investment		Segment total		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Interests in associates	1,123,361	1,152,277	—	—	—	—	—	—	1,123,361	1,152,277	—	—	1,123,361	1,152,277
Interests in joint ventures	84,701	97,028	—	—	—	—	—	—	84,701	97,028	—	—	84,701	97,028
Capital expenditures	7,983	3,709	5,094	11,814	48	354	—	—	13,125	15,877	283	340	13,408	16,217
Depreciation recognised in the consolidated statement of profit or loss	19,168	4,637	2,623	2,143	456	460	—	—	22,247	7,240	2,517	1,028	24,764	8,268
Fair value changes on investment properties	(43,850)	—	—	—	151,400	134,052	—	—	107,550	134,052	—	—	107,550	134,052
Allowance for impairment of inventories	86,472	45,284	—	—	—	—	—	—	86,472	45,284	—	—	86,472	45,284
Impairment losses (reversed)/recognised under expected credit loss model, net of reversal	—	—	(6,080)	6,514	2,248	—	—	—	(3,832)	6,514	—	—	(3,832)	6,514

(b) Geographical information

The Group operates its businesses in two main geographical areas:

Hong Kong:	Real estate development, specialised construction, property investment and securities investment
Mainland China and Macau:	Real estate development, specialised construction and property investment

In presenting geographical information, sales are presented based on the geographical locations of the customers. Total non-current assets exclude financial instruments and deferred tax assets.

	Hong Kong		Mainland China and Macau		Total	
	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External sales	363,683	548,711	10,897,748	10,382,113	11,261,431	10,930,824
Total non-current assets	2,267,291	2,085,473	1,570,230	1,616,737	3,837,521	3,702,210

(c) Information about major customer

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for both years.

4. Profit for the year

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of properties sold (Note (i))	7,750,378	6,160,075
Cost of specialised construction	822,161	869,540
Depreciation	24,764	8,268
Auditor's remuneration	4,200	4,200
Direct operating expenses incurred for investment properties that generated rental income	15,532	14,538
Employee benefit expense (including directors' emoluments)	242,708	232,007
Allowance for impairment of inventories	86,472	45,284
Net exchange gain	(23,109)	(5,451)

Note:

(i) Included in cost of properties sold are interest expenses of HK\$413,710,000 (2018: HK\$368,372,000).

5. Other income, other gains and losses

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government subsidies	1,300	2,585
Dividend income	50,703	69,141
Management fee income from an intermediate holding company and ultimate holding company	-	7,399
Management fee income from fellow subsidiaries	11,337	15,919
Fair value changes of other financial liabilities	-	(609)
Gain on revaluation of inventories upon transfer to investment properties	-	5,623
Others	40,276	26,149
	103,616	126,207

6. Income tax expense

Hong Kong Profits Tax has been calculated on the estimated assessable profit for the year derived in Hong Kong at the rate of 16.5% (2018: no Hong Kong Profits Tax expense recognised).

The PRC enterprise income tax has been calculated on the estimated assessable profit for the year derived in Mainland China at the rate of 25% (2018: 25%).

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
PRC enterprise income tax	377,469	629,088
Hong Kong profits tax	1,323	–
Land appreciation tax	402,242	843,141
	<u>781,034</u>	<u>1,472,229</u>
Deferred tax	126,482	244,044
	<u>907,516</u>	<u>1,716,273</u>

7. Earnings per share – basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options granted under the Company's share option schemes. Since there was no outstanding share options during the year, diluted earnings per share is equal to basic earnings per share.

	2019	2018
Weighted average number of ordinary shares in issue (thousands shares)	3,346,908	3,346,009
Adjustment for share options (thousands shares)	–	1,614
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	<u>3,346,908</u>	<u>3,347,623</u>
Profit attributable to equity holders of the Company (HK\$'000)	<u>942,689</u>	<u>934,964</u>
Basic earnings per share (HK cents)	<u>28.17</u>	<u>27.94</u>
Diluted earnings per share (HK cents)	<u>28.17</u>	<u>27.93</u>

8. Dividends

The Directors recommend the payment of a final dividend of HK8.0 cents (2018: HK8.0 cents) per ordinary share with total amount of HK\$267,753,000 (2018: HK\$267,753,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 28 May 2020. These consolidated financial statements do not reflect this dividend payable.

Final dividends in respect of the year ended 31 December 2018 of HK8.0 cents per ordinary share totaling HK\$267,753,000 (2018: final dividends in respect of the year ended 31 December 2017 of HK6.0 cents per ordinary share totaling HK\$200,739,000) was recognised as distribution during the year.

9. Prepayments, trade and other receivables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables, net (a)	414,923	448,660
Deposits	55,501	63,390
Prepayments (b)	880,309	855,178
Prepayments for land cost (c)	4,608,941	1,986,073
Loans to a non-controlling shareholder of a subsidiary	2,787,988	2,951,037
Amount due from an associate	58,010	837,513
Amounts due from joint ventures	4,122,198	4,616,224
Loans to an associate	781,425	-
Loan to a joint venture	116,770	-
Amounts due from fellow subsidiaries	9,489	-
Others	98,597	110,279
	<u>13,934,151</u>	<u>11,868,354</u>

- (a) The aging analysis of trade receivables based on due date for rental receivables, date of properties delivered to purchasers and billing date of construction services certified is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 90 days	128,645	209,399
91 to 180 days	110,378	55,922
181 days to 1 year	22,961	45,833
1 year to 2 years	75,072	92,846
Over 2 years	124,816	96,236
	<u>461,872</u>	<u>500,236</u>
Less: allowance for impairment	<u>(46,949)</u>	<u>(51,576)</u>
	<u>414,923</u>	<u>448,660</u>

- (b) As at 31 December 2019, prepayments include prepaid taxes and other charges of approximately HK\$826,753,000 (2018: HK\$687,619,000).
- (c) As at 31 December 2019, prepayments for land cost represent payments to the PRC Bureau of Land and Resources for the acquisition of lands in Mainland China and the amount will be reclassified to inventory upon issuance of land use rights certificates.

10. Reserves

	Share premium	Contributed surplus	Capital redemption reserve	Employee share-based compensation reserve	Investments revaluation reserve	Cash flow hedging reserve	Revaluation reserve	Other reserve	Exchange reserve	Retained earnings	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Balance as at 1 January 2018	4,273,883	515,336	769	1,183	235,080	76,085	4,359	(311,448)	(342,622)	3,565,549	8,018,174
Issue of shares	1,289	—	—	(631)	—	—	—	—	—	—	658
Reclassification of employee share option benefits	—	—	—	(552)	—	—	—	—	—	552	—
Fair value gain of financial assets at fair value through other comprehensive income	—	—	—	—	18,437	—	—	—	—	—	18,437
Fair value loss on hedging instruments in cash flow hedges	—	—	—	—	—	(45,994)	—	—	—	—	(45,994)
Currency translation adjustments	—	—	—	—	—	—	—	—	(692,483)	—	(692,483)
2017 final dividend paid	—	—	—	—	—	—	—	—	—	(200,739)	(200,739)
Profit for the year	—	—	—	—	—	—	—	—	—	934,964	934,964
Balance as at 31 December 2018	4,275,172	515,336	769	—	253,517	30,091	4,359	(311,448)	(1,035,105)	4,300,326	8,033,017
Fair value gain of financial assets at fair value through other comprehensive income	—	—	—	—	587,698	—	—	—	—	—	587,698
Fair value loss on hedging instruments in cash flow hedges	—	—	—	—	—	(36,033)	—	—	—	—	(36,033)
Currency translation adjustments	—	—	—	—	—	—	—	—	(402,048)	—	(402,048)
Gain on partial disposal of a subsidiary	—	—	—	—	—	—	—	1,584	—	—	1,584
2018 final dividend paid	—	—	—	—	—	—	—	—	—	(267,753)	(267,753)
Profit for the year	—	—	—	—	—	—	—	—	—	942,689	942,689
Balance as at 31 December 2019	4,275,172	515,336	769	—	841,215	(5,942)	4,359	(309,864)	(1,437,153)	4,975,262	8,859,154

11. Trade and other payables

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade, bills and contract payables (a)	1,234,045	1,986,284
Retention payables	44,635	52,158
Accrued construction costs, other accruals and other payables	6,904,027	5,471,033
Rental deposits received	17,288	18,247
Amounts due to a fellow subsidiary	1,372,132	2,004,416
Amounts due to non-controlling shareholders of subsidiaries	394,732	184,721
Amounts due to associates	940,026	965,979
	<u>10,906,885</u>	<u>10,682,838</u>

(a) The aging analysis of trade, bills and contract payables of the Group based on invoice date is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	721,419	1,360,582
91 to 180 days	120,425	324,248
181 days to 1 year	148,018	152,413
1 year to 2 years	170,998	68,971
Over 2 years	73,185	80,070
	<u>1,234,045</u>	<u>1,986,284</u>

12. Events after the reporting period

The outbreak of coronavirus in the early 2020 (“COVID-19 Outbreak”) had posed certain impacts on the overall economy in Hong Kong and the Mainland China. A series of precautionary and control measures have been and continued to be implemented and inevitably has been affecting the Group's business and operation to some extent.

The Directors had a preliminary assessment as follows:

- the stringent preventive measures currently adopted has had negative impact on the Group's property sales in February and March 2020;
- the future valuation of the Group's investment properties may be subject to fluctuation due to challenging rental revision amid the COVID-19 Outbreak.

The overall financial effect cannot be reliably and quantitatively estimated at this moment. However, the Group continues to pay attention to the development of the COVID-19 Outbreak and evaluate the impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's consolidated revenue increased 3.0% to HK\$11,261.4 million compared to HK\$10,930.8 million of last year. Real estate development segment recorded a revenue growth of 4.1% to HK\$10,329.1 million (2018: HK\$9,918.7 million) as increased areas was completed and delivered to buyers. Specialised construction segment recorded a revenue decline of 8.2% to HK\$864.6 million (2018: HK\$941.7 million), which was primarily attributed to intense market competition. The revenue from property investment segment also recorded a decline of 3.8% to HK\$67.7 million (2018: HK\$70.4 million).

Segment Revenue

	For the year ended 31 December				Year-on-year change %
	2019		2018		
	HK\$ million	%	HK\$ million	%	
Real estate development	10,329.1	91.7	9,918.7	90.7	4.1
Specialised construction	864.6	7.7	941.7	8.6	(8.2)
Property investment	67.7	0.6	70.4	0.7	(3.8)
Securities investment	—	—	—	—	—
Total	11,261.4	100.0	10,930.8	100.0	3.0

Segment Results

	For the year ended 31 December				Year-on-year Change %
	2019		2018		
	HK\$ million	%	HK\$ million	%	
Real estate development	2,044.6	88.9	3,371.8	92.8	(39.4)
Specialised construction	(11.6)	(0.5)	1.6	0.0	N/A
Property investment	215.5	9.4	191.8	5.3	12.4
Securities investment	50.7	2.2	69.1	1.9	(26.6)
Total	2,299.2	100.0	3,634.3	100.0	(36.7)

As the majority of recognised revenue came from lower-margin products of land parcels acquired since 2016 which were affected by pricing restrictions during sales, overall gross profit margin slid from 35.6% to 23.7%. Due to the decline in dividend income and management fee income, the Group's other income also declined 17.9% to HK\$103.6 million (2018: HK\$126.2 million). In addition, the Group's selling and marketing expenses increased 37.9% to HK\$242.0 million (2018: HK\$175.5 million) as a large number of projects under development are either new projects with debut sales launch or undergoing early stage marketing over the year. Due to a HK\$41.2 million increase in inventory impairment, the administrative and other expenses increased by 5.2% to HK\$567.1 million (2018: HK\$539.1 million). When excluding this one-off provision, the administrative and other expenses slid 2.7% compared to last year.

During the year under review, mainly due to interest received from loans provided to an associate and a joint venture, the Group's finance income increased 17.3% to HK\$221.7 million (2018: HK\$189.0 million). As a result of large amount of loan interest being capitalised, finance costs charged to the profit or loss recorded a decrease of 80.6% to HK\$26.7 million (2018: HK\$137.5 million). Furthermore, given real estate development projects of associates and joint ventures are still in their initial stage of construction, loss from share of results of associates and joint ventures recorded a slight increase of 2.2% to HK\$14.1 million (2018: HK\$13.8 million). Profit attributable to equity holders of the Company increased slightly to HK\$942.7 million (2018: HK\$935.0 million), representing a basic earnings per share of HK28.17 cents (2018: HK27.94 cents) for the year.

As at 31 December 2019, the Group's total assets increased slightly by 3.6% to HK\$48,961.4 million (2018: HK\$47,252.8 million) whilst net assets increased 9.8% to HK\$16,266.7 million (2018: HK\$14,810.5 million). The increase in net assets is mainly due to two reasons, firstly the increase in fair value for financial assets at fair value through other comprehensive income and secondly, the increase in non-controlling interests due to introduction of partners in several real estate development projects. The financial position of the Group remain healthy with gearing ratio (total liabilities/total assets) of 66.8% (2018: 68.7%); net gearing ratio of 79.1% (2018: 75.9%).

REAL ESTATE DEVELOPMENT

Contracted Sales*

In 2019, the Group's total contracted sales increased approximately 26.8% to RMB8,644 million (2018: RMB6,818 million) whilst the gross floor area ("GFA") contracted for sale rose approximately 3.1% to 459,000 square metres (2018: 445,000 square metres). Total number of units sold during the year slid 15.9% to 4,568 units (2018: 5,430 units) and the average selling price ("ASP") increased 22.9% to RMB18,800 (2018: RMB15,300) per square metre approximately. The majority of the contracted sales was derived from Tier 1 and Tier 2 cities.

The table below provides an analysis of contracted sales by project for the years 2018 and 2019:

Project	Year ended 31 December					
	Contracted amount (RMB million)	Contracted GFA (sq.m.)	ASP (RMB/sq.m.)	Contracted amount (RMB million)	Contracted GFA (sq.m.)	ASP (RMB/sq.m.)
Beijing Fortune Garden [#]	16	5,450	2,945	1,387	25,537	54,318
Yingkou Platinum Bay	301	47,612	6,321	430	65,071	6,600
Langfang Harrow Town [#]	35	2,883	12,268	19	2,379	7,968
Tianjin Minmetals International	13	1,676	7,850	–	–	–
Nanjing Sello Royale [#]	64	6,560	9,782	45	1,891	23,503
Nanjing Academic Royale	63	1,301	48,639	192	4,069	47,188
Nanjing Yan Shan Ju	39	804	48,060	160	3,154	50,827
Nanjing Enchanté Oasis	3,003	97,822	30,698	521	17,156	30,369
Nanjing Enchanté Cove	1,622	59,242	27,376	850	31,483	26,990
Nanjing Jiang Shan Da Jing	60	1,997	30,298	–	–	–
Changsha LOHAS International Community [#]	32	1,756	18,378	195	6,987	27,913
Changsha Scotland Town	10	966	10,467	41	4,409	9,375
Changsha Qin Royale	230	24,023	9,578	1,895	198,816	9,533
Wuhan Enchanté Crest	350	26,830	13,027	270	21,263	12,708
Wuhan Scenery Cove	554	41,658	13,291	–	–	–
Huizhou Hallstatt See	858	97,041	8,845	556	55,216	10,077
Foshan Academic Royale	937	33,794	27,721	190	6,768	28,018
Guangzhou Greenery Terrace	308	4,245	72,578	67	1,013	65,671
Guangzhou Langyun Garden	149	3,636	41,001	–	–	–
Total	8,644	459,296	18,820	6,818	445,212	15,313

* "Contracted Sales" means sales contracts entered into between the Group and purchasers pursuant to the Administrative Measures on the Sales of Commodity Buildings promulgated by the Ministry of Housing and Urban-rural Development on 4 April 2001 and implemented on 1 June 2001. Sale of commodity buildings included both pre-completion sales (pre-sale) and post-completion sales, and included sales from residential, commercial and car park units.

The difference in contracted ASP for 2018 and 2019 was mainly due to the change in product mix.

Project Profiles

Location/Project	Attributable interest to the Group	Site Area (sq.m.)	Estimated GFA (sq.m.)	GFA completed (sq.m.)	GFA under development (sq.m.)	GFA held for future development (sq.m.)
Pan Bohai Rim						
1. Beijing Fortune Garden	51.0%	139,000	414,000	414,000	—	—
2. Yingkou Platinum Bay	100.0%	396,000	391,000	332,000	59,000	—
3. Langfang Harrow Town	50.0%	550,000	1,180,000	284,000	—	896,000
4. Tianjin Minmetals International	100.0%	21,000	183,000	183,000	—	—
Yangtze River Delta						
5. Nanjing Sello Royale	100.0%	179,000	270,000	270,000	—	—
6. Nanjing Academic Royale	100.0%	136,000	482,000	482,000	—	—
7. Nanjing Yan Shan Ju	100.0%	91,000	203,000	203,000	—	—
8. Nanjing Enchanté Oasis	100.0%	95,000	255,000	242,000	13,000	—
9. Nanjing Enchanté Cove	100.0%	68,000	148,000	148,000	—	—
10. Nanjing Jiang Shan Da Jing	39.8%	83,400	285,000	45,000	240,000	—
11. Nanjing Jinling Fu	33.9%	43,000	233,000	—	233,000	—
12. Nanjing Jiangning Project*	100.0%	61,000	128,000	—	—	128,000
Central China						
13. Changsha LOHAS International Community	100.0%	643,000	1,084,000	1,084,000	—	—
14. Changsha Scotland Town	100.0%	333,000	442,000	442,000	—	—
15. Changsha Qin Royale	100.0%	150,000	560,000	314,000	198,000	48,000
16. Changsha Nanhu Project*	100.0%	22,000	131,000	—	—	131,000
17. Wuhan Enchanté Crest	100.0%	61,000	178,000	—	178,000	—
18. Wuhan Scenery Cove	100.0%	52,400	215,000	—	215,000	—
19. Chengdu Qingyang Project*	100.0%	22,000	55,500	—	—	55,500
Pearl River Delta						
20. Huizhou Hallstatt See	100.0%	918,000	1,440,000	272,000	416,000	752,000
21. Foshan Academic Royale	100.0%	42,500	214,000	—	214,000	—
22. Guangzhou Greenery Terrace	100.0%	30,600	29,000	29,000	—	—
23. Guangzhou Maoganglu Project	51.0%	14,000	73,000	—	—	73,000
24. Guangzhou Changlingju Project	51.0%	72,000	252,000	—	16,000	236,000
25. Guangzhou Langyun Garden	10.0%	57,000	133,000	—	73,000	60,000
26. Shenzhen Pingshan Project*	100.0%	31,000	118,000	—	—	118,000
27. Hong Kong Yau Tong Project	100.0%	10,500	53,000	—	53,000	—

* New Project of 2019

Beijing Fortune Garden

Fortune Garden is a residential development project located at Xibeiwang Town, Haidian District, Beijing. It occupies an aggregate site area of approximately 139,000 square metres and has an aggregate gross floor area of approximately 414,000 square metres. Fortune Garden received the “International Award” granted by the British Association of Landscape Industries in recognition of its outstanding landscape design. So far, 100% of the gross saleable floor area was sold. In 2019, this project achieved a contracted sales of 5,450 square metres.

Yingkou Platinum Bay

Platinum Bay is a residential development project comprises villas and apartments located at Liaoning (Yingkou) Coastal Industrial Base, Yingkou City, Liaoning Province. It occupies an aggregate site area of approximately 396,000 square metres and has an aggregate planned gross floor area of approximately 391,000 square metres. The project is divided into seven phases. The first six phases have been delivered to buyers. Phase VII is comprised of middle and high-rise units, which is currently under construction and presale was launched in late 2019. In 2019, this project achieved a contracted sales of 47,612 square metres.

Langfang Harrow Town

Harrow Town is a residential development project comprises villas and high-rise units located in Jiangxintun Town, Xianghe County, Langfang City, Hebei Province. It occupies an aggregate site area of approximately 550,000 square metres and has an aggregate planned gross floor area of approximately 1,180,000 square metres. Phase I and high-rise units of Phase II of the project have been delivered to buyers. The rest of the project is currently under planning and the overall completion date of the project has yet to be determined. In 2019, this project achieved a contracted sales of 2,883 square metres.

Tianjin Minmetals International

Minmetals International is a mixed commercial and residential development project located at the east of Yingbin Main Road and south of Tuochang Road, Tanggu District, Tianjin. This project comprises office space, apartments, retail stores and car-parking spaces. It occupies an aggregate site area of approximately 21,000 square metres and has an aggregate gross floor area of approximately 183,000 square metres. In 2019, this project achieved a contracted sales of 1,676 square metres. So far, 98% of the gross saleable floor area was sold.

Nanjing Sello Royale

Sello Royale is a residential development project located at the south of Hongjing Main Road, Science Park, Jiangning District, Nanjing, Jiangsu Province. This project comprises villas and low-rise apartments. It occupies an aggregate site area of approximately 179,000 square metres and has an aggregate gross floor area of approximately 270,000 square metres. The project was awarded the “Best Residential Development in 2014 (East & Central China)” at the first China Property Awards held by Ensign Media. The project is close to fully sold. In 2019, this project achieved a contracted sales of 6,560 square metres.

Nanjing Academic Royale

Academic Royale is a residential development project located at Tian He Road, Jianye District, Nanjing, Jiangsu Province. It is located approximately 5 kilometres from the Nanjing Olympic Sports Centre. The Hexi New Town, where the project is located, is the development focus of Nanjing Hexi New City Zone, with planning to build an ecologically livable new city. It occupies an aggregate site area of approximately 136,000 square metres and has an aggregate planned gross floor area of approximately 482,000 square metres. This project is designed as a low-density high-end residential areas over four phases, which have been delivered to buyers. So far, 99% of the gross saleable floor area was sold. In 2019, this project achieved a contracted sales of 1,301 square metres.

Nanjing Yan Shan Ju

Yan Shan Ju is a residential development project located in the traditional high-end residential area at the southeast of Zijin Mountains in Nanjing Xuanwu District, Nanjing, Jiangsu Province where land supply is limited. It occupies an aggregate site area of approximately 91,000 square metres and has an aggregate gross floor area of approximately 203,000 square metres. There are well developed transportation facilities and the project is in close proximity to the

Ninghang Expressway and Subway Line No. 2. In addition, it enjoys excellent surrounding environment and neighbours a number of educational and research institutions. It is designed as a high-end low-density residential community comprises low-rise apartments. So far, 98% of the gross saleable floor area was sold. In 2019, this project achieved a contracted sales of 804 square metres.

Nanjing Enchanté Oasis

Enchanté Oasis is a residential development project located within the core centre of Zijin Technology Entrepreneurial Special Zone and at the junction of Shuanglong Main Road and Xuelindong Road, Jiangning District, Nanjing, Jiangsu Province and to the west of Shangqinhuai Wetland Park, the largest wetland park in China. It occupies an aggregate site area of approximately 95,000 square metres and has an aggregate planned gross floor area of approximately 255,000 square metres. The project is divided into two phases. Phase I commenced in the second quarter of 2017, the multi-floor portion was delivered to buyers in the second quarter of 2019 and the high-rise portion was delivered to buyers by the end of 2019. Phase II commenced in the first quarter of 2018, the multi-floor portion was delivered to buyers in the fourth quarter of 2019, the high-rise portion is expected to launch for sale in the second quarter of 2020 and will be delivered to buyers by the fourth quarter of 2020. In 2019, this project achieved a contracted sales of 97,822 square metres.

Nanjing Enchanté Cove

Enchanté Cove is a residential development project located at the junction of Fangqian Main Road and Wushi Road in the Jiangning University Town at the south-eastern corner of Fangshan, Jiangning District, Nanjing, Jiangsu Province. It occupies an aggregate site area of approximately 68,000 square metres and has an aggregate gross floor area of approximately 148,000 square metres. The project that commenced in the second quarter of 2017 was delivered to buyers in the second quarter of 2019. In 2019, this project achieved a contracted sales of 59,242 square metres.

Nanjing Jiang Shan Da Jing

Jiang Shan Da Jing is a residential development project located at the junction of Guangming Road and Lixin Road, Pukou District, Nanjing, Jiangsu Province with close proximity to Metro Line No. 10 Yushan Road Station. The district is equipped with well-established facilities. It occupies an aggregate site area of approximately 83,400 square metres and has an aggregate planned gross floor area of approximately 285,000 square metres. The project commenced construction in December 2017 and started sales in the third quarter of 2019. The low-rise garden house portion was completed for delivery in the fourth quarter of 2019, and the rest of the project is expected to be completed in the third quarter of 2020. In 2019, this project achieved a contracted sales of 1,997 square metres.

Nanjing Jinling Fu

Jinling Fu is a residential and commercial development project located at the junction of Yanshan Road and Shuiximen Jie, Gulou District, the northern part of Hexi, Nanjing, Jiangsu Province where it enjoys an array of transportation, commercial and educational resources. It occupies an aggregate site area of approximately 43,000 square metres and has an aggregate planned gross floor area of approximately 233,000 square metres. The project commenced in the third quarter of 2018 and is expected to be completed and launch for sale in the fourth quarter of 2020 and delivered to buyer in the fourth quarter of 2021.

Nanjing Jiangning Project

Jiangning Project is a residential development project located in Nanjing Jiangning District, to the east of the Nanjing Jiangning high-tech park Zhengfang Main Road and south of Shimeng Road, which is in the Fangshan University zone with close proximity to the Fangshan Recreational Park. With a superior natural scenic surrounding environment, it will be developed into a quality residential community for upgraders. It occupies an aggregate site area of approximately 61,000 square metres and has a maximum developable gross floor area of approximately 128,000 square metres. The project is currently under planning.

Changsha LOHAS International Community

LOHAS International Community is a large-scale residential development project with ancillary facilities such as clubhouse, shops, car-parking lots, schools and landscaped garden. Located at Gaoyun Road, Muyun Town, Changsha, Hunan Province, the project occupies an aggregate site area of approximately 643,000 square metres, including a private lake of 30,000 square metres, and has an aggregate gross floor area of approximately 1,084,000 square metres. So far, 99% of the gross saleable floor area was sold. In 2019, this project achieved a contracted sales of 1,756 square metres.

Changsha Scotland Town

Scotland Town is a residential development project located at Yuntang Village and Yuetang Village, Muyun Town, Changsha, Hunan Province and is adjacent to LOHAS International Community. It occupies an aggregate site area of approximately 333,000 square metres and has an aggregate gross floor area of approximately 442,000 square metres. So far, 99% of the gross saleable floor area was sold. In 2019, this project achieved a contracted sales of 966 square metres.

Changsha Qin Royale

Qin Royale is a residential and commercial development project located at Fu Yuan West Road, Kaifu District, Changsha, Hunan Province. It locates in the ecologically livable area of the government's master plan, adjacent to the administrative function centre of Kaifu District. It occupies an aggregate site area of approximately 150,000 square metres and has an aggregate planned gross floor area of approximately 560,000 square metres. Whilst the residential portion of the project will be developed into a quality residential community for first home buyers and upgraders, the commercial portion will be developed as an entertainment complex with a studio in the centre of the development surrounded by office buildings, hotel, shopping malls, and food and beverage facilities. The project is divided into four phases. Phase I comprises villas and selected high-rise units and it was completed and delivered to buyers whilst Phase II was delivered to buyers in the fourth quarter of 2019. The first part of Phase III commercial development was opened for business in December 2018 and the remaining part is currently under planning. Development of Phase IV residential units commenced in the second quarter of 2018 with pre-sales began in the third quarter of 2018. It is expected to be completed in the first quarter of 2021 and delivered to buyers in the fourth quarter of 2021. In 2019, this project achieved a contracted sales of 24,023 square metres.

Changsha Nanhu Project

Nanhu Project is a commercial development project located in the central business district of Xiangjiang Riverbank area, south of Baisha Road, in between Xiangjiangzhong Road and Shuyuan Road, Tianxin District, Changsha, Hunan Province. The project is conveniently situated at the core of Changsha city hub, along the Xiangjiang riverbank scenic esplanade, to the eastern side of Juzizhou Island, whilst surrounded by an array of transportation options with close proximity to Metro Line No. 1 and No. 4 stations. It occupies an aggregate site area of approximately 22,000 square metres and has a maximum developable gross floor area of approximately 131,000 square metres. The project is currently under planning.

Wuhan Enchanté Crest

Enchanté Crest is a residential development project located at the junction of Songjiagangdong Road and Huayun Road, Panlongcheng Economic Development Zone, Huangpi District, Wuhan, Hubei Province. It occupies an aggregate site area of approximately 61,000 square metres and has an aggregate planned gross floor area of approximately 178,000 square metres. This project is designed as a high-end residential community comprises low-rise apartments for first home buyers and upgraders. The project commenced in the fourth quarter of 2017 and pre-sold in the third quarter of 2018. It is expected to reach completion and delivery by the third quarter of 2020. In 2019, this project achieved a contracted sales of 26,830 square metres.

Wuhan Scenery Cove

Wuhan Scenery Cove is a residential development project located between the south of Third Ring and Fourth Ring of Wuhan, Hubei Province with close proximity to Huangjiahu University Town and the 2019 Military World Game Stadium. It is well equipped with transportation and community facilities, including the nearby Metro Line No. 8

Stadium Station. It occupies an aggregate site area of approximately 52,400 square metres and has an aggregate planned gross floor area of approximately 215,000 square metres. The project commenced in the second quarter of 2018 and was pre-sold in the second quarter of 2019. It is expected to reach completion and delivery by the fourth quarter of 2021. In 2019, this project achieved a contracted sales of 41,658 square metres.

Chengdu Qingyang Project

Qingyang Project is a residential development project located on Wenjiajie Road in the Wanjiawan area of Chengdu Qingyang District, Sichuan Province, within 1 kilometre radius from the Metro Line No. 4 Zhongba Station and Caiqiao Station, and 2.5 kilometres from the Chengdu West Railway Station. The site is surrounded by excellent educational and medical facilities and well equipped with transportation and community facilities. It will be developed into a quality mid-rise residential community for upgraders. It occupies an aggregate site area of approximately 22,000 square metres and has a maximum developable gross floor area of approximately 55,500 square metres. The project is currently under planning.

Huizhou Hallstatt See

Hallstatt See is a large-scale residential development project located at Mai Tian Ling, Boluo County, Huizhou City, Guangdong Province with close proximity to many amenities such as golf course. Surrounded by hills and a lake of approximately 174,000 square metres. It occupies an aggregate site area of approximately 918,000 square metres and has an aggregate planned gross floor area of approximately 1,440,000 square metres. The project received 4A tourist attraction rating by China National Tourism Administration, and was given an award for its innovative cultural and resort real estate model in the 10th Annual Real Estate Billboard event hosted by China Commercial Real Estate Commission. The project is divided into seven phases. Development of Phase I and part of Phase II was completed and delivered to buyers. Construction of the majority of Phase II and Phase III was completed and the high rise portion of Phase II is expected to complete and deliver to buyers in the fourth quarter of 2020. Pre-sale of the high rise portion of Phase IV was launched in the third quarter of 2019 and it is expected to deliver to buyers in the fourth quarter of 2021. The villa portion of Phase IV has launched presale in the fourth quarter of 2019. In 2019, this project achieved a contracted sales of 97,041 square metres.

Foshan Academic Royale

Foshan Academic Royale is a residential development project located at Lujingdong Road, Chancheng District, Foshan, Guangdong Province. Being situated in the Guangzhou-Foshan Urban Integration Development Region, the project is located at the junction of the Central Nanhai District and Chancheng District, within half an hour drive to Guangzhou and the core districts of Foshan. It occupies an aggregate site area of approximately 42,500 square metres and has an aggregate planned gross floor area of approximately 214,000 square metres. The project is divided into two phases with mainly high-rise buildings. It will be developed into a high-quality high-rise residential area for first-home buyers and upgraders. Phase I commenced in the first quarter of 2017 and was pre-sold in the third quarter of 2018. It is expected to be completed and delivered to buyers in the fourth quarter of 2020. Phase II commenced in the second quarter of 2018 and pre-sale was launched in the fourth quarter of 2019. It is expected to be completed and delivered to buyers in the second quarter of 2021. In 2019, this project achieved a contracted sales of 33,794 square metres.

Guangzhou Greenery Terrace

Greenery Terrace is a residential development project located at Xingnan Main Road, Nancun County, Panyu District, Guangzhou within the Huanan New Town Zone in Guangdong Province. Being one of the few low-density sites located in the Huanan New Town Zone, the close proximity to Metro Line No. 7 and the various developments and facilities in the Wanbo Commercial district in the near future will add tremendous value to the project. The project occupies an aggregate site area of approximately 30,600 square metres and has an aggregate planned gross floor area of approximately 29,000 square metres. It will be developed into a high-end low-density villa area. The project commenced development in the third quarter of 2017 and presale was launched in the third quarter of 2018. It reached completion and commenced delivery to buyers in the fourth quarter of 2019. In 2019, this project achieved a contracted sales of 4,245 square metres.

Guangzhou Langyun Garden

Langyun Garden is a residential development project located at Airport Expressway, Baiyun District, Guangzhou, Guangdong Province. The project location is 2.5 kilometres northwest to the Baiyun New Zone and 8 kilometres from the Guangzhou Railway station. It is equipped with a wide array of transportation network with easy access to the airport and the Guangzhou central district, and is situated with a well-established business atmosphere. It occupies an aggregate site area of approximately 57,000 square metres and has an aggregate planned gross floor area of approximately 133,000 square metres. It will be developed into a mid to high-end residential community that comprise villas and high-rise blocks. The project commenced construction in the third quarter of 2018 and launched pre-sale in the fourth quarter of 2019. It is expected to be completed and delivered to buyers in the fourth quarter of 2021. In 2019, this project achieved a contracted sales of 3,636 square metres.

Guangzhou Maoganglu Project

Maoganglu Project is a residential development project located at Maogang Road, Huangpu District, Guangzhou. The project strategically positioned at the pivotal intersection between Huangpu Yuzhu Port Economic Zone and Guangzhou International Financial City, the second central business district of Guangzhou. It is conveniently located with close proximity to the planned Metro Line No. 13 and equipped with quality educational, healthcare and transportation facilities. It occupies an aggregate site area of approximately 14,000 square metres and has an aggregate planned gross floor area of approximately 73,000 square metres. It will be developed into a mid-end quality high-rise community. The project commenced construction in the first quarter of 2020 and pre-sale is expected to commence in the third quarter of 2020. The project is expected to be completed and delivered to buyers in the fourth quarter of 2022.

Guangzhou Changlingju Project

Changlingju Project is a residential development project located at Changling Road, Huangpu District, Guangzhou, Guangdong Province. It is 8 kilometres northeast to the Huangpu District municipal government office and 23 kilometres from Guangzhou International Financial City, the second central business district of Guangzhou. The project is conveniently located with close proximity to the planned Huangpu Tram Line No. 1. The district is equipped with quality educational, healthcare and transportation facilities. It occupies an aggregate site area of approximately 72,000 square metres and has an aggregate planned gross floor area of approximately 252,000 square metres. The project will be developed into a mid-end quality high-rise community. The project commenced construction in the third quarter of 2019 whilst pre-sale is expected to commence in the third quarter of 2020, and is expected to be completed and delivered to buyers in the fourth quarter of 2023.

Shenzhen Pingshan Project

Pingshan Project is a mixed-use development project located in Maluan Subdistrict, Pingshan District, Shenzhen, Guangdong Province, with close proximity to Pingshan Bus Station, Shenzhen Overseas Chinese Town East, as well as the Shenzhen Metro Line No.14 Shahu Station and Metro Line No. 16 Pingshanwei Station, which are both currently under construction. The site is surrounded by multiple residential complexes and fully equipped with various facilities. It will be developed into a quality high-rise community for upgraders. It occupies an aggregate site area of approximately 31,000 square metres and has a maximum developable gross floor area of approximately 118,000 square metres. The project is currently under planning.

Hong Kong Yau Tong Project

Yau Tong Project is a residential development project located at the junction of Shung Shun Street and Yan Yue Wai, Yau Tong, Kowloon, Hong Kong. With idyllic and unobstructed view of the Victoria Harbour, the development offers stylish and relaxing living environment. It occupies an aggregate site area of approximately 10,500 square metres and has an aggregate planned gross floor area of approximately 53,000 square metres. The project comprises four high-rise blocks with 688 units, which are mostly small to medium-sized. It aims to meet owner occupier and upgrade demand from single and expanding families. It also provides three and four-bedroom units for self-use and upgrade demand. Construction of the project commenced in the fourth quarter of 2017 with pre-sale scheduled to commence in the fourth quarter of 2020. This project is expected to complete in the first quarter of 2023.

Land Bank

As at 31 December 2019, the Group had a developable gross floor area (“landbank”) of approximately 4.35 million square metres across 27 real estate development projects in 13 cities, namely Beijing, Yingkou, Langfang, Tianjin, Nanjing, Changsha, Wuhan, Chengdu, Huizhou, Foshan, Guangzhou, Shenzhen and Hong Kong.

New Land Bank Acquisition

Throughout the year of 2019, the Group added 4 new projects to its real estate development portfolio and thus the landbank increased approximately 432,500 square metres. The total cost and average cost for the newly acquired land bank amounted to approximately RMB6,193 million and RMB14,300 per square metre respectively. Nanjing and Changsha are the regions where the Group has already established a solid footprint and the new acquisitions will further advance the Group’s leading position in the respective regions. The Group’s debut entry into the Shenzhen and Chengdu markets will further enhance our brand’s penetration in the Greater Bay Area and Chengdu-Chongqing region and continue to promote rapid expansion of the Group.

Location/Project	Property type	Attributable interest to the Group	Site area (sq.m.)	Estimated GFA (sq.m.)	Total land cost (RMB million)	Average land cost (RMB per sq.m.)	Acquisition date
1. Nanjing Jiangning Project	Residential	100%	61,000	128,000	1,880	14,700	13/11/2019
2. Shenzhen Pingshan Project	Mixed-use	100%	31,000	118,000	2,560	21,700	22/11/2019
3. Chengdu Qingyang Project	Residential	100%	22,000	55,500	833	15,000	28/11/2019
4. Changsha Nanhu Project	Commercial	100%	22,000	131,000	920	7,000	3/12/2019
Total				432,500	6,193	14,300	

SPECIALISED CONSTRUCTION

The Group is engaged in the business of specialised construction mainly encompassing the services of design, production and installation of curtain walls system and associated metal works via Minmetals Condo (Shanghai) Construction Co., Ltd. (“Condo Shanghai”) for the PRC market and Minmetals Condo (Hong Kong) Engineering Company Limited (“Condo Hong Kong”) for the Hong Kong market. In 2019, in light of continuing fierce market competition, revenue derived from this operating segment dropped 8.2% to HK\$864.6 million (2018: HK\$941.7 million). As cost of certain contracts was higher than budgeted and recovery of cost has yet to be confirmed by relevant contract parties, its operating results, net of intra-group transactions, recorded an operating loss of approximately HK\$11.6 million (2018: operating profit of HK\$1.6 million).

Condo Hong Kong’s active participation in both private development and public sector over the years has earned itself positive market recognition within the construction sector, which has led to an increase in project bidding invitation. In view of the shortage of skilled labour, rising trend in direct and indirect costs, Condo Hong Kong implemented a relatively conservative bidding strategy and underwent tight risk management measures. In 2019, Condo HK secured new tenders amounting to approximately HK\$100 million with projects on hand amounting to approximately HK\$400 million as at 31 December 2019. Condo Shanghai has prioritised itself over operational risk management. In 2019, Condo Shanghai secured new tenders amounting to over RMB150 million with projects on hand amounting to approximately RMB490 million as at 31 December 2019.

PROPERTY INVESTMENT

The Group’s investment property portfolio in Hong Kong comprises two commercial office buildings, namely China Minmetals Tower in Tsimshatsui and LKF 29 in Central, together with four residential units, all of which are located in Hong Kong with a total gross floor area of 15,826 square metres. The uncertain global macro environment and local social events since mid-2019 together with border control from the outbreak of the novel coronavirus epidemic

since early this year resulted in a decline in tourist arrival numbers which sent further shivers to the retail and service industry. Given such harsh operating environment, both occupancy rate and rental rate generally dropped. Due to volatile market, the rental rate for newly signed contracts in LKF 29 declined. However, China Minmetals Tower in Tsimshatsui maintained an occupancy rate at a relatively high level of 92.3% and still recorded a slight increase in rental rate compared to last year.

In 2019, revenue from this operating segment decreased 3.8% to HK\$67.7 million (2018: HK\$70.4 million). As at 31 December 2019, the occupancy rate of LKF 29 was 85.0% (31 December 2018: 100%) while China Minmetals Tower was 92.3% occupied (31 December 2018: 92.3%).

ENTRUSTED ASSET MANAGEMENT

As at 31 December 2019, the Group has recorded RMB3.5 million in management fee income according to the entrusted management service agreement whereby China Minmetals Corporation entrusted the Company with the management of non-listed assets within its real estate development and construction division. The entrusted assets include real estate development and management projects in Beijing, Tianjin, Shenyang, Liaoning, Shandong, Qinghai, Jiangsu, Hunan and Guangdong.

BUSINESS PROPECTS

For this year, we will accelerate our strategic upgrade from a “property developer” to an “urban operator” in pursuit of a differentiated and quality-oriented growth model. We are pleased about our acquisition for the first batch of land in the Chengdu Dayi Future Eco-City in February 2020, a successful showcase of the Company’s Industrial City Development strategy, a strategy which is replicable and of lasting significance. Under the backdrop of comprehensive cooperation between China Minmetals Corporation and the Chengdu Municipal Government to implement new urban development modules, and leveraging on China Minmetals Corporation’s extensive industrial resources and urban construction track record, the Company is working together with the Dayi County Government to build a new industrial city, a win-win cooperation which will be highly synergetic in terms of resources allocation. In the meantime, the Company aspires to make new breakthroughs in performance targets by exploring every possible means to maximise revenue and reduce cost. We will accelerate the progress of project development in order to improve turnover, achieve higher revenue recognition ahead of schedule for designated projects and achieve greater efficiency by cost reduction measures. We will adopt a prudent investment approach with a focus on core cities and be highly selective. On one hand, we will leverage on our existing footprint in favorable regions such as Nanjing and Changsha and reach out to surrounding quality cities. On the other hand, we will keep up with national key area development schemes and further our expansion in the Guangdong-Hong Kong-Macau Greater Bay Area, Chengdu-Chongqing metropolitan area and other new regions. As for property sales, we will execute inventory destocking to prompt inventory turnovers and optimise sales pace. As a number of projects will launch debut sales in the second half of 2020, we will strictly control the development timeline and pay close attention to operating efficiency to ensure project launch date. In terms of financial management, we will adhere to prudent financial management and closely monitor our gearing ratio and operating expenses. We will also implement appropriate annual supply chain financing according to our budget and cash flow arrangements. Moreover, we also aim to strengthen our funding capability and optimise capital structure by fully utilising the capital raising capability in our Hong Kong listed platform.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

During the year of 2019, the Group’s operations were financed mainly by cash flows generated internally from business operations as well as borrowings.

As at 31 December 2019, the Group had cash and bank deposits (excluding restricted cash and bank deposits) of

HK\$3,850.1 million (2018: HK\$3,607.8 million), of which 77.5%,20.2%,2.3% and 0.0% (2018: 75.8%, 15.1%, 9.0% and 0.1%) were denominated in Renminbi, Hong Kong dollar, United States dollar and Macau Pataca respectively.

The Group had utilised financing to supplement internal resources to finance the acquisition of new projects and the development of existing projects. Total borrowings of the Group stood at HK\$16,753.9 million as at 31 December 2019 (2018: HK\$15,054.6 million), which mainly comprised borrowings from banks and bond issuance. The net gearing ratio (net debt to total equity) of the Group as at 31 December 2019 was 79.1% (2018: 75.9%).

The weighted average borrowing costs of the Group maintained at a low level of around 5.02% (2018: 4.75%).

The maturity profile of the Group's borrowings is as follows:

	As at 31 December			
	2019		2018	
	HK\$ million	%	HK\$ million	%
Within one year	7,262.6	43.3	1,015.4	6.7
In the second year	2,616.4	15.6	8,067.7	53.6
In the third to fifth year	6,874.9	41.1	5,971.5	39.7
Total	16,753.9	100.0	15,054.6	100.0

The currency profile of the Group's borrowings is as follows:

	As at 31 December			
	2019		2018	
	HK\$ million	%	HK\$ million	%
Renminbi	641.4	3.8	1,153.0	7.7
Hong Kong Dollar	12,816.2	76.5	10,591.6	70.4
United States Dollar	3,296.3	19.7	3,310.0	21.9
Total	16,753.9	100.0	15,054.6	100.0

The finance costs charged to the profit or loss for 2019 amounted to HK\$26.7 million (2018: HK\$137.5 million) after capitalisation of HK\$773.1 million (2018: HK\$553.8 million) into properties under development. The unutilised banking facilities of the Group as at 31 December 2019 amounted to HK\$6,126.7 million (2018: HK\$10,557.7 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND INTEREST RATES

Exchange Rate Risk

The Group's principal business is located in China where external financing is denominated in Hong Kong dollar and revenue is denominated in Renminbi primarily. The Group is exposed to exchange rate risk on transactions that are denominated in a currency other than Hong Kong dollar, the reporting and functional currency of the Company. The Group has been closely monitoring the fluctuation in Renminbi exchange rate and has considered necessary measures to minimise the impact arising from adverse currency fluctuation including adjustment to the proportion of borrowings in foreign currency and utilisation of foreign exchange hedging instruments such as forward foreign exchange contracts or capped forward contracts.

Interest Rate Risk

The Group is also exposed to interest rate risk resulting from fluctuation in interest rates. Most of the borrowings of the Group was on a floating rate basis and therefore, an increase in interest rate would raise the Group's interest cost. In order to mitigate the interest rate risk, the Group entered into interest rate swap contracts in which the Group would receive interest of one-month HIBOR and pay monthly interest at a fixed rate based on the notional amount of HK\$4.6 billion. As at 31 December 2019, approximately 48.5% (2018: 52.5%) of the Group's borrowings was on a fixed rate basis after hedging with the remainder on a floating rate basis.

As at 31 December 2019, save as disclosed above, the Group has not possessed any kind of financial instruments for hedging and speculative purposes.

CHARGES ON GROUP ASSETS

As at 31 December 2019, certain assets of the Group were pledged to secure certain banking facilities granted to the Group and mortgage loan facilities to the purchasers of the Group's properties, and these pledged assets of the Group included:

- i. inventories with carrying amounts of approximately HK\$4,946,800,000 (2018: HK\$7,735,900,000); and
- ii. 100% equity interest in a subsidiary.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2019, guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties amounted to HK\$2,580.1 million (2018: HK\$7,538.1 million). Such guarantees will terminate upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one year after the purchasers take the possession of the relevant properties; or (ii) the repayment of mortgage loans by the purchasers. After taking into account the net realisable value of the related properties and the low default rate, the Directors consider that the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant.

EMPLOYEES

The total number of staff of the Group, including the Directors, increased 15.2% to 978 (2018: 849) as at 31 December 2019. The Group will continue to adopt a remuneration policy in line with local market practice and standards. The total remuneration and benefits for the Directors and staff of the Group for the year ended 31 December 2019 were approximately HK\$389.4 million (2018: HK\$350.3 million).

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 June 2013 (the "2013 Share Option Scheme") to recognise and acknowledge eligible persons for their contribution or potential contribution to the Group. The 2013 Share Option Scheme shall remain in force for 10 years from its adoption date. Details of the 2013 Share Option Scheme will be set out in the 2019 annual report of the Company.

No share options has been granted by the Company pursuant to the 2013 Share Option Scheme.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK8.0 cents (2018: HK8.0 cents) per share payable in cash to shareholders whose names appearing on the register of members of the Company on Wednesday, 10 June 2020.

The dividend cheques will be distributed to shareholders on or about Monday, 6 July 2020.

ANNUAL GENERAL MEETING

An annual general meeting of the shareholders of the Company is convened to be held on Thursday, 28 May 2020 (the “2020 AGM”). The notice of the 2020 AGM which forms part of the circular to shareholders of the Company will be despatched together with the 2019 annual report.

CLOSURE OF REGISTER OF MEMBERS FOR 2020 AGM

The register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders’ entitlement to attend and vote at the 2020 AGM.

In order to qualify to attend and vote at the 2020 AGM, all share certificates with completed transfer forms must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Monday, 8 June 2020 to Wednesday, 10 June 2020 (both days inclusive), for the purpose of determining shareholders’ entitlement to the proposed final dividend.

In order to qualify for the proposed final dividend, all share certificates with completed transfer forms must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2020.

CORPORATE GOVERNANCE

Corporate Governance Code

In the opinion of the Directors, throughout the year ended 31 December 2019, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except deviations from code provision A.2.1 and A.4.2.

Directors (save for the Chairman and the Managing Director) appointed by the Company to fill a casual vacancy are subject to election at the first annual general meeting after their appointment instead of having elected at the first general meeting as set out in code provision A.4.2. Besides, every Directors, including those appointed for a specific term, are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director of the Company where they are not required to do so pursuant to the private company act 1991 by which the Company was incorporated.

As a variation from code provision A.2.1, Mr. He Jianbo, an executive Director of the Company, serves as the Chairman of the Board. He is responsible for the overall strategic direction of the Group, management of the Board and leading the senior management for strategic planning and business operations of the Company thereby enabling more effective execution of long-term strategies. It is believed that the balance of power and authority is adequately ensured as major decisions have been made in consultation with the Board which comprises three independent non-executive Directors and a non-executive Director offering their experience, expertise, independent advice and views from different perspective.

Code for Securities Transactions by Directors

The Company has established a set of guidelines as its own “Rules and Procedures for Directors and Relevant

Employees of the Company in respect of Dealings in Securities of the Company” (the “Rules for Securities Transactions”) on terms no less exacting than those contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries of all the Directors, they had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the year ended 31 December 2019.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has discussed with the management of the Company and the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, on the consolidated financial statements of the Group for the year ended 31 December 2019 and also reviewed accounting principles and practices adopted by the Group, internal control and other financial reporting matters. The consolidated financial statements of the Group for the year ended 31 December 2019 have been recommended by the audit committee of the Company to the Board for approval.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the board of Directors of the Company comprises eight directors, namely Mr. He Jianbo as the Chairman and an executive director, Mr. Liu Bo, Mr. Chen Xingwu and Mr. Yang Shangping as executive directors, Ms. He Xiaoli as a non-executive director, and Mr. Selwyn Mar, Mr. Lam Chung Lun, Billy and Ms. Law Fan Chiu Fun, Fanny as independent non-executive directors.

By order of the Board
He Jianbo
Chairman

Hong Kong, 26 March 2020

The Company’s 2019 annual report containing, inter alia, the corporate governance report, the report of the directors and the consolidated financial statements for the year ended 31 December 2019 will be published on the Company’s website at www.minmetalsland.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.