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CORPORATE PROFILE
企業簡介

China Lesso Group Holdings Limited is a leading large-scale industrial group that manufactures building materials and interior decoration products in mainland China. It is listed on the main board of The Stock Exchange of Hong Kong Limited (stock name: China Lesso, stock code: 2128). China Lesso is one of the constituent stocks of the Hang Seng Composite Index – MidCap and is covered by Hong Kong Stock Exchange's Stock Connect. The Group provides over 10,000 types of quality products, including plastic piping system, sanitary ware products, integrated kitchens, systems of doors and windows, decorative plates, fire-fighting equipment, and sanitary materials, etc. They are widely applied to fields such as interior decoration, water supply, drainage, power supply and telecommunications, gas transmission, agriculture, aquaculture, floor heating and fire services. The Group is positioned as one of the manufacturers who offer the most comprehensive range of building materials and interior decoration products in China.

中國聯塑集團控股有限公司是中國內地領先的大型建材家居產業集團，於香港聯合交易所有限公司主板上市（股票簡稱：中國聯塑，股份代號：2128）。中國聯塑是恒生綜合指數成份股中型股之一，並被獲納入為港股通股份。本集團提供過萬種優質產品，涵蓋塑料管道系統、水暖衛浴產品、整體廚房、門窗系統、裝飾板材、消防器材及衛生材料等類別，並廣泛應用於家居裝修、給水、排水、電力供應及通訊、燃氣輸送、農用、水產養殖業、地暖和消防等領域，為中國建材家居領域產品體系最為齊全的生產商之一。

The Group has 25 advanced production bases in 16 provinces, namely Guangdong, Guizhou, Sichuan, Hubei, Jiangsu, Anhui, Zhejiang, Henan, Hebei, Jilin, Shaanxi, Xinjiang, Hainan, Yunnan, Shandong and Hunan. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,276 independent and exclusive first-tier distributors to provide quality and comprehensive products as well as professional services for customers.

本集團於廣東、貴州、四川、湖北、江蘇、安徽、浙江、河南、河北、吉林、陝西、新疆、海南、雲南、山東及湖南等16個省份擁有25個先進生產基地。本集團擁有覆蓋全國的分銷網絡，與2,276名的獨立獨家一級經銷商建立長期戰略合作關係，為全國客戶提供優質豐富的產品和專業的服務。

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FINANCIAL HIGHLIGHTS
Ì Ü

		2019	2018	Change
For the year ended 31 December (RMB'000)	Ú 12 Ü31 Ú ß Ë €[O Æw © •			
Revenue	×]	26,344,523	23,733,517	11.0%
Gross profit	ã ;	7,537,119	6,228,449	21.0%
Finance costs	D Ó I	577,194	415,403	38.9%
EBITDA	ð ¹ ü ± Å Ã ® ;	5,555,866	4,409,098	26.0%
Profit before tax	ð ü Ã P ;	3,981,921	3,235,539	23.1%
Profit for the year	Ë « P ;	3,028,335	2,446,224	23.8%
Profit attributable to owners of the Company	I ® ! ¹ Þ [Ð & P ;	3,024,701	2,491,774	21.4%
At 31 December (RMB'000)	õ 12 Ü31 Ú€ [O Æw © •			
Total assets	* < X	40,784,797	34,636,277	17.8%
Cash and bank deposits	$ – ¿ Õ À ›	7,604,221	6,451,791	17.9%
Total debts [(a)]	À < X [(a)]	13,537,099	11,731,058	15.4%
Net debt [(b)]	À X [(b)]			

FIVE-YEAR FINANCIAL SUMMARY

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		For the year ended 31 December Ú 12 Ü31 Ú ß Ë				
		2019	2018	2017	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS	8 6	[O Æw ©	[O Æw ©	[O Æw ©	[O Æw ©	[O Æw ©
REVENUE	×]	26,344,523	23,733,517	20,360,000	17,221,052	15,264,401
GROSS PROFIT	ã ;	7,537,119	6,228,449	5,316,783	4,581,778	3,937,571
EXPENSES	š Õ#	(3,459,637)	(3,033,265)	(2,700,377)	(2,188,759)	(1,906,605)
FINANCE COSTS	D Ó I	(577,194)				

CHAIRMAN'S STATEMENT

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China's economic growth continued to slow down in 2019 amid global instability. The central government adopted measures to cool the country's overheated property market under its principle that "houses are for people to live in but not for speculation", thus subjecting the market to mounting downward pressure. China's ongoing urbanisation stimulates both economic growth and unlocks the huge potential of its domestic demand. The Chinese government has invested in a number of large-scale municipal engineering works and urban infrastructure projects as it implements the policies on energy conservation and environmental protection such as "Switching over from Coal to Gas" and "Action Plan for Prevention and Control of Water Pollution". Such projects include the construction of infrastructure for using clean energy for heating in various regions, sewage control planning in major river basins, sewage and pollution control in rural areas and the plan for seawater desalination works around islands. Furthermore, Chinese companies have been cooperating with countries which are covered by China's "Belt and Road Initiative" in oil and gas projects. This can also stimulate the demand for pipe fittings and pipe products.

As a leading large-scale industrial group that manufactures building materials and interior decoration products in mainland China, China Lesso capitalises on the Chinese government's favourable policies by fully developing all of its business segments to meet the strong demand of the market. Despite the downward pressure on the China's economy, the Group achieved sustainable growth in sales revenue and profit and further improved its financial performances during the reporting period with its leading industry position, strong brand and excellent product quality. The Group's revenue increased by 11.0% to RMB26,345 million in 2019 from RMB23,734 million in 2018. Gross profit rose by 21.0% to RMB7,537 million, and profit attributable to owners of the Company grew by 21.4% to RMB3,025 million. The Board proposed a final dividend of HK28 cents per share for the year ended 31 December 2019.

In 2019, Southern China continued to contribute the majority of the Group's revenue. The Group further developed the market of Southern China, thus reinforcing its leading market position there. Meanwhile, it actively expanded the market for plastic pipes in other regions of the country and continued to optimise its product portfolio to increase its market share and boost its overall business growth. The Group continued to increase the levels of automatic production and smart production. Through its effective strategy for procurement, the Group reduced the pressure of the hike in prices of raw materials and production costs, aiming to maximise the benefits of economies of scale.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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EXECUTIVE DIRECTORS

Mr. Wong Luen Hei, aged 57, is the founder of the Group, the chairman of the Company and was appointed as an executive director of the Company on 5 November 2009. He is also a director of various companies within the Group. He is primarily responsible for the Group's overall strategic planning and business management. Mr. Wong has approximately 23 years of experience in plastic pipe operations and management. He served as the chairman in Shunde Liansu Industrial from December 1996 to April 1999 and was awarded "Outstanding Private Entrepreneur of Shunde" by Shunde People's Government of Foshan in 2003. Mr. Wong has been a permanent honorary president of Foshan Shunde Longjiang General Chamber of Commerce since 2018. Mr. Wong is the spouse of Ms. Zuo Xiaoping and the brother-in-law of Mr. Zuo Manlun. Mr. Wong is the founder of a trust which holds the entire issued share capital of Xi Xi Development and New Fortune, the controlling shareholders of the Company.

Mr. Zuo Manlun, aged 47, is the chief executive of the Group and was appointed as an executive director of the Company on 27 February 0.0I. He is also a director/general manager/supervisor of various companies within the Group. He is primarily responsible for the management of the daily business operations of the Group. Mr. Zuo has approximately 20 years of experience in the plastic pipe industry. Mr. Zuo joined the Group in December 1999 and has held various positions in operation management since joining the Group. Mr. Zuo is currently a non-executive director of Xingfa Aluminium Holdings Limited (stock code: 98), which is listed on the Stock Exchange. Mr. Zuo won several awards including "Outstanding Worker of the Plastic Industry in the PRC" by China Plastics Processing Industry Association in 2009 and was awarded as "Senior Plastic Product Engineer (Technical Entrepreneur)" by the Guangdong H Tw 0 -I tann oe 0cntrEng G

EXECUTIVE DIRECTORS(Continued)

Mr. Lai Zhiqiang, aged 53, is a vice president of the Group and was appointed as an executive director of the Company on 27 February 2010. He is also a director of various companies within the Group. He is primarily responsible for the production and technical management of the Group. Mr. Lai has approx0.0Foars086 experienc0 -

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INDEPENDENT NON-EXECUTIVE DIRECTORS
(Continued)

Mr. Cheng Dickson, aged 50, was appointed as an independent non-executive director of the Company on 11 July 2018. Mr. Cheng is currently the managing director and head of the investment banking department of Shanggu Securities Limited. He acts as its responsible officer and holds licences for types 1, 4 and 6 of regulated activities under the SFO.

Prior thereto, Mr. Cheng worked in J.P. Morgan between August 1994 and February 1996. In December 1995, he was promoted to TCRM professional in its global markets department. Between March 1996 and June 2000, Mr. Cheng worked in the securities lending department of The Bank of New York, Hong Kong Branch. From July 2000 to August 2002, Mr. Cheng worked as an assistant vice president in the equity capital markets division of BOCI Asia Limited. In August 2002, Mr. Cheng joined ICEA Capital Limited and worked in its investment banking division until October 2005 when he was a senior vice president. Mr. Cheng was an executive director at the respective capital markets department in the investment banking division of Mitsubishi UFJ Securities (HK) Capital, Limited and Mizuho Securities Asia Limited from November 2005 to October 2016. Mr. Cheng has more than 23 years of experience in investment banking industry. Mr. Cheng obtained a bachelor's degree in arts majoring in economics from University of Toronto in June 1994 and a master of applied finance degree majoring in corporate finance from Macquarie University of Australia in November 2000.

SENIOR MANAGEMENT

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Mr. Liu Guanggen, aged 38, is the chief financial officer of the Group and is responsible for the Group's overall financial and accounting affairs. Mr. Liu joined the Group in November 2008. Prior to this, he worked as a finance manager in The Industrial and Commercial Bank of China, Shunde Branch from 2004 to 2006, and was a sub-branch manager of The Industrial and Commercial Bank of China, Foshan Shunde Haiqinwan Sub-Branch from 2007 to 2008. Mr. Liu completed a diploma in finance from Southwestern University of Finance and Economics in September 2005, a program in laws at Guangdong University of Business Studies from March 2007 to January 2010, as well as obtaining a master degree in engineering from Chongqing University upon the completion of courses for the master degree in software engineering (specialised in financial informatisation) in June 2014. He is an associate member of the Association of International Accountants.

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Mr. Kwan Chi Wai Samuel, aged 42, is the company secretary of the Company. Mr. Kwan has more than 20 years of experience in accounting, auditing and finance. Mr. Kwan joined the Group in June 2010 as secretary on a full time basis. Prior to joining the Group, Mr. Kwan worked in CWCC Certified Public Accountants from March 2000 to November 2004, PricewaterhouseCoopers from November 2004 to UColorll nduc ri scn /GS0qT1_j 0 0 0.831.3779 cmT

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CORPORATE GOVERNANCE REPORT

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(b) è V ¿ 9 – [illegible]

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BOARD AND GENERAL MEETINGS

For the year ended 31 December 2019, the Board convened ten meetings to review operating performance, funding requirement and recent market conditions. The Board also considered and approved the Group's overall strategy, audited annual results for the year ended 31 December 2018 and reviewed interim results for the six months ended 30 June 2019.

The chairman of the Board and the chairman of the audit committee, the nomination committee and the remuneration committee, attended the AGM of the Company held on 27 May 2019.

The table below sets out the attendance of all members of the Board at the meetings held in 2019:

Directors	è +	AGM [b] p „ Ë } 6 [b]	Board è + 6	Meetings attended/eligible to attend [a] © ã p J ¥ ø © Y ã p [a] Audit Committee 2 è ‰p 6	Nomination Committee d ¤ ‰p 6	Remuneration Committee Z G ‰p 6
Executive directors	B è +					
Wong Luen Hei	» L $	1/1	10/10	–	1/1	2/2
Zuo Manlun	8 P	1/1	10/10	–	1/1	1/2
Zuo Xiaoping	8 i 1	0/1	9/10	–	–	–
Lai Zhiqiang	` › v	1/1	8/10	–	–	–
Kong Zhaocong	ÆŠ K	1/1	9/10	–	–	–
Chen Guonan	Ó 7 Ì	1/1	10/10	–	–	–
Lin Shaoquan	Ç Œ	1/1	10/10	–	–	–
Huang Guirong	» n ò	1/1	10/10	–	–	–
Luo Jianfeng	¯ ¤	1/1	10/10	–	–	–
Lin Dewei	C ×	1/1	10/10	–	–	–
Independent non-executive directors	ù m ¢ B è +					
Wong Kwok Ho Jonathan	î 7 ´	1/1	7/10	2/2	1/1	2/2
Cheung Man Yu	u Ö Á	1/1	9/10	2/2	–	1/2
Lan Fang	† y	1/1	5/10	–	0/1	–
Tao Zhigang	× ›]	1/1	9/10	2/2	1/1	2/2
Cheng Dickson	M -	1/1	10/10	2/2	–	–

Note:

(a) Directors may attend meetings in person, by phone or through other means of video conference in accordance with the Articles.

(b) There was no other general meeting held in 2019.

BOARD (Continued)

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BOARD AND GENERAL MEETINGS (Continued)

The Company gives proper notices of Board meetings to the directors and the procedure of Board meetings is in compliance with the Articles and the relevant rules and regulations. The agenda and the relevant documents will be provided to all directors in a timely manner. The chairman will give a proper briefing to all directors on items to be put forward at a Board meeting. To ensure compliance with the procedure of Board meetings and all applicable rules and regulations, all directors may gain a full understanding of all relevant data in a timely manner and may receive advice and services from the company secretary. The minutes of Board meetings are kept by the company secretary and are available for inspection by the directors and the auditor of the Company.

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TRAINING AND SUPPORT FOR DIRECTORS

The directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and obligations of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Hong Kong Companies Registry to each newly appointed director to ensure he/she to have sufficient awareness of good corporate governance practices.

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The company secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the directors with written materials, as well as organises seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

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In 2019, the Company invited Ernst & Young to give a seminar on the topic of "Introduction to China's Tax Regulatory Environment" to Board members.

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TRAINING AND SUPPORT FOR DIRECTORS(Continued)

Apart from the above training offered by the Company, based on the training records provided to the Company by the directors, the directors also participated in the following trainings during 2019:

Directors	Type of trainings
Executive directors	
Wong Luen Hei	A,C
Zuo Manlun	A,C
Zuo Xiaoping	A,C
Lai Zhiqiang	A,C
Kong Zhaocong	A,C
Chen Guonan	A,C
Lin Shaoquan	A,C
Huang Guirong	A,C
Luo Jianfeng	A,C
Lin Dewei	A,C
Independent non-executive directors	
Wong Kwok Ho Jonathan	A,C
Cheung Man Yu	A,C
Lan Fang	A,B,C
Tao Zhigang	A,B,C
Cheng Dickson	A,C

Note:

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

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

C: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company

BOARD (Continued)

COMPANY SECRETARY

The company secretary reports to the Board so as to ensure compliance with the procedures of the Board meeting and ensure the Board is fully briefed on all legislations, regulations and corporate governance development and has considered their opinions when making a decision. The company secretary is also directly responsible for the Group's compliance with its continuing obligations under the Listing Rules, Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

During the year ended 31 December 2019, the company secretary has received no less than 15 hours of relevant professional training to refresh his knowledge and skills.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the directors and officers of the Company. The directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

In accordance with the Articles, subject to the Cayman Island Companies Law (2013 Revision, as amended from time to time), every director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

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BOARD COMMITTEES (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, namely Dr. Tao Zhigang (chairman of the Remuneration Committee and independent non-executive director), Mr. Wong Luen Hei (executive director), Mr. Zuo Manlun (executive director), Mr. Wong Kwok Ho Jonathan and Mr. Cheung Man Yu (both of them are independent non-executive directors).

The Remuneration Committee is mainly responsible for studying and formulating the Company's remuneration policy and incentive mechanism and is responsible for formulating the standards for the appraisal of the Company's directors and senior management and conducting appraisals.

The Remuneration Committee has the delegated responsibility to determine the specific remuneration packages of all directors and senior management. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, responsibility and job complexity are taken into account. The following factors are considered when determining the remuneration packages of directors and senior management:

- CVTJOFTT SFRVJSFNFOUT
- JOEJWJEVBM QFSGPSNBODF BOE DPOUSJCVUJPOT
- DPNQBOZ QFSGPSNBODF BOE QSPGJUBCJMJUZ
- SFUFOUJPO DPOTJEFSBUJPOT BOE UIF QPUFOUJBM NPOFUBSZ PKOEJWJEVBMT
- DIBOHFT JO FNQMPZNFOU NBSLFU DPOEJUJPOT TVDI BT JOUFSFTU SBUF fluctuations and changes in competitive conditions; and
- HFOFSBM FDPOPNJD TJUVBUJPO

During the review process, no individual director is involved in decisions relating to his/her own remuneration.

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BOARD COMMITTEES (Continued)

NOMINATION COMMITTEE (Continued)

In the determination of the suitability of a candidate, the Nomination Committee shall consider the potential contribution such candidate can bring to the Board in terms of his or her qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity etc. The Nomination Committee shall consider the following selection

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BOARD COMMITTEES (Continued)

NOMINATION COMMITTEE (Continued)

The Nomination Committee shall convene at least one meeting each year. In 2019, the Nomination Committee convened two meetings. The Nomination Committee reviewed the structure, size and composition of the Board, recommended the Board on the list of retiring directors for re-election at the AGM on 27 May 2019 in accordance with the director nomination policy and Board diversity policy of the Company, and reviewed the independence of all independent non-executive directors. 1bTthe of the utd on amded

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RISK MANAGEMENT ORGANISATION SYSTEM , ^ M# \ û€ƒ•
(Continued)

(A) RISK MANAGEMENT STRUCTURE(Continued) (A) , ^ M# V ô€ƒ•

Leading Risk Management Organisation
Risk management project team, the leading risk management organisation

, ^ M# ô ¬ Ú ô
, ^ M# ° f \d, ^ M# ô ¬ Ú ô

- SFTQPOTJCMFGPS UIF DPNQBOZ UP JEFOUJGZ BOE NPOJUPS UIF DPNQBOZ'T SJTL NBOBHFNFOU QPMJDJFT BOE NFDIBOJTNT;
  ª mq L I ®! , ^ M# A ¿ Ú S i
- HPSNVMBUF BOE JTTVF SJTL NBOBHFNFOU QPMJDJFT GPS UIF DPNQBOZ GPS UIF BQQSPWBM CZ UIF #PBSE BOE UIF "VEJU $PNNJUUFF GPS UIFJS SFWJFX;
  Ý › Ë , ^ M# ^ * Œ d d t è + 6 ¿ 2 è ‰ p 6 2 D i
- SFHVMBSMZ JEFOUJGZ BOE BTTFTT SJTLT BGGFDUJOH UIF DPNQBOZ BOE EJTDVTT NBKPS SJTLT BT GBDFE CZ UIF DPNQBOZ; BOE
  › , × « , ^ M# K S Ó Ã d † , ^ Y ¿ À I ®! & W Y } , ^ i ¿
- BTTJTU UIF #PBSE JO JNQMFNFOUJOH UIF SJTL NBOBHFNFOU TZTUFN BOE SFWJFX UIF BOOVBM DPNQSFIFOTJWF SJTL NBOBHFNFOU SFQPSU SJTL NBOBHFNFOU TUSBUFHJFT BOE EBZ UP EBZ SJTL NBOBHFNFOU TPMVUJPOT.
  Y , ^ M# û U Y Œ È e ¥ # È q B Y Þ Ö Ì d 2 D Ë Œ &, ^ M# Se , ^ M# Ù é q Ú I , ^ M# Ô Ù é f

Risk Implementation Organisation
Each functional department of the Company shall accept the coordination and monitoring carried out by the risk management project team

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- JNQMFNFOU UIF CBTJD QSPDFTT JO SJTL NBOBHFNFOU t NBB O B,H^F M# 2 U t û i
- DPOTJEFS BOE FTUBCMJTI QSPDFTTFT BOE NFDIBOJTNT SFHBSEJOH NBKPS PQFSBUJOH EFDJTJPOT, NBKPS SJTLT, NBKPS FWFOUT BOE NBKPS CVTJOFTT QSPDFTTFT PG UIF GVODUJPOBM EFQBSUNFOU; t ¼ ú d I • Å ~ } ¾ Ô e } , ^ e } + • q 8 t û Y : Ù z _ Ð : Ù Ú Si
- BOBMZTF BOE BTTFTT SJTLT JEFOUJGJFE CZ UIF GVODUJPOBM EFQBSUNFOU; t ¼ ú d I • Å ~ Y , ^ Y Si
- QSPQPTF SFTQPOTF NFBTVSFT UP NBOBHF SJTLT JEFOUJGJFE CZ UIF GVODUJPOBM EFQBSUNFOU; BOE t M » • Å ~ Y , ^ M# ^ * i ¿
- FTUBCMJTI BOE NBJOUBJO QSPDFTTFT GPS SFQPSUJOH NBKPS SJTLT UP UIF GVODUJPOBM EFQBSUNFOU. t m • Å ~ Y Œ, ^ M# t û f

RISK MANAGEMENT ORGANISATION SYSTEM , ˆ M# \ û€ƒ•
(Continued)

(A) RISK MANAGEMENT STRUCTURE(Continued) (A) , ˆ M# V ô€ƒ•

Risk Supporting Organisation , ˆ Õ5 Ú ô

Internal control team « › l

- t B T TUJTRUS P V QS JTNLB O B H F NXPCSLE O E P S N V M B U F internal control plan in accordance with the result of risk assessment; t X ? I « š • , ˆ M# ˆ *d ì ½ , ˆ Y Ý › « › ˆ * Œi
- t D F O UPSSBHMEVQEJSTUP H F UXIJFUSIF M BGUVFDE D U J P O B M departments, design, amend or improve internal control documents in accordance with risk management solutions; US\ Ð6 • Þ ë • Å˜ ì ½, ˆ M# ÔÙé£ e L · Ð• « › Öæi
- t B T TUJTRSUJ NLB O B H F NQFSOPUKUFDEUNPJ O T Q F D U examine, evaluate and improve the implementation of risk management in each functional departments and operating units; and t X ? , ˆ M# ° f \ Á¢ • Å˜ q 8 , ˆ M# ˆ * ¼D‹ 1 † è_eè eY q · †i¿
- t B T TUJTRUJ N FSMFDU J GB DEN QFSOPWFUNFOUTUJOH t ì ½« Å2 Sï $d X ? ¢ • Å˜ Á À¯ Yy Ø¿ Ûg Mq · †f

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t X ? I « š • , ˆ M# ˆ *d ì ½ , ˆ Y Ý › « 2 ˆ * Œi

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RISK MANAGEMENT ORGANISATION SYSTEM , ˆ M# \ û€ƒ•
(Continued)

(B) RISK MANAGEMENT PROGRAM

The Group has established a comprehensive risk management program which is led by the risk management project team and implemented with the assistance of the internal audit department and internal control team. The risk management program is as follows:

(a) to collect first-hand information for risk management;

(b) to analyse and assess risks;

(c) to propose risk management strategies and form risk management solutions; and

(d) to supervise the implementation of risk management works performed by each business units and verify the overall score.

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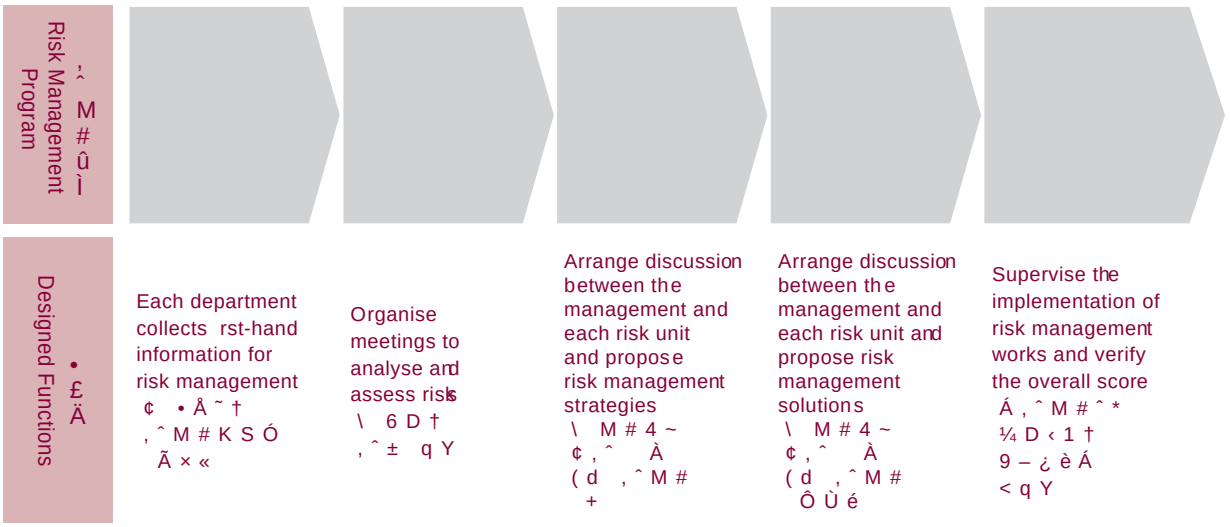
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Key Corporate Risk Management Program ô †8 , ˆ M# û Ì



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MATERIAL RISKS THE GROUP MAY FACE
(Continued)

Climate change risks are a kind of compound risks in the global risk society. The risks can be classified into economic risk, political risk, social risk, and ecological risk, etc. The Group's corresponding

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DIVIDENDS POLICY

The declaration, payment and amount of dividends will be subject to the Company's discretion. Dividends may be paid only out of its distributable reserves as permitted under the relevant laws. The Company has adopted a general dividend policy of declaring and paying dividends on a semi-annual basis of around 30% of its profit attributable to the owners of the Company. The Board would review the Company's dividend policy from time to time considering factors including but not limited to debt covenants, capital investment and business plan.

THE SHAREHOLDERS' RIGHTS

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RELATIONSHIP WITH INVESTORS AND THE SHAREHOLDERS

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The Company endeavours to maintain a high level of transparency in communication with the Shareholders and investors in general. Communication between the Company and the Shareholders is conducted through various channels, including interim and annual reports, information published on the websites of the Stock Exchange and the Company and general meetings. The Company encourages the Shareholders to attend the Company's general meetings. The Group's financial and other information is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.lesso.com).

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The Company's senior management endeavours to maintain an open dialogue channel with the investment sector to ensure they have a thorough understanding of the Company and its operations and strategies. The Company has emphasised the importance of the function of investor relations, engaged a dedicated independent third party to maintain investor relations and conduct investor/analyst meetings from time to time and led investors and analysts to visit its plants.

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As regards to investor relations, the Group will actively conduct activities related to investor relations in the future to strengthen its corporate responsibility so that global investors can have an adequate knowledge and understanding of the Company's operating strategy, financial performance and development prospects. The Company will actively develop and maintain close relationship with investors, analysts and media to achieve sound investor relations management.

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The Company applies the principle of a quiet period in its investor relations communications. During a quiet period, the Company does not comment on market prospects or factors affecting business and performance, or engage in discussion on events or trends related to the reporting period. The Company will not initiate any meeting or conference call with public in which these matters are discussed. A quiet period starts at 60 days or 30 days prior to the disclosure of annual results or interim results respectively, and lasts until the announcement of the annual results or the interim results.

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CONSTITUTIONAL DOCUMENTS

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During the year ended 31 December 2019, there was no change to the memorandum of association of the Company and Articles. The latest memorandum of association of the Company and Articles are available on the websites of the Company and the Stock Exchange.

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MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE OVERVIEW

China Lesso is a leading large-scale industrial group which produces building materials and interior decoration products in mainland China. The Group established 25 advanced production bases in 16 provinces within China and foreign countries to support a nationwide sales network. The Group strives to refine its strategic planning and sales network, offering a comprehensive range of diverse industrial products and quality sales services.

The Group continued to reinforce its leading position in the Chinese market, especially in Southern China, on the strength of its quality products, advanced technologies in research and development and a wide sales network. In recent years, the Group has been actively developing business in other local markets and overseas markets. While steadily upgrading the core business of plastic piping systems, the Group has also actively opened up building materials and interior decoration products, environmental protection and specialty market platform businesses, thereby creating long-term business synergy to the overall business of the Group, and providing customers with convenient and efficient solutions.

The brand name LESSO of China Lesso represents the key elements of the Group's corporate culture: "Link, Easiness, Safety, Sharing and Openness", and demonstrates its commitment to "Creating a Relaxing Life for Dwellers". In 2019, China Lesso continued to receive national and industrial awards which consolidated its strong brand reputation and leading position in the industry, including "70 Brands of the 70th Anniversary of New China", "China's Top 500 Companies in Terms of Brand Value", "2019's Interior Decoration Brand in terms of Investment Value", "Top 500 Chinese Private Owned Enterprises", "National Brand of Water Supply and Drainage Industry and Outstanding Contribution Award", "Top 10 Companies Award in China's Light Industry and Plastics Industry". The Group's leading brand position reflects its strong capabilities to conduct product research and development and to ensure excellent product quality. Thso qTD [(ref0 1( )5TJ 0 Tc 0.009 T3 0 -1.444 TD (Opendated Dwundn BranDw

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MARKET REVIEW (Continued)

In 2018, the State Council promulgated the “Strategic Plan for Rural Revitalisation (2018–2022)”, in which it proposed a greater effort to d e v e l o

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BUSINESS OVERVIEW(Continued) 8 ? Ž€ ƒ •

The table below sets out the breakdown of revenue by region for 2019 and 2018:

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Region# ® #	Revenue ×] 2019 RMB million [O Æõ ¬ ©	2018 RMB million [O Æõ ¬ ©	Change	% of total revenue & < ×] % 2019	2018
Southern China 6 Ì	14,180	13,136	7.9%	53.8%	55.3%
Southwestern China Ì	2,627	2,541	3.4%	10.0%	10.7%
Central China 6 •	3,090	2,844	8.7%	11.7%	12.0%
Eastern China 6	1,558	1,265	23.2%	5.9%	5.3%
Northern China 6	1,972	1,608	22.7%	7.5%	6.8%
Northwestern China	1,263	954	32.4%	4.8%	4.0%
Northeastern China	700	582	20.3%	2.7%	2.5%
Outside China • 7 ¤ .	955	804	18.7%	3.6%	3.4%
Total <	26,345	23,734	11.0%	100.0%	100.0%

Details of the scope of coverage of each region are set out in note 4 to consolidated financial statements.

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By leveraging its economies of scale, production automation and effective strategy for procurement, the Group effectively controlled the costs for raw materials and production. In addition, the Group actively enhanced operational efficiency, optimised its product portfolio and expanded market coverage, thereby contributing to the sustainable development of business and maintaining a healthy level of profit.

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During the reporting period, the Group's EBITDA increased by 26.0% to RMB5,556 million (2018: RMB4,409 million), and the EBITDA margin was 21.1% (2018: 18.6%). Profit before tax increased by 23.1% to RMB3,982 million (2018: RMB3,236 million). Profit attributable to owners of the Company increased by 21.4% to RMB3,025 million (2018: RMB2,492 million). Basic earnings per share increased by 22.5% to RMB0.98 (2018: RMB0.80). The effective tax rate stayed at 23.9% (2018: 24.4%).

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To express gratitude to the Shareholders for their support and to share with them the fruits of the Group's endeavours, the Board proposed payment of a final dividend of HK28 cents per share for the year ended 31 December 2019 (2018: HK20 cents per share).

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BUSINESS REVIEW AND OUTLOOK (Continued)

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PLASTIC PIPING SYSTEMS (Continued)

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The Group continued to boost sales volume of plastic piping systems such that sales volume increased by 10.6%. In terms of product materials, sales volume of PVC products increased by 8.0% to 1,817,179 tonnes (2018: 1,682,949 tonnes) while that of non-PVC products increased by 19.6% to 580,685 tonnes (2018: 485,673 tonnes). Revenue from sales of PVC products increased by 8.0% to RMB14,748 million (2018: RMB13,660 million) while that of non-PVC products increased by 16.6% to RMB8,961 million (2018: RMB7,683 million).

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The table below sets out the breakdown of revenue from plastic piping systems by region for 2019 and 2018:

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Region	®	Revenue ×] 2019 RMB million [O Æ õ ¬ ©	Revenue ×] 2018 RMB million [O Æ õ ¬ ©	Change	% of revenue & ×] % 2019	% of revenue & ×] % 2018
Southern China	6 Ì	12,658	11,743	7.8%	53.4%	55.0%
Other than Southern China	6 Ì ø . ®	10,563	9,223	14.5%	44.5%	43.2%
Outside China	• 7 ¤ .	488	377	29.2%	2.1%	1.8%
Total	<	23,709	21,343	11.1%	100.0%	100.0%

The Group adopts a cost-plus pricing method. During the reporting period, the Group effectively controlled the costs of raw materials and production through economies of scale, bulk procurement and other measures, therefore the average cost of sales decreased by 1.8%. Due to increase in proportion of non-PVC products sales, the Group maintained the average selling price of its plastic piping systems at RMB9,887 per tonne (2018: RMB9,842 per tonne). The gross profit margin at the plastic piping systems business reached 28.9% (2018: 27.2%).

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PLASTIC PIPING SYSTEMS (Continued)

The scope of applications of plastic pipes and pipe fittings had been extended because of the steady progress in China's plan for national development and the robust demand in the field of infrastructure construction. This, in turn, has generated more opportunities for business. The central government continues to invest heavily in the construction of Xiong'an New Area and other infrastructure projects, thus boosting the demand for plastic pipes and pipe fittings. As a market leader, the Group will strive to expand the scope of applications of plastic pipes and pipe fittings to increase product sales, thereby maintaining its market leadership. In January 2020, the Group signed a strategic cooperation agreement with Guangdong Academy of Agricultural Sciences to actively explore business opportunities in the agricultural sector and to further diversify its source of income. The collaboration between the two strong industry players will involve in-depth cooperation in various fields such as facility agriculture. They will provide customers with high-quality and professional modern facility agriculture solutions that encompass the facilities, construction, production, and after-sales service. This can promote the development of facility agriculture and agricultural modernization. Overall, the management is confident about the prospect of the plastic piping systems business and believes that it will continue to perform well.

BUILDING MATERIALS AND INTERIOR DECORATION PRODUCTS

In 2019, the Chinese government continued with various measures to regulate the property sector, thus increasing downward pressure on it. In response to an obvious sign of tightening policy, the overall growth of the real estate sector continued to slow down. Both the floor area sold and sales value declined. Affected by macroeconomic factors, the market for building materials and interior decoration products continued to experience downward pressure during the year. However, the change in the bulk purchasing model in real estate industry and the gradual rebound in the rate of completion of property projects in the second half of the year helped boost the sales of building materials and interior decoration products. This resulted in an increase in the number of new orders and an improvement in overall business performance. During the reporting period, the business segment maintained stable development and recorded a revenue of RMB1,519 million, accounting for 5.8% of the Group's total revenue.

BUSINESS REVIEW AND OUTLOOK (Continued)

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BUILDING MATERIALS AND INTERIOR DECORATION PRODUCTS (Continued)

In 2020, the Chinese government's regulation of the real estate sector may not be as tight as that in 2019. This can ease the downward pressure on the economy. The Group will actively seize the opportunities in the new mode of urbanisation and the redevelopment of old towns to boost revenue at its business of building materials and interior decoration products and increase the contribution of the business to the Group's total revenue. At the same time, the Group will further strengthen its relations with existing customers and actively engage new customers and increase sales revenue by providing diverse products. China's ongoing new mode of urbanisation will enable the Group's business of building materials and interior decoration products to achieve synergy with its businesses of other product lines. This will become a driving force behind the steady development of this business for the long term.

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OTHER BUSINESSES

Environmental Protection Business

In recent years, the Chinese government has issued a series of environmental protection policies which bode well for the development of the environmental protection industry. Riding on this trend, the Group constantly expands the market for environmental protection. It capitalised on municipal projects in various fields, including those of sewerage, river treatment, soil restoration, utility tunnels, sponge city, installation of integrated water purifiers, thus tapping the growing demand for plastic pipes and pipe fittings. The Group has strived to create synergy between its environmental protection business and its plastic piping systems business for the long term. Through successful mergers and acquisitions, the Group aspires to establish itself as a one-stop integrated environmental service provider, providing customers with comprehensive services from environmental consulting, solutions design, project construction to environmental equipment manufacturing. During the reporting period, this business sustained to grow and recorded a revenue of RMB326 million. In the future, the Group will continue to enhance its own research and development capability while developing its existing environmental protection business steadily. For instance, it endeavours to develop a business of treating hazardous and solid wastes and actively explores opportunities for mergers and acquisitions so as to form new growth drivers.

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SIGNIFICANT INVESTMENTS

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FINANCIAL INVESTMENTS

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As at 31 December 2019, the Group held long-term and short-term financial investments of approximately RMB1,771 million (31 December 2018: RMB1,853 million) and RMB8 million (31 December 2018: RMB47 million), respectively. The investment portfolio comprised of 35.2% in listed equity securities (issued by PRC-based home improvement and furnishings shopping malls operating companies, PRC-based internet companies and PRC based environmental companies), 31.8% in listed debt securities, 1.2% in stock funds, 0.5% in listed perpetual capital securities and 31.3% in unlisted securities. Each of these investments has a carrying amount accounting to less than 5% of the Group's total assets as at 31 December 2019.

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During the reporting period, the Group recognised a realised disposal gain of approximately RMB64 million, unrealised mark-to-market valuation loss of approximately RMB306 million due to volatility of the global capital market and recognised approximately RMB24 million of exc in0g <0E38mi397 -1.4440slaluat. -1.Incd hock of thd of te

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CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

Environmental protection is always a top priority of China Lesso, and the concepts of low carbon and environmental protection are integrated into its whole operational process. The Group has applied the ideas of going green and environmental protection throughout its product design, research and development, production and practical operations, and has adopted a variety of eco-friendly measures to minimise impact on the environment. On top of that, the Group

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EMPLOYEE

China Lesso recognises employees as one of its most important assets. In strict compliance with the applicable laws and regulations, the Group protects the legitimate rights and interests of its employees and fixes on its pay system based on the principles of legality, equity, fairness and encouragement so as to ensure an equal access to fair treatment and career opportunities. In addition, the Group has formulated its own health and safety policies, intensified safety training for employees, carried out routine safety patrols and actively pushed forward with relevant management system building for the purpose of creating a safe working environment for its employees, achieving a work-life balance for its employees through diverse activities.

With great emphasis on career development of its employees, the Group is committed to creating diversified and comprehensive development channels for its employees by offering a series of training programs and regular lectures on safety and health through its own Lesso College.

CUSTOMER AND SUPPLIER

China Lesso has strived to maintain uninterrupted communications with its suppliers for win-win results based on the procurement principles of fairness, openness and impartiality. The Group has put in place a “Supplier Management Code” and conducts regular performance evaluation of its suppliers. In addition, the Group has formulated a management system, a reporting process and set up a management team against malpractices in an effort to oversee behaviour of all its employees and protect the interests and rights of the Company and its shareholders. With respect to customer services management team against malpractices in an effort to oversee behaviour of all its employees and press the
Lesso College.

DIRECTORS' REPORT

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Set out below is the report presented by the Board together with the Group's audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The

CLOSURE OF REGISTER OF MEMBERS

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(A) FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE 2020 AGM

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 May 2020.

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(B) FOR DETERMINING THE ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 29 May 2020 to Tuesday, 2 June 2020, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 28 May 2020.

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CORPORATE GOVERNANCE AND PERMITTED INDEMNITY PROVISION

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Principal corporate governance practices and permitted indemnity provision adopted by the Company are set out in the Corporate Governance Report on pages 15 to 41.

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FINANCIAL SUMMARY

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A summary of the Group's results, assets and liabilities for the past five financial years, as extracted from audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 3. The summary does not form part of the audited consolidated financial statements.

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PROPERTIES

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Particulars of the Group's major properties and property interests are set out on pages 222 to 225.

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SHARE CAPITAL

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The details of the changes in the Company's share capital during the year are set out in note 34 to consolidated financial statements.

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ACQUISITION OF SUBSIDIARIES

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The details of acquisition of subsidiaries are set out in note 37 to consolidated financial statements.

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DISTRIBUTABLE RESERVE

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As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB2,935 million (2018: RMB2,523 million). The amount of RMB1,906 million (2018: RMB1,906 million) represented the Company's share premium which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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MAJOR CUSTOMERS AND SUPPLIERS

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For the year ended 31 December 2019, the total turnover attributable to the Group's five largest customers was less than 4.0% of the Group's total turnover. The total purchase attributable to the Group's five largest suppliers was 41.3% of the Group's total purchases and the purchases from the largest supplier included therein amounted to 30.7%.

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At no time during the year did the directors, their close associates or any Shareholder (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests in these suppliers or customers referred to above.

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CHARITABLE DONATIONS

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During the year, the Group's charitable donations were approximately RMB7.48 million (2018: RMB5.13 million).

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SHARE OPTION SCHEME (Continued)

A share option scheme (the “Share Option Scheme”) was conditionally approved by resolutions of the Shareholders on 14 May 2010 (the “Adoption Date”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations and the summary of terms of such Share Option Scheme are disclosed in the Company’s prospectus dated 9 June 2010. No share options have been granted under the Share Option Scheme since its adoption.

Eligible participants of the Share Option Scheme (“Eligible Persons”) include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 300,000,000 Shares, representing 9.67% of the issued Shares as at 31 December 2019. The maximum number of Shares issued and to be issued upon the exercise of the options granted to any Eligible Persons (including exercised and outstanding options) in any 12-month period share not exceed 1% of thmber of 1(xlts who cmber)y8 nl, not exerc2 -1.4441(of)bscri ecipe2p0rser the Ãing5 dfax2ð õ , "f , $ › …p ÆY © … ² _ è + 6 ¯ ¬ ´ ë …p ÆÛ ä ‹ > › d “ © … ” { - õ ø h ¢ ° Y ð ÷ k j(a) p …& = i(b) p …õ ÒÚ , ¯ L t Ô Ê Ú ŒÔ j Y × 9 i ¿(c) a Ÿ ÒÚ , Ã ž H 8 Ú p …õ L t Ô Ê Ú ŒÔ j Y ; i × 9 f

SHARE OPTION SCHEME (Continued)

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The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. An offer of the grant of a share option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date of the Board approving the grant of the share options (the "Offer Date") provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date. Such remittance shall in no circumstances be refundable.

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ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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Save as disclosed under paragraph headed "Connected Transactions", no transaction, arrangement or contract of significance to which the Company, its holding company and any of its subsidiaries was a party and in which a director of the Company or an entity connected with him had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKINGS FROM CONTROLLING SHAREHOLDER

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None of the directors or substantial shareholder of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group. New Fortune (the “Controlling Shareholder”, being a company holding approximately 68.41% of the issued share capital of the Company, and is ultimately held by the trust the founder of which is Mr. Wong Luen Hei, and the beneficiaries of which include Mr. Wong Luen Hei and his family) has entered into a deed of non-competition in favour of the Group with Mr. Wong Luen Hei dated 14 May 2010 (the “Deed of Non-Competition”).

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The directors are of the view that the Group’s measures adopted by the Company in respect of the enforceability of the Deed of Non-Competition are adequate to safeguard the effectiveness of the non-competition undertakings. The independent non-executive directors have reviewed the compliance of the Deed of Non-Competition. Based on the confirmation from the Controlling Shareholder, the independent non-executive directors are of the view that the Deed of Non-Competition has been complied with and has been effectively enforced.

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DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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(A) On 11 August 2016, the Company as guarantor and its wholly-owned subsidiary as borrower entered into a facility agreement (the “Facility Agreement I”) in relation to syndicated term loan facilities in the amount of US$600 million at an interest rate of LIBOR plus 1.85% per annum with syndicate lenders which were independent financial institutions. The loan made thereunder is repayable 42 months after the same has been made.

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Pursuant to the Facility Agreement I, Mr. Wong Luen Hei and his family (collectively, the “Wong Family”) shall collectively maintain, directly or indirectly, at least 51% of beneficial shareholding interest in the issued share capital of the Company, carrying at least 51% of the voting rights, free from any security. Otherwise, a failure to do so will be deemed an event of default under the Facility Agreement I.

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CONNECTED TRANSACTIONS (Continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information , and with reference to Practice Note 740 Auditor's Letter

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INDEPENDENT AUDITOR'S REPORT

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To the shareholders of China Lesso Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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OPINION

We have audited the consolidated financial statements of China Lesso Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 221, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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¢ A Š ¾ 5 Y I S˜ *è p ª 1 2 è] ¥ Ì ŒÕÄ Y ª* , ™Å ± U Y ª , d < ~ µ , ë Ÿ 2 è + ° ´ ë Y ª , f ´ Ð ® d ¢ A Y 2 è ˆ * < B ‰Ð Á Y Y] ¥ Ì Œ } y ¬ Ó , ˆ þ £ Y 2 è û • f ¢ A B 2 è û • Y d < Ð Á h ë Ÿ 2 è + ° Ô B Y û • d ‰] ¥ Ì ŒÆ ï Œ2 è d 6 Y ? þ f

KEY AUDIT MATTERS (Continued) ë Ÿ 2 è + °€ƒ•

Key audit matter ë Ÿ 2 è + °	How our audit addressed the key audit matter ½ Ð Á ë Ÿ 2 è + °
Provision for impairment of trade and bills receivables and loan receivables *q ø Ð × › ° ¿ C ½ q Ð × > › Y ¯ = a ê*	
At 31 December 2019, the Group had trade and bills receivables of RMB3,259,456,000, net of provision for impairment of RMB237,226,000, and loan receivables of RMB376,286,000, net of provision for impairment of RMB190,677,000, which in aggregate accounted for 8.91% of the total assets. The assessment of impairment of such trade and bills receivables and loan receivables was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. õ 2019 Ë 12 Ü 31 Ú d n « Y q ø Ð × › ° ¿ C ½ * & = ‰[O Æ 3,259,456,000 ‰Ô ð ¯ = a ê [O Æ 37,226,000© ˜ ˜ q X d q Ð × > › * & = ‰[O Æ 76,286,000© d * & = ‰Ô ð ¯ = a ê [O Æ190,677,000 © ˜ ˜ q X d ¥ • & * < X Y 8.91% f _ õ q ø Ð × › ¿ C ½ q Ð × > › Y ¯ = Y ê M # 4 * : Ù ¿ 4 \ ð H ÿ £ d B —V ‰ð Y + ° f HKFRS 9 requires that the impairment of financial assets should be measured by "expected credit loss" ("ECL") model. In order to measure the impairment of trade and bills receivables and loan receivables under HKFRS 9, management should use judgement, assumptions and estimation techniques in aspects such as judging significant increase in credit risk, estimating the parameters for measuring ECL and determining the forward-looking adjustments. 0 ¥ Ì S _ ÆK 9 î • › d – D * Y ¯ = Ð ø˜ k , ¦ f & ™k , ¦ r f & ™| è Ž f ‰ ì ½ 0 ¥ Ì S _ ÆK 9 î Ž q ø Ð × › ° ¿ C ½ q Ð × > › Y ¯ = d M # 4 Ð õ µ Ù &€ ½ 1 ¦ r , ^ } 7 # * : Ù e 1 Ž k , r f & Y p * ¿ > › Ã ü Ì Æ• 6 \ : Ù e ÿ £ , Ù , f	Our audit procedures included among others: ¢ A Y 2 è û • <€ (" " õ • j (i) Evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, the credit grading management, and loan impairment assessment. We adopted a risk-based sampling approach in our tests of the allowances for impairment of trade and bills receivables and loan receivables; Y ¿ » ~ 2 - e 2 - 9 À e ¦ r Y t M # ¿ r › ¯ = Y Ù & Þ ë Y ë Ÿ › S Y £ ¿ B Ó Ö f ¢ A õ 1 q ø Ð × › ° ¿ C ½ q Ð × > › ¯ = a ê Y » ® \ ø , ^ ‰ ? þ Y ä u Ù , i (ii) Selected samples of performing loans considering size, risk factors, industry trends for our tests on the measurement of impairment; ý G u l } ƒ e , ^ ª o e 8 ^ Ð ª o d o _ 5 Ò r › Y u l \ õ » ¯ = Ž i

Key audit matter ë Ÿ 2 è + °	How our audit addressed the key audit matter ½ Ð Á ë Ÿ 2 è + °
Provision for impairment of trade and bills receivables and loan receivables (Continued) *q ø Ð × › ° ¿ C ½ q Ð × > › Y ¯ = a ê € ƒ •*	
The accounting policies, disclosures of the allowance for impairment of trade and bills receivables and loan receivables and the related credit risk are included in notes 2.4, 3, 20 and 24 to the consolidated financial statements. Þ ë 6 A e q ø Ð × › ° ¿ C ½ q Ð × > › ¯ = a ê ø ¿ ´ ë ¦ r , ˆ Y Þ £ 1 õ] ¥ Ì Œ• W2.4 e3 e20 ¿ 24 f	(iii) Evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: Y ¿ » k , ¦ r f & | è Y p e M # 4 ô : Ù ¿ ´ ë ÿ £ d ô Y ! ø h Ù & j t Assessing the rationality of the expected credit loss model methodology and related parameters, including default probability, default loss rate, risk exposure, and significant increase in credit risk; Y k , ¦ r f & | è , ¿ ´ ë p€ < < Ò Ð Í e < Ò & 0 e , ˆ ¿ ¦ r , ˆ } 7 # • Y ¥ # Ì i t Assessing the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information, the judgement of adjustments, and the reasonableness of reviews; and Y M # 4 õ > › k , ¦ r f & Û Á Ã ü Ì Æ Ø Y ý Œ < ƒ H ¾ ö Ø Y 4 \ e Æ Y : Ù ¿ 2 a Y ¥ # Ì • i ¿ (iv) Assessed the adequacy of the Group's disclosure of the allowance for impairment of trade and bills receivables and loan receivables and the related credit risk. Y n « 1 q ø Ð × › ° ¿ C ½ q Ð × > › ¯ = a ê ø ¿ ´ ë ¦ r , ˆ Y Þ £ Y Ì f

Key audit matter ë Ÿ 2 è + °	How our audit addressed the key audit matter ŸÅ2 œDÑ^°

Key audit matter ë Ÿ 2 è + °	How our audit addressed the key audit matter ½ Ð Á ë Ÿ 2 è + °
Valuation of investment properties ³ J 8 =	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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- $ P O D MPVOE FFB Q Q S P Q S JBB GU FFE JF S TF D VT PB GU I F going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- & W B MUVIBPUWFF SQBSNFNF O UTBUUSJVPDBUOVBSFFO UIF GU UF consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- 0 C U BT JVOG G JBDQJFOU SPQPSUJBTVJBBJUWF J E FSOFDHFB S EE JJFO tH financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Lee Mee Kwan, Helena.

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Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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27 March 2020

2020 Ë 3 Ü 27 Ú

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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Year ended 31 December 2019
Ú 2019 Ë 12 Ü 31 Ú ß Ë

		Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
REVENUE	×]	5	26,344,523	23,733,517
Cost of sales	V / Ó I		(18,807,404)	(17,505,068)
Gross profit	ã ;		7,537,119	6,228,449
Other revenue, income and gains	I ü ×] e × B ¿ ; B	5	483,390	571,430
Selling and distribution expenses	V / ¿ ± V š Õ		(1,227,651)	(1,111,914)
Administrative expenses	A š Õ		(1,263,440)	(1,080,820)
Impairment losses on financial	ÐÙ ¿ ü × Õ			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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As at 31 December 2019
õ 2019 Ë 12 Ü 31 Ú

	Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
NON-CURRENT ASSETS ¢ t *			
Property, plant and equipment J 8 e @ Ò ¿ £ ê	12	9,394,821	7,478,765
Prepaid land lease payments k ù z ® a # ›	13A	–	1,337,959
Right-of-use assets 4 \ Æ *	13B	1,614,395	–
Investment properties ³ J 8	14	6,870,181	4,650,423
Deposits paid for the purchase of land, property, plant and equipment …o z ® e J 8 e @ Ò ¿ £ ê Ô Õ ù Y 2 –		884,486	1,731,202
Goodwill ‘	15A	398,589	363,133
Other intangible assets I ü Ì – *	15B	336,109	257,787
Interests in associates õ L ® ! Y ÆB	17	1,501,137	1,375,567
Interests in joint ventures õ ¥ † 8 Y ÆB	18	10,356	9,303
Other financial assets I ü – D *	19	1,771,120	1,852,511
Loan receivables Ð × > ›	20	11,613	163,422
Other non-current assets I ü ¢ t *	21	70,784	360,097
Contract assets ¥ Ò *	23	81,571	84,651
Deferred tax assets È · ü ° *	32	108,301	88,130
Total non-current assets ¢ t * < X		23,053,463	19,752,950
CURRENT ASSETS t *			
Inventories À			

23,053,7784 163,422
84,651
7784

	Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
NON-CURRENT LIABILITIES ¢ t À			
Borrowings > ›	29	1,267,061	5,586,566
Convertible loans l p r ›	30	652,595	–
Lease liabilities a # À	13C	117,281	–
Other long-term payables I ü —, Đ ù › °		106,093	109,546
Derivative financial instruments [– D ˆ H	31	14,360	6,592
Deferred tax liabilities È · ü ° À	32	788,671	572,967
Deferred income È · × B	33	217,594	182,670
Total non-current liabilities ¢ t À < X		3,163,655	6,458,341
Net assets * X		17,094,396	15,072,865
EQUITY ÆB			
Share capital p I	34	135,344	135,344
Reserves · ê	35	16,440,901	14,667,985

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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Year ended 31 December 2019
Ú 2019 Ë 12 Ü 31 Ú ß Ë

		Attributable to owners of the Company l ®! ¹ Þ [Ð &												
		Share capital p l RMB'000 [Ø Æw ©	Share premium p ...P RMB'000 [Ø Æw ©	Shares held for share award scheme p ...¤ , ŒÔ 5 p ... RMB'000 [Ø Æw ©	Statutory reserve[a] , › · ê [a] RMB'000 [Ø Æw ©	Capital reserve[b] l · ê [b] RMB'000 [Ø Æw ©	Merger reserve ¥ ; · ê RMB'000 [Ø Æw ©	Fair value revaluation reserve ®ª = · ê RMB'000 [Ø Æw ©	Exchange fluctuation reserve Ò * · ê RMB'000 [Ø Æw ©	Convertible loans equity reserve l p r › ÆB · ê RMB'000 [Ø Æw ©	Retained profits - 5 P ; RMB'000 [Ø Æw ©	Total RMB'000 [Ø Æw ©	Non-controlling interests ¢ › S ÆB RMB'000 [Ø Æw ©	Total equity ÆB < X RMB'000 [Ø Æw ©
At 1 January 2018	õ 2018 Ë 1 Ü 1 Ú	135,344	1,905,618	–	1,678,064	8,534	5,515	205,703	44,802	–	9,506,335	13,489,915	293,576	13,783,491
Profit for the year	Ë « P ;	–	–	–	–	–	–	–	–	–	2,491,774	2,491,774	(45,550)	2,446,224
Other comprehensive expense for the year	Ë « l ü Œ& š Õ	–	–	–	–	–	–	(190,476)	(212,073)	–	–	(402,549)	4,255	(398,294)
Total comprehensive income for the year	Ë « Œ& × B < X	–	–	–	–	–	–	(190,476)	(212,073)	–	2,491,774	2,089,225	(41,295)	2,047,930
Acquisition of non-controlling interests	x ...¢ › S ÆB	–	–	–	–	(59,994)	–	–	–	–	–	(59,994)	(60,346)	(120,340)
Capital contributions from non-controlling interests	¢ › S ÆB	–	–	–	–	–	–	–	–	–	–	–	16,513	16,513
Non-controlling interests arising from business combination	8 ¥ ; * [Y ¢ › S ÆB	–	–	–	–	–	–	–	–	–	–	–	49,958	49,958
Transfer of fair value reserve upon the disposal of equity instruments at FVTOCI	/ 2 ®ª =] l ü Œ& × B Y p l ^ H 7 + ®ª = · ê	–	–	–	–	–	–	(90,472)	–	–	90,472	–	–	–
Disposal of subsidiaries	/ • n ® !	–	–	–	(381)	–	–	–	–	–	–	(381)	11,130	10,749
Dividends recognised as distributions to owners (note 10)	½ © ‰£ ¹ Þ [±	Y p ¹ €•												

Note:

(a) In accordance with the Company Law of PRC, each of the Company's subsidiaries registered in PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in PRC to the statutory reserve until the balance of the reserve fund reaches 50% of its registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided that the remaining balance of the statutory reserve is not less than 25% of the registered capital.

(b) Capital reserve mainly represented the difference between the consideration and the book value of the share of the net assets acquired in respect of the acquisition of non-controlling interests.

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(b) I · ê ô 8 Þ ë × …¢ › S ÆB Y þ ~ Ð & Ô × … * * & = ˜ œ Y ¨ X f

CONSOLIDATED STATEMENT OF CASH FLOWS

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Year ended 31 December 2019
Ú 2019 Ë 12 Ü 31 Ú ß Ë

	Note	2019 RMB'000	2018 RMB'000
	• W	[O Æw ©	[O Æw ©
INVESTING ACTIVITIES	³ z		
Purchases of items of property, plant and equipment	…o J 8 e @ Ò ¿ £ ê ° f	(1,781,326)	(1,309,966)
Proceeds from disposal of items of other intangible assets and property, plant and equipment	8 / l ü Ì – * q J 8 e @ Ò ¿ £ ê ° f Y Ô { › °	294,536	76,306
Additions to right-of-use assets/ prepaid land lease payments	4 \ Æ * J k ù z ® a # › #	(107,203)	(73,510)
Additions to investment properties	³ J 8 #	(1,085,295)	(829,950)
Deposit for right-of-use assets	4 \ Æ * 2 –	(2,222)	–
Additions to other intangible assets	l ü Ì – * #	(10,750)	(5,739)
Additions to associates	L ® ! #	(6,621)	(1,143,325)
Acquisitions of subsidiaries	× …• n ® !	37 (1,162,818)	(384,446)
Proceeds from disposal of subsidiaries	/ • n ® ! Ô { › °	17,462	7,224
Purchases of other financial assets	…o l ü – D *	(612,027)	(860,747)
Proceeds from disposal of other financial assets	/ l ü – D * Ô { › °	514,735	469,627
Proceeds from early redemption of convertible notes	d Ø Ù « l p C ½ Ô { › °	–	141,305
Investment income received	Š × ³ × B	19,693	32,178
Dividend received from an associate	Š × S œ L ® ! Y p ¹	19,326	–
Interest received from other financial assets	Š × l ü – D * Y ; ¹	22,875	8,088
Contingent consideration paid for the acquisition of subsidiaries	Š ù × …• n ® ! Y Ð Í þ	–	(56,000)
Prepayment for acquisition of a subsidiary	k ù × …S œ• n ® ! › °	–	(354,293)
Increase in restricted cash	a " S $ – #	(183,822)	(283,344)
Net cash [illegible]			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. CORPORATE AND GROUP INFORMATION

1. ® ! ¿ « Ø

The Company is a limited liability company incorporated in the Cayman Islands. The addresses of its registered office and principal places of business are disclosed in the section headed "Corporate Information" of this report.

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The Company is an investment holding company. Particulars of the Company's principal subsidiaries, associates and joint ventures are set out in notes 44, 17 and 18 to the consolidated financial statements, respectively.

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2.1 BASIS OF PREPARATION

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These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, other financial assets and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

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As at 31 December 2019, the Group recorded net current liabilities of RMB2,795,412,000, which was mainly resulted from two syndicated loans (the "Syndicated Loans") of US$599,001,000 (equivalent to approximately RMB4,174,913,000) and HK$1,346,558,000 (equivalent to approximately RMB1,206,220,000) which will be due for repayment in July 2020 and October 2020, respectively, as disclosed in note 29 to the consolidated financial statements.

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2.1 BASIS OF PREPARATION (Continued)

On 30 July 2019, the Company (as guarantor) and its wholly-owned subsidiary (as borrower) entered into a facility agreement (the "Facility Agreement"), in relation to dual currency syndicated

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES(Continued)

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HKFRS 16 (Continued)

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

(a) New definition of a lease

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

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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HKFRS 16 (Continued)

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(b) As a lessee — Leases previously classified as operating leases (Continued)

Impact on transition (Continued)

For the leasehold land and buildings that were held to earn rental income and/or for capital appreciation previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB48,080,000 were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

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

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- t "QQMZJOHEUPUIFQSVEFOUBQQMJDBUJPOPGUIFTF with a lease term that ends within 12 months from the date of initial application
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- t 6TJOHIJOETJHIUJOIJTUPSJDBMFYQFSJFODFXIFOEFUFSNJOJOHUIFMFBTFUFSN if the contract contains options to extend/terminate the lease
- t J ¥ Ò ^ · , J ^ ß a # Y o ¿ Æ d Æõ + > › a ,
- t "QQMZJOHBTJOHMFEJTDPVOUSBUFUPBQPSUGPMJPXJUISFBTPOBCMZTJNJMBSDIBSBDUFSJTUJDT with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019
- t Á H Þ ¥ # ´ ' $ D Y a # \ ¥ 4 \ S h $
- t &YDMVEJOHJOJUJBMEJSFDUDPTUTGSPNNFBTVSJOHUIFSJHIUPGVTF assets at the date of initial application
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2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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The Group has not early applied the following new and revised standards, that have been issued but are not yet effective, in these consolidated financial statements:

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Amendments to HKAS 1 and HKAS 8	Definition of Material [1]	0 ¥ 6 _ ÆK 1 î ¿ 0 ¥ 6 _ ÆK 8 î L I } Y › È[1]
Amendments to HKFRS 3	Definition of a Business[1]	0 ¥ Ì S _ ÆK 3 î L I 8 Y › È[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]	0 ¥ Ì S _ ÆK 9 î e ; ? _ · ' [1] 0 ¥ 6 _ ÆK 39 î ¿ 0 ¥ Ì S _ Æ K 7 î L I
HKFRS 17	Insurance Contracts[2]	0 ¥ Ì S _ ÆK 17 î - ˆ ¥ Ò[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]	0 ¥ Ì S _ ÆK 10 î ¿ [3] k ~ I L ®! 0 ¥ 6 _ Æ Ð ¥ † 8 ˜ œY K 28 î (2011) L I * / Ð [3]] [3]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Mandatory effective date not yet determined

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[2] G \ õ 2021 Ë 1 Ü 1 Ú Ð ø š • Y Ë , œ
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The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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BUSINESS COMBINATIONS AND GOODWILL

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Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition-date fair value which is the sum of the acquisition-date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

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Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FAIR VALUE MEASUREMENT (Continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing catego.088es 64 6r Td68go.0(n)1 (easeo.0(n)1 Td6hseo.0wsesee-in that is significant to the fair value measurt

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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Freehold land	Not depreciated
Land and buildings	2.3% to 5%
Plant and machinery	9% to 19%
Furniture, fixtures and office equipment	9.5% to 32.3%
Motor vehicles	9.5% to 32.3%

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (Continued)

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An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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Construction in progress represents buildings and other assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost represents the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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INVESTMENT PROPERTIES

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Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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Computer software
Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

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Research and development costs
All research costs are charged to profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Deferred development costs are stated at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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Patents and proprietary technologies
Purchased patents and proprietary technologies acquired are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years to 20 years.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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LEASES (APPLICABLE FROM 1 JANUARY 2019) (Continued)

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Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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LEASES (APPLICABLE FROM 1 JANUARY 2019) (Continued)

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Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) 2.4 ô 6 A ? € ƒ •

LEASES (APPLICABLE FROM 1 JANUARY 2019) (Continued) a #€ 2019 Ë 1 Ü 1 Ú Î G \ • € ƒ •

Group as a lessee (Continued) I « * ‰Õ a [€ ƒ •

(c) Short-term leases and leases of low-value assets (c) õ , a # ¿ - = * Y a #

The Group applies the short-term lease recognition exemption to its short-term leases of plants and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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Group as a lessor I « * ‰ a [

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease. ...I « * ‰ a [d Æõ a # š • Û € Ð $ a # L Û • Z I Ê ° a # ± ‰¾ a # Ð D a # f

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. ½ I « (J 7 E * ¹ Þ Æ • m ˜ } Å ± , ˆ ¿ « ˜ a # d i ± ó ‰¾ a # f ½ ¥ Ò ^ a # q ¢ a # Å ± d I « 2 ´ Á ù m / ? _ Z ¥ Ò þ ± ã ¢ H Å ± f a – × B õ a # , 2 \ Þ ,] * (_ õ I ¾ Ì / õ & B «] ×] f » ¿ Ä ° ¾ a # Ô * [‹ • \ Ÿ Ó I 6] a # * * & = d (2 ~ a – × B ´ • ˜ ? _ õ a # , « ½ © f Ð Í a – õ ƒ _ , œ ½ © ‰×] f

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. m Z ´ ë * Y ¹ Þ Æ • m Y } Å ± , ˆ ~ « 7 + Õ a [Y a # i • ‰D a # f

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease. ½ I « ‰ a • § d Æ ý < a # * [Y 4 \ Æ * Z 7 a # ± ó ‰D a # Ð ¾ a # f ½ < a # ‰I « ® \ * À Œ « ½ © € 5 Y õ , a # d Æ I « Z 7 a # ± ó ‰¾ a # f

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES (APPLICABLE BEFORE 1 JANUARY 2019)

Finance leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as loan receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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DERECOGNITION OF FINANCIAL ASSETS (Continued)

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On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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IMPAIRMENT OF FINANCIAL ASSETS

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The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 5 years past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt instruments at FVTOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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IMPAIRMENT OF FINANCIAL ASSETS (Continued)

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Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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For trade and bills receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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FINANCIAL LIABILITIES

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Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, convertible loans, lease liabilities and derivative financial instruments.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FINANCIAL LIABILITIES (Continued)

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Subsequent measurement

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The subsequent measurement of financial liabilities depends on their classification, as described below:

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Financial liabilities at fair value through profit or loss

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Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

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Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

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Financial liabilities designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

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Financial liabilities at amortised cost (loans and borrowings)

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After initial recognition, interest-bearing loans and borrowings are subsequently measured at ingsstrumentsб1(held)1(for)1(trading)nd at0in;ĦK€ç ; ™, 2 Å V Ó I Ž f ^ ß ½© À ¿ õ ¼ç ; Å V @û • * [Y ; B ¿ f & õ & B ½© f

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STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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REVENUE RECOGNITION (Continued)

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Revenue from contracts with customers (Continued)

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(b) Construction services

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Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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EMPLOYEE BENEFITS (Continued)

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Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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BORROWING COSTS

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Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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DIVIDENDS

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Dividends are recognised as a liability and deducted from equity when they are declared and approved by the Company's shareholders in general meetings. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

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Interim dividends are deducted from equity when they are declared and approved, and no longer at the discretion of the Company.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FOREIGN CURRENCIES

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FOREIGN CURRENCIES (Continued)

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On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of the operation attributable to the owners of the Company are reclassified to profit or loss.

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Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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Deferred tax liabilities

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

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If these undistributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have increased by the same amount of approximately RMB374,897,000 (2018: RMB350,709,000).

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ESTIMATION UNCERTAINTY

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Impairment of goodwill, brand name and operating concession rights

The Group determines whether goodwill, brand name and operating concession rights with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill, brand name and operating concession rights are allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. At the end of the reporting period, the carrying amounts of goodwill, brand name and operating concession rights were RMB398,589,000 (2018: RMB363,133,000), RMB110,520,000 (2018: RMB110,520,000) and RMB24,550,000 (2018: RMB24,550,000), respectively. Further details are disclosed in note 16 to the consolidated financial statements.

Provision of ECL for contract assets, trade and bills receivables, other receivables and loan receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to hmethecess7 scn /Gq /Tq /Tq /Tq /Tq /T

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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ESTIMATION UNCERTAINTY (Continued)

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Provision of ECL for contract assets, trade and bills receivables, other receivables and loan receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets, trade and bills receivables, other receivables and loan receivables is disclosed in notes 23, 24, 25 and 20 to the consolidated financial statements, respectively.

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Provision for obsolete and slow-moving inventories

The Group reviews the aging analysis of its inventories at the end of each reporting period, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for use/sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. At the end of the reporting period, an accumulated provision for obsolescence of RMB196,533,000 (2018: RMB190,842,000) has been recognised for inventories.

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à õ õ L ® ! Y Æ Be õ ¥ † 8 Y Æ Be I ü – D * e È · ü ° * e $ – ¿ Õ À › ø ¿ I ü J ± ã < I + ˆ ¿ ® ! * W2 « ? _ M # d B ± Å * (” < ø j * f

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4. OPERATING SEGMENT INFORMATION (Continued)

4. ¾ ± Å Œ € ƒ •

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

Ú 2019 Ë 12 Ü 31 Ú ß Ë Y ¾ ± Å Ø

[redacted]

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4. OPERATING SEGMENT INFORMATION (Continued)

4. ¾ ± Å Œ€ ƒ •

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

Ú 2018 Ë12 Ü31 Ú ß Ë Y ¾ ± Å Ø

		Southern China 6 Ì RMB'000 [O Æw ©	Southwestern China Ì ® RMB'000 [O Æw ©	Central China 6 • RMB'000 [O Æw ©	Eastern China 6 RMB'000 [O Æw ©	Northern China 6 RMB'000 [O Æw ©	Northwestern China ® RMB'000 [O Æw ©	Northeastern China ® RMB'000 [O Æw ©	Outside China • 7 ¤ . RMB'000 [O Æw ©	Eliminations ê V RMB'000 [O Æw ©	Consolidated] ¥ RMB'000 [O Æw ©
Segment revenue:	± Å ×] j										
Sale of goods	V / ¬ Ü	12,782,004	2,518,896	2,806,527	1,240,391	1,607,400	951,207	581,562	736,285	–	23,224,272
Contract revenue from renovation and installation works	L ¿ Ä ˆ û ¥ Ò ×]	184,400	–	–	–	–	–	–	–	–	184,400
Income from environmental engineering and other related p‡Þ SQ#a =&⅋Ä̊Å̊	× Å ñ ¥ ¥¿										

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

5. ×] e l ü ×] e × B ¿ ; B € ƒ •

REVENUE (Continued)

×] € ƒ •

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

h Œ• j õ I S , « ½ © õ S , ‹] ¥ Ò À ¿ õ @» , œ 5 Ò ª , Ô ½ © Y ×] j

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Revenue recognised that was included in contract liabilities at the beginning of the reporting period: õ S , ‹] ¥ Ò À Y Š ½ © ×] j		
Sale of goods V / ¬ Ü	1,410,214	1,120,169
Contract revenue from renovation and installation works L ¿ Ä ^ û ¥ Ò ×]	12,373	9,091
Income from environmental engineering and other related services ¤ ^ û ¿ l ü ´ ë × B	4,240	8,896
	1,426,827	1,138,156

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

5 Ò ª ,
Þ ë l « 5 Ò ª , Y Ø ? ½ h j

Sale of goods
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 360 days from delivery, except for new customers, where payment in advance is normally required.

V / ¬ Ü
l « õ t ¬ Û 5 ª , d ù › S › ¯ t ¬ 30 360 Â « Q , d " - Ò S › ² k ‹ ù › f

Renovation, installation and engineering services
The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

L e Ä ¿ ^ û
5 Ò ª , ‡ d 6 þ ‡ Û œ ª E 5 d ò ù › S › õ Q Ú Î 30 Â « Q , f Ò - 5 S › õ ± â Y ù › \ - 5 , ¼ d W _ õ l « _ ð ^ ù › Y Æ ; V ÷ õ Ò 2 ¥ Ò • › Y S l Û œ « Á / o Œ j Ù * ¼ f

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

5. ×] e l ü ×] e × B ¿ ; B € ƒ •

REVENUE (Continued)

×] € ƒ •

Performance obligations (Continued)

5 Ò ª , € ƒ •

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the end of reporting period are as follows:

õ S , K d ± ã q h 5 Ò ª , € J 5 Ò Ð Å ± J 5 Ò • Y t ø ø Y – X ½ h j

		2019 RMB'000 [O Æ w ©	2018 RMB'000 [O Æ w ©
Amounts expected to be recognised as revenue:	k , Z ½ © ‰ ×] Y – X j		
Not more than 1 year	" µ õ 1 Ë	778,063	356,315
Over 1 year	1 Ë ø j	704,246	368,211
		1,482,309	724,526

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised over one year relate to renovation, installation and engineering services. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised not more than one year. The amounts disclosed above do not include variable consideration which is constrained.

± ã k , Z õ S Ë ø j ½ © Y q h 5 Ò ª , Y t ø ø Y – X ¿ L e Ä ¿ ˆ û f Ô Þ I ü ± ã q h 5 Ò ª , Y t ø ø Y – X k , Z ¯ " µ õ S Ë ½ © f ø j Þ £ Y – X " < a Ò ¼ Y þ f

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

5. ×] e l ü ×] e × B ¿ ; B € ƒ •

OTHER REVENUE, INCOME AND GAINS

l ü ×] e × B ¿ ; B

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Bank interest income	Õ ; ¹ × B	102,460	105,140
Interest income from other financial assets	l ü – D * Y ; ¹ × B	22,860	6,009
Total interest income	; ¹ × B < X	125,320	111,149
Government grants and subsidies	A ´ þ ? ¿ þ h	55,928	44,628
Gain on fair value changes of investment properties	³ J 8 ® ª = ; B	147,997	311,809
Gain on fair value changes of financial instruments at FVTPL	2 ® ª =] & B Y – D ^ H Y ® ª = ; B	3,432	7,098
Gain on disposal of debt instruments at FVTOCI	/ 2 ® ª =] l ü Œ & × B Y À ^ H ; B	7,587	–
Investment income	³ × B	19,693	32,178
Gain on disposal of subsidiaries	/ • n ® ! Ô { ; B	–	33,273
Gain on termination of right-of-use assets	^ ß 4 \ Æ * Ô { ; B	5,992	–
Rental income	a # × B	27,468	3,115
Exchange gain	Ò 3 ; B	27,084	–
Others	l ü	62,889	28,180
		483,390	571,430

A ´ þ ? ¿ þ h ô 8 A ´ Government grants and subs
5 l « ð • ¼ ï z Y received from government aut
þ ? ¿ þ h Þ ë Y J : Group's Research and develo
1 f unfulfilled conditions or contin
and subsidies.

6. FINANCE COSTS

6. D Ó l

		583,044	415,725
Less: Interest capitalised	¯ j l · ; ¹	(5,850)	(322)
		577,194	415,403

7. PROFIT BEFORE TAX

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

	Note	2019 RMB'000	2018 RMB'000
Cost of inventories sold		18,134,201	17,177,238
Direct cost of renovation and installation works		465,227	150,595
Direct cost of environmental engineering and other related services		174,463	129,008
Direct cost of financial services		685	1,265
Direct cost of property rental and other related services		27,137	60,200
Write-down/(write-back) of inventories to net realisable value, net		5,691	(13,238)
Depreciation of property, plant and equipment	12	880,279	714,784
Depreciation of right-of-use assets	13B	99,695	–
Amortisation of prepaid land lease payments	13A	–	31,035
Amortisation of other intangible assets	15(B)	16,777	12,337
Total depreciation and amortisation		996,751	758,156
Minimum lease payments under operating leases in respect of land and buildings		–	67,546
Lease payments not included in the measurement of lease liabilities		32,949	–
Auditor's remuneration		9,370	7,255
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and sad242 316.615 60.445 49.106 re S 513.43d <,<0081 r2 0 Td 02 0 Tdd <08AA>Tj23>Tj 1.02 0 Td <02F9>Tj 1281 T			

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(A) DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Fees	š –	9,027	3,105
Other emoluments:	I ü G – j		
Salaries, allowances and benefits in kind	Z – e u h ¿ ¼ J E ;	5,521	4,826
Performance relaand Tf /Span<</Actual Td <0D68>Tj 1.02 0 Td68>Tj<5 431.694lC6I.B242 0 Td <0FA0>Tj 1A02 0 Td <0D6			

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES(Continued)

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(A) DIRECTORS' REMUNERATION(Continued)

(A) è + Z G€ ƒ •

The remuneration of each of the directors is set out below:

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2019		Fees š – RMB'000 [O Æw ©	Salaries, allowances and benefits in kind Z – e u h ¿ ¼J E ; RMB'000 [O Æw ©	Performance related bonuses Œ$ ¨ 8ˆ € Î RMB'000 [O Æw ©	Pension scheme contributions × ~ – Œ6 › RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Executive directors:	B è + j					
Mr. Wong Luen Hei	» L $ ‹ [	–	1,267	493	16	1,776
Mr. Zuo Manlun	8 P ‹ [	–	1,250	493	42	1,785
Ms. Zuo Xiaoping	8 i 1 ~ {	–	1,267	493	16	1,776
Mr. Lai Zhiqiang	` › v ‹ [	1,267	–	493	16	1,776
Mr. Kong Zhaocong	ÆŠ K ‹ [	1,267	–	493	16	1,776
Mr. Chen Guonan	Ó 7 Ì ‹ [	1,267	–	493	16	1,776
Dr. Lin Shaoquan	Ç Œù {	–	1,737	34	–	1,771
Mr. Huang Guirong	» n ò ‹ [	1,267	–	493	16	1,776
Mr. Luo Jianfeng	¯ ¤ ‹ [	1,267	–	493	16	1,776
Mr. Lin Dewei	C × ‹ [	1,267	–	493	16	1,776
		7,602	5,521	4,471	170	17,764
Independent non-executive directors:	ù m ¢ B è + j					
Mr. Wong Kwok Ho, Jonathan	î 7 ´ ‹ [	285	–	–	–	285
Mr. Cheung Man Yu	u Ö Á ‹ [	285	–	–	–	285
Ms. Lan Fang	† y ~ {	285	–	–	–	285
Dr. Tao Zhigang	× ›] ù {	285	–	–	–	285
Mr. Cheng Dickson	M - ‹ [	285	–	–	–	285

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES(Continued)

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(A) DIRECTORS' REMUNERATION(Continued)

(A) è + Z G€ ƒ •

2018		Fees š – RMB'000 [O Æw ©	Salaries, allowances and benefits in kind Z – e u h ¿ ¼J E ; RMB'000 [O Æw ©	Performance related bonuses Œ$ ¨ 8ˆ € Î RMB'000 [O Æw ©	Pension scheme contributions × ~ – Œ6 › RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Executive directors:	B è + j					
Mr. Wong Luen Hei	» L $ ‹ [	–	609	591	15	1,215
Mr. Zuo Manlun	8 P ‹ [	–	601	599	31	1,231
Ms. Zuo Xiaoping	8 i 1 ~ {	–	609	591	15	1,215
Mr. Lai Zhiqiang	` › v ‹ [	–	600	600	41	1,241
Mr. Kong Zhaocong	ÆŠ K ‹ [	–	600	600	41	1,241
Mr. Chen Guonan	Ó 7 Ì ‹ [	609	–	591	27	1,227
Dr. Lin Shaoquan	Ç Œù {	–	1,207	300	17	1,524
Mr. Huang Guirong	» n ò ‹ [	–	600	600	112	1,312
Mr. Luo Jianfeng	¯ ¤ ‹ [	609	–	591		

(1) õ 2018 Ë 7 Ü 11 Ú _ ¢ B è + , ‰B è +

(2) õ 2018 Ë 7 Ü 11 Ú Ø , ù m ¢ B è +

(3) õ 2018 Ë 7 Ü 11 Ú ‰, ‰ù m ¢ B è +

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES(Continued)

(A) DIRECTORS' REMUNERATION(Continued)

No director waived or agreed to waive any emolument and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no other emoluments paid or payable to the independent non-executive directors during the year (2018: Nil).

(B) FIVE HIGHEST PAID EMPLOYEES

The Group's five highest paid employees during the year were all directors. Details of the remuneration of these directors during the year are set out in note 8(A) above.

9. INCOME TAX EXPENSE

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(A) è + Z G € ƒ •

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(B) ž ¤ ð ÷ Z G ‡ p

Ë « d I « ž ¤ ð ÷ Z G ‡ p i ‰ è + f õ Ë « è + Y Z G ‹ 1 õ j Ö • W 8(A) f

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12. PROPERTY, PLANT AND EQUIPMENT 12. J 8 e @ Ò ¿ £ ê

		Land and buildings z ® ¿ } Á RMB'000 [O Æw ©	Plant and machinery @Ò ¿ Ú œ RMB'000 [O Æw ©	Furniture, fixtures and office equipment • H e Ä ¿ l ® £ ê RMB'000 [O Æw ©	Motor vehicles Û RMB'000 [O Æw ©	Leasehold improvements a # J 8 L RMB'000 [O Æw ©	Construction in progress – ^ û RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Cost:	Ó l j							
At 1 January 2018	õ 2018 Ë 1 Ü 1 Ú	4,226,528	3,944,251	244,271	191,491	83,481	1,393,763	10,083,785
Additions	ô Ä	70,162	369,228	44,922	17,142	10,974	593,466	1,105,894
Acquisitions of subsidiaries	× ...• n ® !	33,574	13,899	231	4,826	–	160	52,690
Transfers	a	443,101	198,904	1,572	214	–	(643,791)	–
Disposals	/	(58,852)	(86,543)	(8,533)	(9,443)	(669)	(32,790)	(196,830)
Disposal of subsidiaries	/ • n ® !	–	(408)	(262)	(565)	(6,789)	(1,117)	(9,141)
Exchange realignment	Ò 3 Æ	831	948	(50)	396	(1,233)	4,391	5,283
At 31 December 2018 and 1 January 2019	õ 2018 Ë 12 Ü 31 Ú ¿ 2019 Ë 1 Ü 1 Ú	4,715,344	4,440,279	282,151	204,061	85,764	1,314,082	11,041,681
Additions	ô Ä	168,662	639,679	20,024	17,429	52,541	1,285,733	2,184,068
Acquisitions of subsidiaries (note 37)	× ...• n ® ! € • W37 •	375,371	541,277	2,140	3,081	–	6,309	928,178
Transfers	a	429,399	322,388	12,982	3,515	–	(768,284)	–
Disposals	/	(12,335)	(394,309)	(11,135)	(7,985)	(796)	(100,536)	(527,096)
Disposal of subsidiaries	/ • n ® !	–	–	(107)	–	–	–	(107)
Exchange realignment	Ò 3 Æ	1,999	1,005	509	370	944	6	4,833

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13. LEASES

13. a

THE GROUP AS A LESSEE

The Group has lease contracts for various items of leasehold land, plants and buildings, motor vehicles and other equipment used in its operations. For leasehold land classified as prepaid land lease payments previously, lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. For other leased lands classified as operating lease previously, they generally have lease terms between 20 and 50 years. Lease of plants and buildings generally have lease terms between 1 and 17 years, while motor vehicles and other equipment generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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l « ¹ Þ µ H \ õ 6 Y a # 8 Æz ® e @Ò ¿ } Á e Û ¿ l ü £ ê Y a # ¥ Ò f Á õ ‹ Ã ± ó ‰k ù z ® a # › Y a # 8 Æ z ® d £ ¹ Þ [× …a # , ‰50 Ë Y z ® Û d Š k ‹ * S ã Ì ù › d ò ì ½ z ® a # Y â › d Z ” 6 † ƒ ù › f Á õ ‹ Ã ± ó ‰¾ a # Y l ü a # z ® d l a , · l § ÷ 20 Ë 50 Ë f @Ò ¿ } Á a # Y a , · l § ÷ 1 Ë 17 Ë d þ Û ¿ l ü £ ê Y a , · l § ÷ 1 Ë 3 Ë f S › þ d l « —" S ” • õ l « ø . 7 + ¿ 7 a a # * f l « Þ ; … ^ · , ¿ ^ ß Æ ø ¿ a # ù › Y a # ¥ Ò d h Ö Z * † S É À f

A. Prepaid land lease payments (before 1 January 2019)

A. k ù z ® a # › €2019 Ë 1 Ü 1 Ú Ã •

		Note • W	2018 RMB'000 [O Æw ©
At 1 January	õ 1 Ü 1 Ú		1,293,369
Additions	ô Ä		99,468
Acquisitions of subsidiaries	× …• n ® !		6,093
Provided for the year	Ë « a ê	7	(31,035)
Exchange realignment	Ò 3 Æ		515919 ê

13. LEASES (Continued)

13. a #€ ƒ •

THE GROUP AS A LESSEE (Continued)

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D. The amounts recognised in profit or loss in relation to leases are as follows:

D. õ & B « Š ½ © ~ a # Þ ë Y – X ½ h j

		2019 RMB'000 [O Æw ©
Depreciation expense of right-of-use assets	4 \ Æ * ± š Õ	99,695
Interest expense on lease liabilities	a # À ; ¹ š Õ	13,773
Gain on termination of right-of-use assets	^ ß 4 \ Æ * Ô { ; B	(5,992)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	õ , a # ¿ q h a , õ 2019 Ë 12 Ü 31 Ú Ð ˜ Ã £ Y I ü a # Y ´ ë š Õ	26,230
Expense relating to leases of low-value assets	- = * a # Y ´ ë š Õ	6,719
Total amount recognised in profit or loss	õ & B « ½ © Y < X	140,425

E. Extension and termination options

E. · , ¿ ^ ß Æ I « Þ ; … ^ · , ¿ ^ ß Æ Y a # ¥ Ò f o ¿ Æ_ M # 4 X d ø 3 z M # a # * \ ¥ d (L ¥ I « Y 8 ê f h Ö 1 • I « ¥ # ½ › ” 4 · , Æ Y J ± + ˜ ‘ ¯ J 8 a – j

13. LEASES (Continued)

THE GROUP AS A LESSOR (Continued)

At the end of the reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

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õ S , K d l « ì ½ ” Þ V ¾ a # õ J 8 , œ £ l a Ò × _ Y J h $ a # › ½ h j

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Not more than 1 year ” µ õ 1 Ë	258,081	26,187

± ó ‰¾ a # ° h J 8 e @Ò ¿ £ ê Y l ® e Ú œ ¿ £ ê ˜ ± ð ¿ , ‹ ~ , K * & = Y Á * 1 • ½ h j

14. ³ J 8

I « ³ J 8 ? Y † S É ‹ 1 õ I
S˜ô ³ J 8 ? ™S · f

ì ½¾ a # a š K g Ù Y ³ J 8 Y †
S É Ü ‹ 1 õ] ¥ Ì Œ• W13 f

= û • <³ ‹ CË5) CÁ/)
Ã ’¸=Àá… Ua ñ= F„ A ñ„
Ã ’¸ ñ… = Ã = CÐ Q =ÀáV

14. INVESTMENT PROPERTIES(Continued)

14. ³ J 8€ ƒ •

VALUATION PROCESSES(Continued)

The valuations performed by the valuers for financial reporting purposes were reviewed by management. Management also discussed the valuation processes and results with the valuers. The net fair value gains on revaluation are included in “other revenue, income and gains” in profit or loss.

M # 4 ª 2 a = ª 1 Ì O f Y Ô * = f M # 4 u 6 ~ = ª À = û • ¿ f Þ ë - = Y ® ª = ; B W] & B « Y ˜ I ü ×] e × B ¿ ; B ™

Management reviewed the valuation results by verifying all major inputs and assumptions and assessing the reasonableness of such valuations.

M # 4 Š À @ Ç Ô Þ ô i] p ½ ¿ ÿ £ Y Ù Ì 2 a = d (Y = Y ¥ # Ì f

VALUATION TECHNIQUES AND FAIR VALUE HIERARCHY

The following table shows the valuation techniques used by the valuers in the determination of fair values. There were no significant changes to the valuation techniques during the year.

h Œ • j = ª > › ® ª = Û Ô \ Y = Ù , f Ë « = Ù , ? Ì ï [, } f

Fair value ® ª =		Valuation techniques = Ù ,	Unobservable inputs ” H À i] p ½
2019	2018		
RMB’000	222000(61 T771.02 0 Td <1106>Tj9>d < 1 Tf 0.002 Tc 0.086 Tw 9 0 0		

õ S , K d ¾ ý ð • } ” H À i] p ½ d l « Y ³ J 8 > › ‰ ® ª = V ô • K g t f Ë « ? Ì } K g t 7] Ð 7 €2018 Ë j Ì • f

15. GOODWILL AND OTHER INTANGIBLE ASSETS

15. ‘ ¿ I ü Ì – *

(A) GOODWILL

(A) ‘

		Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
At 1 January	õ 1 Ü 1 Ú		363,133	85,309
Acquisitions of subsidiaries	× …• n ® !	37	64,556	278,196
Impairment	¯ =	7	(29,100)	(372)
At 31 December	õ 12 Ü 31 Ú		398,589	363,133

(B) I ü Ì – *

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

16. ‘ ¿ I ü H Ì " 4 \ Ë , Y Ì – * ¯ = »

For the purpose of impairment testing, goodwill, brand name and operating concession rights with indefinite useful lives set out in note 15 have been allocated to ten individual cash generating units (“CGUs”), comprising subsidiaries engaging in the following businesses:

1 ¯ = » þ d • W15 Ô 1 Y ‘ e H Ì " 4 \ Ë , Y î ¿ $ ¢ ¾ ÆŠ ± ã d H H 9 Y $ – * [€ ˜ $ – * [™ d < Ô } + ø h 8 Y • n ® ! j

- Q S P W J T J P O P G F O W J S P O N F O U B M F O H J O F F S d G H ¤ T F S W J D F T
- Q S P W J T J P O P G T F X B H F U S F B U N F O U T F S W J D F T î å ^ # i
- Q S P W J T J P O P G I B [B S E P V T X B T U F U S F B U N F O d U 6 S F S W Ù D F T ¡
- Q S P W P G Q U P O E V B M J D U Z Q F B U O J E P B M J C S B U P d 6 * Ü / o è q - L œ ç _ services for warranty instruments; ¡
- N B O V G B D B U O V E S J M F B W B M B W O F E T V U P N P C J M t F ¡ ¿ ¿ V / ã ˜ ¿ Û ã • i accessories;
- Q S P W J T J P O P G J O T U B M M B U J P O B O E F O H J O F G A O ˆ T F S W J D F T
- N B O V G B D U V S J O H B O E M F B T F P G B M V N J O M 5 p S C E T Y ê V ô i
- Q S P W J T J P O P G B O t d 6 e ¡ ¿
- N B O V G B D U V S J O H B O E D B P V T P G ¡ ¿ ¿ V / ç Ø M 8 f

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES(Continued)

16. ‘ ¿ I ü H Ì " 4 \ Ë , Y Ì – * ¯ = » €ƒ•

Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of each CGU to exceed their recoverable amounts respectively.

Q 4 \ = Y I ü ô ÿ £ ~ < k Q V / X ¿ ã ; Y $ – t] J t Y Þ ë f Þ ë W? õ H 9 Y @» Œ$ ¿ M # 4 Á H 9 9 ï • Y k Q þ * f M # 4 © ‰ d , ÿ £ • $ Y , ¥ # ” 6 ¬ ç ¢ $ – * [¢ Y * & = t I ¢ Y × « – X f

Based on the value in use calculation of GZEP, impairment loss amounting to RMB29,100,000 (2018: Nil) is recognised on the relevant goodwill in respect of the current year, which arose from the expected decline in the demand of environmental engineering services. Except for goodwill of GZEP, there are no impairment of any other CGUs containing goodwill, brand name and operating concession rights with indefinite useful lives (2018: RMB372,000).

? õ GZEP Y 4 \ = Q d I Ë Š 1 ´ ë ‘ ½ © ¯ = f & [O Æ29,100,000© €2018 Ë j Ì •d ä W ¤ ^ û ê Ë k , h % Ô ç f ð GZEP Y ‘ . d ? Ì , I ü ^ Þ ‘e î ¿ ¹ Þ Ì " 4 \ Ë , Y $ ¢ ¾ Æ Y $ – * [¯ =€2018 Ë j [O Æ372,000 © • f

17. INTERESTS IN ASSOCIATES

17. õ L ®! Y ÆB

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Share of net assets	± & * X	1,328,136	1,239,394
Goodwill on acquisitions	× ...* [Y ‘	173,001	136,173
		1,501,137	1,375,567

17. INTERESTS IN ASSOCIATES (Continued) 17. õ L ®! Y ÆB€ƒ •

Particulars of the associates as at 31 December 2019 are as follows: õ 2019 Ë 12 Ü 31 Ú d L ®! Y ‹ ½ h j

Name ¤ H	Registered capital W I	Place of incorporation/ registration and business W Ó m J W ¿ 8 ® Ã	Percentage of Ô & õ ± â Ownership interest Ô Þ ÆÆB	Voting power ³ C Æ	Profit sharing Ð & P ;	Principal activity ô 8
Xingfa Aluminium Holdings Limited 3 ï Y 8 › p Þ " ®!	RMB3,731,000 [O Æ3,731,000©	Cayman Islands š Ê ¥	26 26	26 26	26 26	Manufacture and sale of aluminium profiles ¡ ¿ ¿ V / Y è ¿
Foshan Hechuang Yingke Real Estate Development Co., Ltd.* † 9 ¥ ô ® Å Ò * š ï Þ " ®!	RMB180,000,000 [O Æ180,000,000©	PRC • 7	38 38	38 38	38 38	Property development J 8 ï •
Guangdong Liancheng Lesso Commercial Development Co., Ltd.* ? ¹ Ì ï 8 ³ Þ " ®!	RMB10,000,000 [O Æ10,000,000©	PRC • 7	40 40	40 40	40 40	Property management J 8 M#
Guangdong Lianqing Environmental Co., Ltd.* ? L ö ¤ Þ " ®!	RMB100,000,000 [O Æ100,000,000©	PRC • 7	35 35	35 35	29 29	Provision of environmental consulting services d 6 ¤ T
Guangdong Zlgj Information Technology Co., Ltd.*(3) ? } *¼M • ¦ ¹ Å ¦ Þ " ®! (3)	RMB11,236,000 [O Æ11,236,000©	PRC • 7	8 8	11 11	11 11	Provision of household decoration and design services d 6 • ¢ t ¿ £
Shanghai Banxin IoT Tech Co., Ltd.*(3) j ƒ J L c Å ¦ Þ " ®! (3)	RMB13,173,000 [O Æ13,173,000©	PRC • 7	13 13	13 13	33 33	Provision of IoT solution services d 6 J L c Ô Ù é
Artaic, LLC(3) Artaic, LLC(3)	US$2,500,000 2,500,000 Õ ©	USA Õ 7	17 17	20 20	11 11	Manufacture and sale of mosaic tiles ¡ ¿ ¿ V / õ „ 4 (
Jiangyin Yongqing Water Purifying Agent Co., Ltd.* (1) ê Õ 9 Q ö å ' Þ " ®! (1)	RMB5,000,000 [O Æ5,000,000©	PRC • 7	20 20	20 20	20 20	Manufacture and sale of chemical products ¡ ¿ ¿ V / · ˆ * Ü
Jiangxi KingHing Aluminium Formwork Manufacturing Co., Ltd.* (2) ê ² { 3 Y	¡ ¿ Þ " ®! (2)	RMB5,000,000 [O Æ5,000,000©	PRC • 7	20 20	20 20	Manufacture and sale of aluminium formwork ¡ ¿ ¿ V / Y |
Guangdong Jingyu Construction Technology Co., Ltd.* (2) ? { Á Å ¦ Þ " ®! (2)	RMB10,000,000 [O Æ10,000,000©	PRC • 7	20 20	20 20	20 20	Manufacture and sale of building formwork ¡ ¿ ¿ V / |
Guangzhou Huicheng Information Technology Co., Ltd* (2) ? È 9 .- Ð ¦ ¹ ¦ " Þ " ®! (2)	RMB3,000,000 [O Æ3,000,000©	PRC • 7	49 49	49 49	49 49	Provision of e-commerce services d 6 e

17. INTERESTS IN ASSOCIATES (Continued)

Note:

(1) During current year, the Group acquired 20% equity interest of Jiangyin Yongqing Water Purifying Agent Co., Ltd. from independent third parties at total consideration of RMB2,160,000.

(2) During the current year, the Group acquired these associates through business combinations. Further details are disclosed in note 37 to the consolidated financial statements.

(3) It is considered that the Group has significant influence over these companies because the Group has a director in the board of directors of these companies.

Xingfa Aluminium Holdings Limited ("Xingfa Aluminium") and Foshan Hechuang Yingke Real Estate Development Co., Ltd. ("Hechuang Yingke"), which are considered material associates of the Group, are engaged in the manufacture and sale of aluminium profiles and property development, respectively, and are accounted for using the equity method.

17. õ L ®! Y ÆB€ƒ•

• W j

(1) õ l Ë «d l « £ù mK g Ù× ...ê Õ 9 Q ö å ' Þ " ®! 20% Y p Æ d < þ ‰[O Æ 2,160,000© f

(2) õ l Ë «d l « À @8 ¥ ; × ... L ®! f Þ ë ‹ Š Þ £ õ] ¥ Ì Œ• W37 f

(3) l « õ , ®! è + 6 ¹ Þ S ¤ è + d B l « © ‰l « Á ®! ¹ Þ } B ¤ b f

3 ï Y 8 › p Þ " ®! €˜ 3 ï Y 8 ™¿ † 9 ¥ ô ® Å Ò * š ï Þ " ®! €˜ ¥ ô ® Å ™ ¡ —V ‰l « Y } L ®! d ± 9 } + ¡ ¿ ¿ V / Y è ¿ ø ¿ J 8 ï • 8 d (2 ÆB ,] * f

17. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and

17. õ L ® ! Y ÆB€ ƒ •

Þ ë } L ® ! õ S , K Y Ì Ø ?
€ Ø Š 1 6 A Y , ¨ . *
Æ (~] ¥ Ì Œ Y * & = † Á * •
½ h j

h ŒO • I « Y ¢ H 9 } L ® ! Y <
Ì Ø j

18. INTERESTS IN JOINT VENTURES 18. õ ¥ † 8 Y ÆB

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Share of net assets ± & * X	10,356	9,303

Particulars of the joint venture are as follows: ¥ † 8 Y ‹ ½h j

Name ¤ H	Registered capital W I W ¿	Place of incorporation/ registration and business W Óm J 8 ® Ã	Percentage of Ô & õ ± â Ownership interest Ô Þ ÆÆB	Voting power ³ C Æ	Profit sharing Ð & P ;	Principal activity ô 8
Guangdong Lesso EPCO Residential Equipment Design Services Co., Ltd.*	RMB10,000,000	PRC	50	50	50	Provision of household decoration design work and maintenance services
? L ç ù Å Ã £ ê £ Þ " ®!	[OÆ10,000,000©	• 7	50	50	50	d 6 • ¢ t £ ¿ j L

The following table illustrates the information of the Group's interests in joint ventures: h ŒO • I « õ ¥ † 8 Y ÆB Y Øj

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Share of the joint ventures: ± & ¥ † 8 j		
Profit from continuing operations 5 ƒ ¾ 8 P ;	1,053	616
Other comprehensive income I ü Œ& × B	–	–
Total comprehensive income Œ& × B < X	1,053	616
Aggregate carrying amount of the Group's investments in the joint ventures I « ³ õ ¥ † 8 Y < * & =	10,356	9,303

19. OTHER FINANCIAL ASSETS 19. I ü – D *

	Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Non-current ¢ t			
Debt instruments at 2 ® ª =] I ü Œ&			
FVTOCI: × B Y À ^ H j	(i)		
Debt securities listed in Hong Kong õ 0 ¥ j 9 À Ç N		46,923	50,376
Debt securities listed in PRC õ • 7 j 9 À Ç N		509,647	204,723
		556,570	255,099
Equity instruments at 2 ® ª =] I ü Œ&			
FVTOCI: × B Y p I ^ H j			
Equity securities listed in PRC õ • 7 j 9 p I Ç N		231,536	247,573
Equity securities listed in Hong Kong õ 0 ¥ j 9 p I Ç N		394,811	482,293
Non-cumulative redeemable preference shares listed in Hong Kong õ 0 ¥ j 9 ¢] Ù « ´ ‹ p		–	34,474
Perpetual capital securities listed in Hong Kong õ 0 ¥ j 9 Q n I Ç N		8,780	8,391
Unlisted equity securities ¢ j 9 p I Ç N		501,153	770,795
		1,136,280	1,543,526
Equity instruments at FVTPL: 2 ® ª =] & B Y p I ^ H j	(ii)		
Unlisted equity securities ¢ j 9 p I Ç N		56,344	53,886
Funds at FVTPL: 2 ® ª =] & B Y ? – j			
Stock funds p C è ? –		21,926	–
		78,270	53,886

• W j

(i) À Ç N Y ; ¹ 2 x › Ë ; § ÷ 5.65% 8.40% €2018 Ë j5.65% 8.40% • Q d Ê Ë Đ Ê Ë Õ ù ¿ Z õ 2020 Ë 1 Ü 2023 Ë 1 Ü Q , €2018 Ë j 2020 Ë 1 Ü 2023 Ë 1 Ü • f

(ii) ± ó ‰2 ® ª =] & B Y p I ^ H Y p I Ç N ^ S H © ' , Æ f

(iii) õ S , K d (Ì I ü – D * —ê å f õ 2018 Ë 12 Ü 31 Ú d I « < * & = ‰ [O Æ 34,474,000 © Y ð • I ü – D * Š £ Õ ê å * ‰ ¬ Õ D Y Ä - ¿ I « ? Ì \ Õ D f

20. LOAN RECEIVABLES (Continued) 20. Ð × > › € ƒ •

(A) FINANCE LEASE RECEIVABLES (Continued) (A) D a # Ð × › ° € ƒ •

The following is a credit quality analysis of these finance lease receivables:

ø h ‰D a # Ð × › ° Y ¦ r / o ± j

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Not past due	J C ,	21,731	263,843
Overdue	Š C ,	155,221	–
		176,952	263,843

The receivables are secured by assets leased under finance leases and cash deposits (where applicable).

Ð × › ° ø D a # * ¿ $ – 2 –€ ½ G \ • * ‰ê å f

Cash deposits from finance lease customers are collected upfront based on certain percentage of the entire value of the lease contracts. When the lease contracts expire and all related liabilities and obligations are fulfilled by the customers, the cash deposit will be returned in full. The balance of the cash deposit can also be used to settle any outstanding lease receivables for the corresponding lease contract. The collected cash deposits of RMB21,310,000 (2018: RMB25,613,000) have been included in "other long-term payables" in the consolidated statement of financial position.

D a # Ò $ – 2 – W ? õ a # ¥ Ò Œ Å = Y ð • õ ± â k ‹ × _ f õ a # ¥ Ò £ ø ¿ Ò 5 Ô Þ ´ ë ª , ¿ È d $ – 2 – Z 6 Œ Å × ” f $ – 2 – q u \ õ Q ´ Ð a # ¥ Ò Y , J × _ Y a # Ð × › ° f Š × _ Y $ – 2 – [O Æ21,310,000 © € 2018 Ë j [O Æ25,613,000 © • Š]] ¥ Ì K 1 Œ Y ˜ I ü —, Ð ù › ° ™ « f

At the end of the reporting period, RMB31,177,000 of the Group's finance lease receivables was impaired (2018: Nil).

õ S , K d [O Æ31,177,000 © Y I « Y D a # Ð × › ° Š ¯ =€ 2018 Ë j Ì • f

(B) FACTORING RECEIVABLES (B) - # Ð × › °

The Group's factoring receivables arise from the provision of factoring services to companies located in PRC. The credit period granted to each customer is generally within 365 days.

I « Y - # Ð × › ° 8 £ • 7 ® ! d 6 - # f ¬ š ¢ Ò Y ¦ \ , " S › ‰ 365 Â « f

Factoring receivables are secured by receivables and/or commercial bills originally owned by the customers. These receivables carry interest at rates ranging from 4.00% to 7.20% (2018: 4.00% to 6.50%) per annum.

- # Ð × › ° ø a 8 _ Ò ¹ Þ Y Ð × › ° ¿ J Ð 8 Ò C ê å f Ð × › ° 2 § ÷ 4.00% 7.20% € 2018 Ë j 4.00% 6.50% • Y Ë ; ¹ f

20. LOAN RECEIVABLES (Continued) 20. Ð × > › € ƒ •

(C) RECEIVABLES FROM SUPPLY-CHAIN FINANCING SERVICES (Continued) (C) 6 Ð á D Ð × › ° € ƒ •

The maturity profile of the receivables from supply-chain financing services at the end of the reporting period is as follows:

õ S , K d 6 Ð á D Ð × › ° Y Q , ‹ 1 ½ h j

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
With a residual maturity of:	q , " j		
Not more than 3 months	" µ õ 3 H Ü	79,478	57,050
Over 3 months to 6 months	3 H Ü ø j 6 H Ü	32,390	19,900
Over 6 months to 12 months	6 H Ü ø j 12 H Ü	17,652	3,220
		129,520	80,170

At the end of the reporting period, none of the Group's receivables from supply-chain financing services was either past due or impaired (2018: Nil).

õ S , K d l « Y 6 Ð á D Y Ð × › ° ? Ì C , Ð ¯ =€2018 Ë j Ì • f

An impairment analysis is performed at each reporting date by considering the probability of default of those companies with financial conditions, historical loss experience, coverage by letters of credit or other forms of credit insurance. At the end of the reporting period, the loss given default for the remaining balance of loan receivables was not material and has no impact on the Group's consolidated financial statements.

À @Ì K 1 e Ý & f & ¾ e ¦ \ Ç Ð I ü – Ì Y ¦ \ - ˆ ý G ®! Y < Ò Ð Í d õ ¢ S Ú , † ¯ = ± f õ S , K d q h Y Ð × > › < Ò Y f & (" ¿ Á I « Y] ¥ Ì Œ(Ì B ¤ f

21. OTHER NON-CURRENT ASSETS 21. I ü ¢ t *

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Other long-term receivables	I ü —, Ð × › °	4,093	5,804
Value-added tax recoverable	ê Ô # = ü	38,323	–
Prepayment for acquisition of a subsidiary	k ù × …S œ• n ®! › °	–	354,293
Prepayment for acquisition of non-controlling interests	k ù × …¢ › S ÆB	23,868	–
Prepayment for acquisition of equity investment	k ù × …p I ³	4,500	–
		70,784	360,097

22. INVENTORIES 22. À ¬

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Manufacturing and trading	¡ ¿ ¿ q ø	3,660,365	3,271,853
Property development	J 8 ï •	305,683	249,361
		3,966,048	3,521,214

(A) MANUFACTURING AND TRADING (A) ¡ ¿ ¿ q ø

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Raw materials	a ¿ Ø	1,332,697	1,401,893
Work in progress	¯ * Ü	351,332	327,273
Finished goods	* Ó Ü	1,976,336	1,542,687
		3,660,365	3,271,853

(B) PROPERTY DEVELOPMENT (B) J 8 ï •

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Property under development	ï • • J 8	305,683	249,361

The property under development is expected to be completed in more than twelve months after the end of the reporting period.

ï • • J 8 k õ S , K µ õ d Z H Ü • Ó f

23.

23. ¥ Ò * J ¥ Ò À

I « Y ¥ Ò * 8 I « õ S , K Š •
ˆ (J £ Ò 1 ˆ û × _ þ Y Æ; f …
Æ; Ó ‰Ì â • Û d ¥ Ò * Z 6 7 E
q ø Ð × › ° ¿ C ½ d C I « ? õ ~ Ò
X › Y è Ç – X £ Òï † If

õ S , K d [O Æ4,584,000©€2018 Ë j
[O Æ21,855,000© • ½ © ‰¥ Ò * k ,
¦ r f & a ê f I « ~ ÒY q ø â › ¿
¦ r A Þ £ õ] ¥ Ì Œ• W24 f

I « Y ¥ Ò À 8 I « £ Ò 7 + I «
Š × _ þ Ð Ð × Òþ – X Y ¬ Ü Ð
Y ª , f

23. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

23. ¥ Ò * J ¥ Ò À€ ƒ •

The expected timing of recovery or settlement for contract assets at the end of the reporting period is as follows:

õ S , K d × « Đ Q ¥ Ò * Y k Û œ½ h j

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Not more than 1 year	” µ õ 1 Ë	279,443	327,279
Over 1 year	1 Ë ø j	81,571	84,651
		361,014	411,930

The movements in the loss allowance for impairment of contract assets are as follows:

¥ Ò * ¯ = Y f & a ê ½ h j

		Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
At 1 January	õ 1 Ü 1 Ú		21,855	–
Impairment losses recognised	Š ½ © ¯ = f &	7	3,052	21,855
Amounts written off as uncollectible	Û V ‰” × « Y – X		(20,323)	–
At 31 December	õ 12 Ü 31 Ú		4,584	21,855

For the contract assets arising from renovation and installation works and environmental engineering services, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade and bills receivables as the contract assets and the trade and bills receivables are from the same customer bases. The provision rates of contract assets are based on the invoice date of trade and bills receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 L ¿ Ä ˆ û ø ¿ ¤ ˆ û Ô * [Y ¥ Ò * þ d I « õ ¢ S Ú , 4 \ a ê I ì † ¯ = ± ø Ž k , ¦ r f & f Ž ¥ Ò * Y k , ¦ r f & Y a ê W2 q ø Đ × › ° ¿ C ½ Y k , ¦ r f & > › d W_ õ ¥ Ò * q q ø Đ × › ° ¿ C ½ 8 • S H Ò ? þ f ¥ Ò * Y a ê 1 Þ ó ' f & | Ì Y ¢ Đ × q ø › ° ¿ C ½ Y Ò ± Å \ 9€ C 2 ® e * Ü ó è e Ò ó è ¿ Y t d ø ¿ ¦ \ Ç ¿ I ü – Ì Y ¦ \ - ˆ • Y ï C Ú , > › f Q À H Đ Í ÆY e ¬ ÆÛ œ= ø ¿ õ S Ú , { Þ ë @» + • e $ 1 ¿ J 8 ¾ ö K 1 k » Y ¥ # Õ 5 Ø f

23. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

23. ¥ Ò * J ¥ Ò À€ ƒ •

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

ø h 1 • Þ ë I « 4 \ a ê I ì Q Y ¥ Ò * Y ¦ r , ˆ Ø j

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Expected credit loss rate	k , ¦ r f &	1.64%	6.33%
Gross carrying amount	* & < =	280,145	345,252
Expected credit losses	k , ¦ r f &	4,584	21,855

For the contract assets arising from concession operating right, since the party to concession agreements are local government authorities in PRC, the Group considers the credit risk is low as at the end of the reporting period. The Group does not hold any collateral over the balance.

1 $ ¢ ¾ ÆÔ * [Y ¥ Ò * þ d à õ $ ¢ X D Ù ‰• 7 ® Ù A ´ Ú ë d I « © ‰õ S , K Y ¦ r , ˆ ‰- f I « (Ì 1 q 5 Þ , ê å Ü f

24. TRADE AND BILLS RECEIVABLES

24. q ø Ð × › ° ¿ C ½

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Trade receivables	q ø Ð × › °	2,734,678	2,036,323
Bills receivable	Ð × C ½	762,004	537,617
Less: Provision for impairment	¯ j ¯ = a ê	(237,226)	(194,493)
		3,259,456	2,379,447

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in China. Depending on the market condition, marketing tactics and relationships with the customers, the Group's trading terms with its independent distributors may change from settlement on an advance receipt basis to giving a credit period of generally one month or more, if appropriate. The Group does not have a standardised and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate. Sales to small, new, or short-term customers are normally expected to be settled on an advance receipt basis or shortly after the goods delivery. No credit term period is set by the Group for small, new and short-term customers.

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27. TRADE AND BILLS PAYABLES

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Trade payables	q ø Ð ù › °	1,276,393	889,123
Bills payable	Ð ù C ½	4,553,141	3,388,200
		5,829,534	4,277,323

The trade payables are interest-free and are normally settled on terms of 30 to 90 days.

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

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Not more than 3 months	” µ õ 3 H Ü	3,467,192	2,568,152
Over 3 months to 6 months	3 H Ü ø j 6 H Ü	2,032,336	1,527,285
Over 6 months to 12 months	6 H Ü ø j 12 H Ü	255,306	132,857
Over 1 year to 2 years	1 Ë ø j 2 Ë	36,791	13,300
Over 2 years to 3 years	2 Ë ø j 3 Ë	10,498	11,287
Over 3 years	3 Ë ø j	27,411	24,442
		5,829,534	4,277,323

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29. BORROWINGS

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Current	t		
Unsecured bank loans	Ì ê å Õ r ›	5,841,586	5,800,738
Current portion of long-term unsecured bank loans	—, Ì ê å Õ r › Y t Å ±	104,575	340,568
Current portion of long-term unsecured syndicated bank loans	—, Ì ê å Õ r › Y t Å ±	5,381,133	–
Current portion of long-term secured bank loans	—, Þ ê å Õ r › Y t Å ±	15,605	3,186
Current portion of long-term unsecured other loans	—, Ì ê å I ü r › Y t Å ±	28,330	–
Secured bank loans	Þ ê å Õ r ›	40,090	–

30. CONVERTIBLE LOANS

30. l p r ›

At the end of the reporting period, the convertible loans were recognised as a debt component and equity component as follows:

õ S , K d l p r › ½ © ‰ À Å ± ¿ ÆB Å ± d ½ h Ô j j

		Debt component À Å ± RMB'000 [O Æw ©	Equity component ÆB Å ± RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
At the date of issue	õ ï Ú ,	640,113	27,605	667,718
Interest expenses	; ¹ š Õ	22,655	–	22,655
Increase in interest payable	Ð ù ; ¹ #	(10,728)	–	(10,728)
Interest paid	Š ù ; ¹	(6,297)	–	(6,297)
Exchange realignment	Ò 3 Æ	6,852	–	6,852
		652,595	27,605	680,200

Note:

• W j

(a) On 6 May 2019, the Group's wholly owned subsidiary entered into a convertible loan facilities agreement with ICBC International Investment Management Limited in the aggregate principal amount of US$100,000,000 (approximately equivalent to RMB684,025,000) (the "Convertible Loans"). The Convertible Loans bear interest at the rate of 3.4% plus LIBOR per annum. The Group drew down US$60,000,000 (approximately equivalent to RMB410,415,000) on 22 May 2019 and US$40,000,000 (approximately equivalent to RMB279,489,000) on 29 November 2019. The maturity date is 21 May 2022 and 28 November 2022, respectively.

(a) õ 2019 Ë 5 Ü 6 Ú d l « Y Œ • n ® ! ~ ^ Õ 7 ç ³ M # Þ " ® ! m l p r › D X D d l – < X ‰ 100,000,000 Õ © € ´ … õ Ò [O Æ 684,025,000 © • € ˜ l p r › ™ f l p r › 2 Ë ; 3.4% P q Õ • 8 ð > ; ¹ f õ 2019 Ë 5 Ü 22 Ú d l « d _ 60,000,000 Õ © € ´ … õ Ò [O Æ 410,415,000 © • d (õ 2019 Ë 11 Ü 29 Ú d _ 40,000,000 Õ © € ´ … õ Ò [O Æ 279,489,000 © • f Q , Ú ± 9 ‰ 2022 Ë 5 Ü 21 Ú ¿ 2022 Ë 11 Ü 28 Ú f

(b) The convertible loans contain two components, a debt and equity components. The initial fair value of the two components was determined based on gross proceeds at drawdown. The initial fair value less allocated transaction costs of the debt component were estimated to be US$55,799,000 (approximately equivalent to RMB381,681,000) and US$36,982,000 (approximately equivalent to RMB258,432,000) as at the drawdown date of using the Monte Carlo Model and Binomial Option Pricing Model, taking into account the terms and conditions of the convertible loans. In subsequent periods, the debt component is measured at amortised cost using effective interest rate method. The effective interest rate of the debt component is 7.70% per annum. The residual amount less allocated transaction costs representing the value of the equity component of US$4,001,000(approximately equivalent to RMB27,605,000), is included in convertible loans equity reserve.

(b) l p r › ^ À ¿ ÆB G H Å ± f G H Å ± Y ‹ • ® ª = W 2 d _ Û Y Ô { › ° < X > › f À Å ± ˜ ‹ • ® ª = ¯ Š ± ã t ø Ó I W ¾ ý G l p r › Y â › ¿ â • d õ d _ Ú , ì ½ † $ ¯ › | Ì ¿ Z ° Ì , Æ › | è Q ‰ 55,799,000 Õ © € ´ … õ Ò [O Æ 381,681,000 © • ¿ 36,982,000 Õ © € ´ … õ Ò [O Æ 258,432,000 © • f õ I , œ d À Å ± ® \ ¼ ç ; , 2 Å V Ó I Ž f À Å ± Y ¼ ç Ë ; ‰ 7.70% f q h – X ¯ Š ± ã t ø Ó I € C Æ B Å ± Y = • ‰ 4,001,000 Õ © € ´ … õ Ò [O Æ 27,605,000 © •] l p r › ÆB · ê f

32. DEFERRED TAX

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The major deferred tax assets/(liabilities) recognised and their movements during the current and prior years are as follows:

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* J € À • ¿ I ½ h j

		Fair value adjustments arising from investment properties ³ J 8 Ô * [Y ® ª = Æ RMB'000 [O Æw ©	Provision for impairment of assets * Y ¯ = a ê RMB'000 [O Æw ©	Accelerated tax depreciation º ü ° ± RMB'000 [O Æw ©	Fair value adjustments arising from acquisitions of subsidiaries x ...• n ® ! Ô * [Y ® ª = Æ RMB'000 [O Æw ©	Withholding tax on distributable profits of subsidiaries in the PRC • 7 • n ® ! ± | P ; Y k d Ô { ü RMB'000 [O Æw ©	Loss available for offsetting against future taxable profit \ * ê V Ú Ð ü P ; Y f & RMB'000 [O Æw ©	Deferred income È · x B RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
At 1 January 2018	õ 2018 Ë 1 Ü 1 Ú	(81,691)	61,911	311	(48,328)	(314,621)	–	7,686	(374,732)
Acquisition of subsidiaries	x ...• n ® !	–	229	194	(14,803)	–	–	–	(14,380)
Credited/(charged) to profit or loss for the year (note 9)	] J € Ô • Ë & B € • W9 •	(66,585)	9,516	3,745	1,742	(48,484)#	–	4,538	(95,528)
Exchange realignment	Ò 3 Æ	(197)	–	–	–	–	–	–	(197)
At 31 December 2018 and 1 January 2019	õ 2018 Ë 12 Ü 31 Ú ¿ 2019 Ë 1 Ü 1 Ú	(148,473)	71,656	4,250	(61,389)	(363,105)	–	12,224	(484,837)
Acquisition of subsidiaries (Note 37)	x ...• n ® ! € • W37 •	–	1,862	–	(18,594)	–	–	–	(16,732)
Credited/(charged) to profit or loss for the year (note 9)	] J € Ô • Ë & B € • W9 •	(110,435)	13,044	(102)	856	(84,933)#	1,587	3,696	(176,287)
Exchange realignment	Ò 3 Æ	(2,598)	–	–	–	–	84	–	(2,514)
At 31 December 2019	õ 2019 Ë 12 Ü 31 Ú	(261,506)	86,562	4,148	(79,127)	(448,038)	1,671	15,920	(680,370)

The amount represented the deferred tax provision of RMB168,175,000 (2018: RMB125,864,000) on the distributable profits of the Company's subsidiaries in the PRC after offsetting the realised deferred tax liabilities of RMB83,242,000 (2018: RMB77,380,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

– X ‰ l ® ! 1 • 7 • n ® ! ± \| P ; * Y È · ü ° a ê [O Æ 168,175,000 © € 2018 Ë j [O Æ 125,864,000 © • (¾ ê V • n ® ! õ Ë « £ . ³ k \| p ¹ þ * [Y Š ¼ $ È · ü ° À [O Æ 83,242,000 © € 2018 Ë j [O Æ 77,380,000 © • f

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Gross deferred tax assets recognised in the consolidated statement of financial position õ] ¥ Ì K 1 Œ « ½ © Y È · ü ° * < X	108,301	88,130
Gross deferred tax liabilities recognised in the consolidated statement of financial position õ] ¥ Ì K 1 Œ « ½ © Y È · ü ° À < X	(788,671)	(572,967)
	(680,370)	(484,837)

32. DEFERRED TAX(Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdictions of the foreign investors. The applicable rate for the Group is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in China in respect of their earnings generated from 1 January 2008.

At the end of the reporting period, the Group has not recognised deferred tax liabilities of RMB374,897,000 (2018: RMB350,709,000) in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to RMB7,497,947,000 (2018: RMB7,014,180,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

33. DEFERRED INCOME

Deferred income represents government grants received by the Group as financial subsidies for the construction of new factory premises in Changchun, Daqing, Hubei and Hunan and rental income received in advance from certain of the Group's employees for leasing the staff quarters.

The government grants are released to profit or loss over the expected useful lives of the relevant premises by equal annual instalments, while rental income received in advance is recognised on the straight-line basis over the respective lease terms.

34. SHARE CAPITAL

Shares	p ...	2019	2018
Authorised:	, › j		
20,000,000,000 (2018: 20,000,000,000) ordinary shares of HK$0.05 each	20,000,000,000€2018 Ë j20,000,000,000 • p Ê p & = 0.05 ¥ © Y w · p	HK$1,000,000,000 1,000,000,000 ¥ ©	HK$1,000,000,000 1,000,000,000¥ ©
Issued and fully paid:	Š ï ¿ ® j		
3,102,418,400 (2018: 3,102,418,400) ordinary shares of HK$0.05 each	3,102,418,400€2018 Ë j3,102,418,400 • p Ê p & = 0.05 ¥ © Y w · p	HK$155,120,920 155,120,920 ¥ ©	HK$155,120,920

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22,991,000

37. BUSINESS COMBINATION

During the year, the Group entered into sale and purchase agreements to acquire equity interests in the following companies:

Acquisition date × ...Ú ,	Company name ®! ¤ H	Percentage of share & Þ â	Consideration RMB þ [O Æ	Principal activities ô 8
8 April 2019	Guangdong Zhongheng	100%	20,500,000	Manufacturing and sales of valves and automobile accessories
2019 Ë 4 Ü 8 Ú	? • 6ì	100%	20,500,000	¡ ¿ ¿ V / ã ˜ ¿ Û ã •
27 May 2019	Foshan Lesso Municipal Engineering Installation Co., Ltd. (“Lesso Municipal”)	100%	30,000,000	Provision of installation and engineering service
2019 Ë 5 Ü 27 Ú	† 9 L ç 9 A ˆ û Ä Þ " ®! €˜ L ç 9 A ™	100%	30,000,000	d 6 Ä ¿ ˆ û
31 July 2019	Guangdong Qicheng	51%	39,218,000	Provision of e-commerce services
2019 Ë 7 Ü 31 Ú	? ¼Ð	51%	39,218,000	d 6 e

2019 Ë

37. BUSINESS COMBINATION (Continued)

37. 8 ¥ ; € ƒ •

The fair values of the identifiable assets and liabilities of the above companies acquired at the dates of acquisitions assumed by the Group are as follows:

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		Guangdong Zhongheng ? • 6ì RMB'000 [O Æw ©	Lesso Municipal L ç 9 A RMB'000 [O Æw ©	Guangdong Qicheng ? ¼Ð RMB'000 [O Æw ©	Heshan Linghe ² † ï ¥ RMB'000 [O Æw ©	Guangdong Yitong ? S · RMB'000 [O Æw ©	Guangzhou KingHing ? È { 3 RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	528	1,754	399	372,512	6,055	546,930	928,178
Right-of-use assets	4 \ Æ *	–	–	587	–	–	24,488	25,075
Investment properties	³ J 8	–	–	–	196,638	–	–	196,638
Deposits paid for purchase of land, property, plant and equipment	…o z ® e J 8 e @ Ò ¿ £ ê Ô Õ ù Y 2	–	–	101	–	–	–	101
Other intangible assets	I ü Ì – *	–	185	41,953	–	8,218	33,993	84,349
Investment in associates	õ L ®! Y ³	–	–	3,660	–	–	5,105	8,765
Other financial assets	I ü – D *	–	–	–	–	–	841	841
Deferred tax assets	È · ü ° *	–	–	–	–	–	1,862	1,862
Inventories	À ¬	10,483	3,152	–	–	3,729	147,440	164,804
Contract assets	¥ Ò *	–	220	–	–	–	6,421	6,641
Trade and bills receivables	q ø Ð × › ° ¿ C ½	6,756	13,362	101	–	17,431	248,598	286,248
Prepayments, deposits and other receivables	k ù › e 2 – ¿ I ü Ð × › °	575	66,244	263	51,222	2,698	131,056	252,058
Cash and bank deposits	$ – ¿ Õ À ›	2,856	15,730	4,616	100	1,610	37,084	61,996
Contract liabilities	¥ Ò À	–	(90)	(1,587)	–	(872)	(69,695)	(72,244)
Trade and bills payables	q ø Ð ù › ° ¿ C ½	(1,920)	(6,057)	–	–	(559)	(327,895)	(336,431)
Other payables and accruals	I ü Ð ù › ° ¿ Ð I \	(767)	(3,184)	(4,074)	(86)	(1,028)	(97,251)	(106,390)
Tax payables	Ð ù ü °	–	(1,057)	–	–	–	(4,297)	(5,354)
Borrowings — current	> › — t	–	(60,000)	–	–	(4,700)	(41,157)	(105,857)
Lease liabilities — current	a # À — t	–	–	(341)	–	–	(13,646)	(13,987)
Borrowings — non-current	> › — ¢ t	–	–	–	–	–	(65,660)	(65,660)
Lease liabilities — non-current	a # À — ¢ t	–	–	(269)	–	–	(9,900)	(10,169)
Deferred tax liabilities	È · ü ° À	–	–	(6,168)	–	–	(12,426)	(18,594)
Total identifiable net assets at fair value	Æ9 * = < X € 2 ® ª = •	18,511	30,259	39,241	620,386	32,582	541,891	1,282,870
Non-controlling interests	¢ › S Æ B	–	(259)	(17,435)	–	(15,965)	(88,953)	(122,612)
Goodwill arising on acquisitions	× …* [Y ‘	1,989	–	17,412	–	7,863	37,292	64,556
Total consideration satisfied by cash	ø $ – Õ ù þ < X	20,500	30,000	39,218	620,386	24,480	490,230	1,224,814

Acquisition-related cost incurred in relation to the above acquisition is insignificant and have been excluded from the cost of acquisition and have been recognised directly as expense for the year and are included in “other expenses” in profit or loss.

1 j × …* [Y × …´ ë Ó I (” } ¿ Š õ ×

The aggregate fair values of the trade and bills receivables and other receivables at the date of acquisition amounted to RMB286,248,000 and RMB252,058,000 respectively, which approximate to the gross contractual amounts of the corresponding balances acquired by the Group. At the dates of acquisitions, management considered that the contractual cash flows not expected to be collected were insignificant.

37. BUSINESS COMBINATION (Continued)

37. 8 ¥ ; € ƒ •

None of the goodwill recognised is expected to be deductible for income tax purposes.

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An analysis of the cash flows in respect of the acquisition is as follows:

Þ ë × ...Y $ – t Ž ± ½ h j

		RMB'000 [O Æw ©
Cash consideration paid	Š ù $ – þ	1,224,814
Less: Cash and cash equivalents acquired	¯ j Š × ...$ – ¿ $ – J	(61,996)
Net outflow of cash and cash equivalents included in investing activities	³ z < Y $ – ¿ $ – J t X	1,162,818

Since the acquisitions, these subsidiaries contributed RMB201,121,000 to the Group's revenue and recognised a loss of RMB18,941,000 in profit or loss for the year.

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Had the combinations taken place at the beginning of the year, the Group's revenue and profit for the year would have been RMB26,894,755,000 and RMB3,047,024,000, respectively.

J ¥ ; õ Ë ‹ † d I « õ I Ë Y ×] ¿ P ; Z ± 9 ‰ [O Æ26,894,755,000© ¿ [O Æ3,047,024,000© f

38. CONTINGENT LIABILITIES

38. Ð Í À

At the end of the reporting period, the Group did not have any significant contingent liabilities (2018: Nil).

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39. COMMITMENTS

39. Õ Ä

(A) The Group had the following capital commitments at the end of the reporting period:

(A) õ S , K d l « ¹ Þ ø h l Õ Ä j

	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Contracted, but not provided for: Š Ò (J a ê j		
Property, plant and equipment and J 8 e @ Ò ¿ £ ê q		
investment properties ³ J 8	738,811	982,063
Investment in a joint venture õ S œ¥ † 8 Y ³	23,520	23,520
	762,331	1,005,583

(B) OPERATING LEASE COMMITMENTS AS AT 31 DECEMBER 2018

The Group leased certain of its office premises, production plants, warehouses and equipment under operating lease arrangements. Leases were negotiated for terms ranging from one to seventeen years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

(B) õ 2018 Ë 12 Ü 31 Ú Y ¾ a # Õ Ä

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õ 2018 Ë 12 Ü 31 Ú d l « ì ½ ø h , œ Q , ˜ ” Þ V ¾ a Ò ˜ J 8 ð - a – < X ½ h j

	RMB'000 [O Æw ©
Not more than 1 year ” µ õ 1 Ë	95,461
Over 1 year to 5 years 1 Ë ø j 5 Ë	220,608
Over 5 years 5 Ë ø j	33,792
	349,861

40. RELATED PARTY TRANSACTIONS AND BALANCES 40. ë L [{ t ø ¿ q

(A) THE GROUP'S MATERIAL TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR (A) Ë « I « ~ ë L [{ Y } t ø

		Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Connected transactions	ë ¹ t ø			
Transactions with companies under the common control of a director:	õ µ œ• • a S è + › S Y ® ! Y t ø j			
Sales of goods and services	V / ¬ Ü ¿	(i)#	21,260	8,642
Consumption of utilities	ƒ \ ® \ + 8	(ii)#	225	1,044
Rental expenses	a – š Õ	(iii)#	4,047	4,421
Purchase of materials	® …¿ Ø	(iv)#	8,424	13,773
Purchase of machinery and/or equipment	® …Ú œ¿ J Ð £ ê	(v)	114,170	124,592
Purchase of electronic accessories	® …e • ã •	(v)#	109	69
Purchase of other intangible assets	® …I ü Ì – *	(v)#	553	2,678
Licensing trademarks	¬ š z	(vi)#	642	303
Hotel expenses	â ³ I \	(vii)#	3,169	4,392
Rental expenses paid to directors	£ è + Õ ù Y a – š Õ	(viii)#	1,839	2,068
Non-connected transactions	¢ ë ¹ t ø			
Advisory services from a company under the significant influence of directors	õ è + H } B ¤ b Y S œ® ! Ô d 6 Y T	(ix)	–	1,887
Purchase of goods and/or equipment from associates	L ® ! ® …¬ Ü ¿ J Ð £ ê	(x)	168,485	–
Design and maintenance services from a joint venture	¥ † 8 d 6 Y £ ¿ j L	(xi)	3,600	3,600

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(A) THE GROUP'S MATERIAL TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR (Continued)

Note:

(i) Sale of goods and services to related companies were made with reference to the prices and conditions offered by the Group to third-party customers.

(ii) Utilities were provided by related companies at cost.

(iii) Rental expenses were based on mutually agreed terms.

(iv) Purchase of materials from related companies were made based on mutually agreed terms.

(v) Purchase of machinery, equipment and electronic accessories and other intangible assets from related companies were made with reference to the prices and conditions offered by the related companies to their third-party customers.

(vi) Licensing trademarks to related companies were conducted based on mutually agreed terms.

(vii) Hotel expenses were based on mutually agreed terms.

(viii) Properties including office premises, cafeteria, workshops, warehouses and yacht were leased to the Group based on mutually agreed terms.

(ix) Advisory services were provided by related companies based on mutually agreed terms.

(x) Purchase of goods and equipment from associates were made on normal commercial terms negotiated on an arm's length basis by the parties with reference to the prevailing market prices.

(xi) Services were provided by a joint venture based on mutually agreed terms.

These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempted from complying with the disclosure requirements under the Listing Rules.

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

40. ë L [{ t ø ¿ q€ƒ •

(B) BALANCES WITH RELATED PARITIES

(B) ~ ë L [{ Y q

	Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Balances with companies under the common control of a director arising from: õ µ œ• • a S è + › S Y ® ! Y q 8 j			
Deposits paid for the purchases of machinery and/or equipment …o Ú œ¿ J Ð £ ê Ô Õ ù Y 2 –	(i)	109,205	109,415
Purchase of machinery and/or equipment ® …Ú œ¿ J Ð £ ê	(ii)	50,033	59,192
Balances with associates arising from: õ L ® ! Y q 8 j			
Purchase of goods and/or equipment …o ¬ Ü ¿ J Ð £ ê	(ii)	36,598	–

Note:

• W j

(i) The balances are included in the Group's deposits paid for the purchase of land, property, plant and equipment.

(i) q] l « …o z ® e J 8 e @Ò ¿ £ ê Ô Õ ù Y 2 – f

(ii) The balances are included in the Group's trade payables and other payables and accruals.

(ii) q] l « Y q ø Ð ù › ° q l ü Ð ù › ° ¿ Ð l \ f

(C) COMMITMENTS WITH RELATED PARTIES

Certain of the Group's subsidiaries have entered into lease agreements with a director and a company under the common control of a director to lease properties for operations, and sale and purchase agreements with a company under the common control of a director to purchase machinery and/or equipment for production. The operating lease commitments as at 31 December 2018 was RMB8,842,000 with lease terms of three years and the capital commitments of RMB115,013,000 (2018: RMB70,720,000) have been included in note 39 to the consolidated financial statements.

(C) ~ ë L [{ Y Õ U + °

l « ð • • n ® ! ‰a # J 8 * ¾ \ Ä ~ S ¤ è + ¿ S œ• • a S è + › S Y ® ! ma # X D d (‰ …o Ú Û ¿ J Ð £ ê * [* \ Ä ~ S œ• • a S è + › S Y ® ! mo - X D f õ 2018 Ë 12 Ü 31 Ú d [O Æ 8,842,000 © Y ¾ a # Õ Ä a , ‰g Ë d l ~ [O Æ115,013,000©€2018 Ë j [O Æ70,720,000© • Y l Õ Ä ± 9 ^ õ] ¥ Ì Œ• W39 f

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS 41. – D ˆ H Y ® ª = Ž

(A) CATEGORIES OF FINANCIAL INSTRUMENTS (A) – D ˆ H ó 9

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

õ S , K d ¢ ó – D ˆ H Y * & = ½ h j

		Note • W	2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Financial assets	– D *			
Financial assets at amortised cost:	*2 Å V Ó I • * Y – D * j*			
Loans receivables	Ð × > ›	20	376,286	518,892
Contract assets	¥ Ò *	23	361,014	411,930
Trade and bills receivables	q ø Ð × › ° ¿ C ½	24	3,259,456	2,379,447
Financial assets included in other receivables	] I ü Ð × › ° Y – D *		138,299	302,051
Other long-term receivables	I ü —, Ð × › °	21	4,093	5,804
Cash and bank deposits	$ – ¿ Õ À ›	26	7,604,221	6,451,791
			11,743,369	10,069,915
Financial assets at FVTOCI:	*2 ® ª =] I ü Œ& × B Y – D * j*			
Debt instruments at FVTOCI	2 ® ª =] I ü Œ& × B Y À ˆ H	19	564,933	255,099
Equity instruments at FVTOCI	2 ® ª =] I ü Œ& × B Y p I ˆ H	19	1,136,280	1,543,526
			1,701,213	1,798,625
Financial assets at FVTPL:	*2 ® ª =] & B Y – D * j*			
Debt instruments at FVTPL	2 ® ª =] & B Y À ˆ H	19	–	47,649
Equity instruments at FVTPL	2 ® ª =] & B Y p I ˆ H	19	56,344	53,886
Funds at FVTPL	2 ® ª =] & B Y ? –	19	21,926	–
			78,270	101,535
			13,522,852	11,970,075

41. – D ˆ H Y ® ª = Ž € ƒ •

(A) – D ˆ H ó 9 € ₽ •

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(B) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the reporting period:

	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input‘‘h ŸŒÁÀÀÀGE P -‘ ¡ ñ0 ’

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

41. – D ˆ H Y ® ª = Ž € ƒ •

(B) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE (Continued)

(B) 2 ® ª = Ž Y – D ˆ H Y ® ª =€ ƒ •

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

y ö 9 t Ì Y ± + W8 I « Ô > › 9 ~ k 6 õ ³ › Û ý G Y P ¿ ± + – X f

Assets measured at fair value

2 ® ª

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

In respect of the floating interest rate instruments, the Group is

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

42. – D , ˆ M # f z ¿ A € ƒ •

FOREIGN CURRENCY RISK

The Group's main businesses are located in China and most of the transactions are conducted in Renminbi. Most of the Group's assets and liabilities are denominated in Renminbi, except for certain cash and bank deposits, trade and bills receivables and borrowings denominated in HK dollar and US dollar. The Group has not hedged its foreign exchange rate risk.

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The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi against the relevant currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and loans).

h Œ j õ S , K d ¯ Ô Þ l ü p - 5 ” Y ‹ 1 h d l « ð ü Ã P ; Á [O Æ 3 l ü Þ ë ¬ Æ Ò Y ¥ # • € _ õ ¬ Æ Ì * ¿ r › Y ® ª = Ô ç • Y ½ f

	Increase/ (decrease) in HK$/US$	Increase/ (decrease) in profit

r

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its trade and bills receivaMd

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

42. – D , ˆ M# f z ¿ A €ƒ •

CREDIT RISK(Continued)

The Group's debt instruments at FVTOCI comprised solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments.

Bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions.

The Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on invoice date unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK(Continued)

Maximum exposure and year-end staging (Continued)CRE44ntn76SK 13re 310 11 53 Tm (AEi /GS0 g0oK s 0.w q /GS1 g 24.494

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

42. – D , ˆ M # f z ¿ A €ƒ •

LIQUIDITY RISK

t – , ˆ

The Group aims to maintain sufficient cash and cash equivalents and available funding through various sources of finances to meet its commitments.

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The maturity profile of the Group's financial liabilities at the end of each of the reporting periods, based on the contractual undiscounted payments, is as follows:,

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		2019			
		Within 1 year 1 Ë « RMB'000 [O Æw ©	1 to 2 years 1 2 Ë RMB'000 [O Æw ©	Over 2 years 2 Ë ø j RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Trade and bills payables	q ø Ð ù › ° ¿ C ½	5,829,534	–	–	5,829,534
Financial liabilities included in other payables and accruals	] l ü Ð ù › ° ¿ Ð l \ Y – D À	990,615	–	–	990,615
Borrowings	> ›	11,665,378	1,255,366	1,257,077	14,177,821
Convertible loans	l p r ›	20,909	20,909	713,707	755,525
Lease liabilities	a # À	88,843	61,103	66,933	216,879
Other long-term payables	l ü —, Ð ù › °	–	1,665	104,428	106,093
		18,595,279	1,339,043	2,142,145	22,076,467

		2018			
		Within 1 year 1 Ë « RMB'000 [O Æw ©	1 to 2 years 1 2 Ë RMB'000 [O Æw ©	Over 2 years 2 Ë ø j RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
Trade and bills payables	q ø Ð ù › ° ¿ C ½	4,277,323	–	–	4,277,323
Financial liabilities included in other payables and accruals	] l ü Ð ù › ° ¿ Ð l \ Y – D À	808,626	–	–	808,626
Borrowings	> ›	6,440,277	5,446,254	240,599	12,127,130
Other long-term payables	l ü —, Ð ù › °	–	15,847	93,699	109,546
		11,526,226	5,462,101	334,298	17,322,625

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

42. – D , ˆ M# f z ¿ A €ƒ•

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain reasonable capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to optimise the debt and equity balance, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or new debts or the redemption of existing debts. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by capital. Net debt includes borrowings, convertible loans and lease liabilities less cash and bank deposits. Capital represents the total equity.

The Group's strategy is to maintain the net debt to equity ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios, at the end of the reporting period are as follows:

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I « Y + ‰j 5 À X Á ÆB â ¯ p å ; d ø Õ 5 I 8 f I « ® _ Y ô + < (” " õ 2 a J 8 $ – t Ž ê Ë ¿ Õ ù Q , À Y • b d - 5 \ Õ D ¯ ¥ # å ; ¿ Æ³ Œ ¿ D Œ ½ ê • d ø ½ - I « ¹ Þ ¥ # å ; Y I Õ 5 I 8 f õ S , K Y À X Á ÆB â ½ h j

		2019 RMB'000 [O Æw ©	2018 RMB'000 [O Æw ©
Borrowings	> ›	12,678,380	11,731,058
Convertible loans	I p r ›	652,595	–
Lease liabilities	a # À	206,124	–
Less: Cash and bank deposits	¯ j $ – ¿ Õ À ›	(7,604,221)	(6,451,791)
Net debt	À X	5,932,878	5,279,267
Total equity	ÆB < X	17,094,396	15,072,865
Net debt to equity ratio	À X Á ÆB â	35%	35%#

42. – D , ˆ M# f z ¿ A €ƒ •

I M#€ƒ •

I « Š 4 \ ¾L ÛQ , ® v 0 ¥ Ì S _ ÆK 16 î d / ã ® v Y B ¤ Š õ 2019 Ë 1 Ü 1 Ú Y , ‹ q * Æ dþ 2018 Ë 12 Ü 31 Ú Y â 0 – X Æ" * Æ f µ ¬ ç I « Y À X # [O Æ368,752,000© [O Æ5,648,019,000© d ª ä d I « õ 2019 Ë 1 Ü 1 Ú Y * À ~ 2018 Ë 12 Ü 31 Ú ´ â _ 35% j º 37% f

43.] ¥ $ – t Ž Œ• W

(A) ô ¢ $ – t ø

Ë « d 1 a # Ä ° þ d I « 4 \ Æ * ¿ a # À Y ¢ $ – # ± 9 ‰ [O Æ1,689,086,000© ¿ [O Æ 368,752,000©€2018 Ë j Ì • f

(B) D z * [Y À Á *

h Œ I « D z Ô * [Y À € < $ – ¿ ¢ $ – •f D z Ô * [˜ À ‰$ – t Ž € õ Ð Z õ

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

43.] ¥ $ – t Ž Œ• W€ƒ•

(B) RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

(B) D z * [Y À Á *€ƒ•

		2019								
				Non-cash changes ¢ $ –						
		1 January	Cash flow	Effect of adoption of HKFRS 16 ®\ 0 ¥ Ì S _ ÆK16 î YB¤	Equity component of convertible loans	Lease liabilities	Amortisation of borrowings arrangement fee	Foreign exchange movement	Other changes	31 December
		1 Ü1 Ú RMB'000 [OÆw©	$ – t Ž RMB'000 [OÆw©	RMB'000 [OÆw©	lpr› Y ÆBÅ± RMB'000 [OÆw©	a# À RMB'000 [OÆw©	>› Ä° l\ÅV RMB'000 [OÆw©	. Ò RMB'000 [OÆw©	l ü RMB'000 [OÆw©	12 Ü31 Ú RMB'000 [OÆw©
Borrowings	>›	11,731,058	539,178	–	–	–	17,915	219,330	170,899	12,678,380
Lease liabilities	a# À	–	(92,406)	368,752	–	(95,490)	–	1,112	24,156	206,124
Convertible loans	lpr›	–	667,718	–	(27,605)	–	–	6,852	5,630	652,595
Interest payable	Đù; ¹	4,736	(530,490)	–	–	–	–	–	551,356	25,602
Dividends payable	Đùp ¹	–	(866,871)	–	–	–	–	–	866,871	–
Payables for acquisition of non-controlling interests included in other payables	]lüÐù ›°Y× ... ¢›S ÆBÐù›°	19,102	(15,058)	–	–	–	–	–	(4,044)	–
Total liabilities from financing activities	D z Y À<X	11,754,896	(297,929)	368,752	(27,605)	(95,490)	17,915	227,294	1,614,868	13,562,701

		2018					
				Non-cash changes ¢ $ –			
		1 January	Cash flow	Amortisation of borrowings arrangement fee	Foreign exchange movement	Other changes	31 December
		1 Ü1 Ú RMB'000 [OÆw©	$ – t Ž RMB'000 [OÆw©	>› Ä° l\ÅV RMB'000 [OÆw©	. Ò RMB'000 [OÆw©	l ü RMB'000 [OÆw©	12 Ü31 Ú RMB'000 [OÆw©
Borrowings	>›	8,319,375	3,042,012	17,407	364,264	(12,000)	11,731,058
Interest payable	Đù; ¹	6,149	(397,996)	–	–	396,583	4,736
Dividends payable	Đùp ¹	–	(715,436)	–	–	715,436	–
Payables for acquisition of non-controlling interests included in other payables	]lüÐù›° Y×...¢›S ÆBÐù›°	–	(78,898)	–	–	98,000	19,102
Total liabilities from financing activities	D z Y À<X	8,325,524	1,849,682	17,407	364,264	1,198,019	11,754,896

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

43.] ¥ $ – t Ž Œ• W€ƒ •

(C) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

(C) a # $ – t < X

< ¯] ¥ $ – t Ž ŒY a # $ – t < X ½h j

	2019 RMB'000 [O Æw ©
Within operating activities ¾ z «	32,949
Within investing activities ³ z «	109,425
Within financing activities D z «	92,406
	234,780

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

44. ô • n ® ! Y ‹

Particulars of the Company's principal subsidiaries are as follows:

I ® ! ô • n ® ! Y ‹ ½h j

Name ¤ H	Place of incorporation/ registration and business W ÓmJW ¿ 8 ® Ã	Issued ordinary share/ registered share capital Š ï w · pJ W pl	Percentage of equity attributable to the Company Direct I ® ! Ð & ÆB â \ Ÿ	Indirect œŸ	Principal activities ô 8
Starcorp Investment Holdings Ltd. K • ³ › p Þ " ® !	BVI õ n j ' / Ê ¥	US$1 1 Õ ©	100% 100%	– –	Investment holding ³ › p
Great China One Holdings Limited (Formerly known as "Great China International Holdings Ltd.") 6 ß K S › p Þ " ® ! € Ã H 6 ß 7 ç › p Þ " ® ! •	BVI õ n j ' / Ê ¥	US$1 1 Õ ©	100% 100%	– –	Investment holding ³ › p
China Liansu Investment Limited • 7 L ç ³ Þ " ® !	BVI õ n j ' / Ê ¥	US$1 1 Õ ©	100% 100%	– –	Investment holding ³ › p
Liansu Group Company Limited L ç « Þ " ® !	Hong Kong 0 ¥	HK$13,000,000 13,000,000¥ ©	– –	100% 100%	Investment holding and sale of building materials and interior decoration products ³ › p ¿ V / ¿ ¿ • ¢ * Ü
Guangdong Liansu Technology Industrial Co., Ltd. *(a) ? L ç Å ¦ ¼8 Þ " ® ! (a)	PRC • 7	HK$2,800,000,000 2,800,000,000¥ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •
Heshan Lesso Industrial Development Co., Ltd. * (b) ² † L ç ¼8 ï • Þ " ® ! (b)	PRC • 7	HK$269,930,000 269,930,000¥ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES 44. ô • n ®! Y ‹€ƒ•
(Continued)

Name ¤ H	Place of incorporation/ registration and business W Ó m J W ¿ 8 ® Ã	Issued ordinary share/ registered share capital Š ï w · p J W p l	Percentage of equity attributable to the Company Direct l ®! Đ & Æ B â \ Ÿ	Indirect œŸ	Principal activities ô 8
Lesso Technology Development (Wuhan) Co., Ltd. *(b) L ç Å ¦ ï •€ • Þ " ®! (b)	PRC • 7	HK$111,000,000 111,000,000¥ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •
Lesso Technology Development (Guiyang) Co., Ltd. *(b) L ç Å ¦ ï •€ n ¢ • Þ " ®! (b)	PRC • 7	HK$115,000,000 115,000,000¥ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •
Nanjing Lesso Technology Industrial Co., Ltd. *(b) Ì / L ç Å ¦ ¼8 Þ " ®! (b)	PRC • 7	US$26,750,000 26,750,000Õ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •
Lesso Municipal Pipe (Hebei) Co., Ltd. *(b) L ç 9 A M 8 € & • Þ " ®! (b)	PRC • 7	US$32,790,000 32,790,000Õ ©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •
Henan Lesso Industrial Co., Ltd. *(c) & Ì L ç ¼8 Þ " ®! (c)	PRC • 7	RMB200,000,000 [O Æ 200,000,000©	– –	100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / ç Ø M 8 ¿ M •

(a) Registered as a wholly-foreign-owned enterprise under the laws of PRC

(a) ì ½ • 7 , W ‰S œ. ù † 8

(b) Registered as equity joint ventures under the laws of PRC

(b) ì ½ • 7 , W ‰¥ † 8

(c) Registered as a limited liability company under the laws of PRC

(c) ì ½ • 7 , W ‰S œ Þ " ®!

The above table lists the Company's subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the Group's net assets. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

45. I ® ! Ì K 1 Œ ƒ •

Note: • W j

A summary of the Company's reserves is as follows: I ® ! Y · ê ? ½ h j

		Share premium p …P RMB'000 [O Æw ©	Shares held for share award scheme p …¤ ¸ ŒÔ 5 p … RMB'000 [O Æw ©	Fair value revaluation reserve ® ª = · ê RMB'000 [O Æw ©	Exchange fluctuation reserve Ò * · ê RMB'000 [O Æw ©	Retained profits - 5 P ; RMB'000 [O Æw ©	Total < RMB'000 [O Æw ©
At 1 January 2018	õ 2018 Ë 1 Ü 1 Ú	1,905,618	–	(14,983)	(82,947)	496,175	2,303,863
Total comprehensive income for the year	Ë « Œ& × B < X	–	–	(21,400)	100,616	872,900	952,116
Dividends recognised as distributions to owners	½ © ‰£ ¹ Þ [± | Y p ¹	–	–	–	–	(715,436)	(715,436)
At 31 December 2018 and 1 January 2019	õ 2018 Ë 12 Ü 31 Ú ¿ 2019 Ë 1 Ü 1 Ú	1,905,618	–	(36,383)	17,669	653,639	2,540,543
Total comprehensive income for the year	Ë « Œ& × B < X	–	–	31,678	5,601	1,247,310	1,284,589
Dividends recognised as distributions to owners	½ © ‰£ ¹ Þ [± | Y p ¹	–	–	–	–	(866,871)	(866,871)
Transfer of fair value reserve upon the disposal of equity instruments at FVTOCI	/ 2 ® ª =] I ü Œ& × B Y p I ^ H 7 + ® ª = · ê	–	–	(20,274)	–	20,274	–
Shares purchased for share award scheme	1 p …¤ ¸ Œ…] p …	–	(85,440)	–	–	–	(85,440)
At 31 December 2019	õ 2019 Ë 12 Ü 31 Ú	1,905,618	(85,440)	(24,979)	23,270	1,054,352	2,872,821

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

46. - X] ¥ Ì Œ

The consolidated financial statements were approved and authorised for issue by the Board on 27 March 2020.

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SUMMARY OF MAJOR INVESTMENT PROPERTIES

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As at 31 December 2019

õ 2019 Ë 12 Ü 31 Ú

Details of the Group's investment properties at the end of the reporting period are as follows:

Location ®Ã		Type ó 9	Site area/ gross floor area ®µ& J <}&& sq. ft. ;ÙJ	Lease term a\,	Group's interest I« YÆB	Stage of completion •Ó I
Lots 50, 51 & 52 in Deposited Plan 1144623, Lots 6–10 in Deposited Plan 801210, Lots 163, 168–182 & 216 DP8716, Lots 4, 5 & 6 in Deposited Plan 226294, Lots 2 in Deposited Plan 516449, Lots 218 & 219 in Deposited Plan 457024, Lot 2151 in Deposited Plan 135859, Lot 1 in Deposited Plan 119616 and Lot 7 in Deposited Plan 803359, Augusta Street, Huntingwood East, New South Wales	Australia	IL	2,320,699	Freehold	100%	Planning stage
Lots 50, 51 & 52 in Deposited Plan 1144623, Lots 6–10 in Deposited Plan 801210, Lots 163, 168–182 & 216 DP8716, Lots 4, 5 & 6 in Deposited Plan 226294, Lots 2 in Deposited Plan 516449, Lots 218 & 219 in Deposited Plan 457024, Lot 2151 in Deposited Plan 135859, Lot 1 in Deposited Plan 119616 and Lot 7 in Deposited Plan 803359, Augusta Street, Huntingwood East, New South Wales	ær	IL	2,320,699	Qn 8Æ	100%	*ŒI
79–99 St Hilliers Road, Auburn, Cumberland, Sydney, New South Wales 79–99 St Hilliers Road, B 298,191	Australia	IB	298,191#	Freehold	100%	Under refurbishment

Location ®Ã		Type ó 9	Site area/ gross floor area ®µ& J <}&& sq. ft. ;ÙJ	Lease term a\,	Group's interest I« YÆB	Stage of completion •ÓI
5789, 5933, 5945, 5811, 5951 Steeles Avenue East, Toronto, Ontario	Canada	CL	1,750,241	Freehold	100%	Planning stage
5789, 5933, 5945, 5811, 5951 Steeles Avenue East, Toronto, Ontario	Å}	CL	1,750,241	Qn8Æ	100%	*ŒI
5631–5671 Steeles Avenue East, Toronto, Ontario	Canada	CB	139,046㎡	Freehold	100%	Existing
5631–5671 Steeles Avenue East, Toronto, Ontario	Å}	CB	139,046㎡	Qn8Æ	100%	$Þ
South of Longzhou West Road, East of Dengdong Road, Longjiang town, Shunde District, Foshan City, Guangdong	China	CL	221,825	Leasehold	100%	Under development
?²†9±C²êD ²r)Ì~Î)txy	•7	CL	221,825	a#8Æ	100%	ï••
West of Foshan-Kaiping highway, North of Longgao Road, Longjiang town, Shunde District, Foshan City, Guangdong	China	CL	1,392,982	Leasehold	100%	Under development
?²†9±C²êD š÷ºøe²÷)ø	•7	CL	1,392,982	a#8Æ	100%	ï••
633 Heshun Road, Heshan Industrial Center, Heshan City, Guangdong	China	IL	1,879,515	Leasehold	100%	Existing
?²²†9²†^8ì q±)633î	•7	IL	1,879,515	a#8Æ	100%	$Þ
SHGB 889, 890, 891, 894, 895, 1317, 1318, 1319, 1321, 1322 J1 Suvarna Sutera Boulevard No 19 Unit B1 Wana Kerta Sindang Jaya - Tangerang, Indonesia 15560	Indonesia	CX	827,368	Freehold	100%	Under development
SHGB 889, 890, 891, 894, 895, 1317, 1318, 1319,™ 5 - 1321, 1322 J1 Suvarna Sutera Boulevard No 19 Unit B1 Wana Kerta Sindang Jaya - Tangerang, Indonesia 15560		CX	827,368	Qn8Æ	100%	ï••

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SUMMARY OF MAJOR INVESTMENT PROPERTIES

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As at 31 December 2019
õ 2019 Ë 12 Ü 31 Ú

Location	Type	Site area/ gross floor area	Lease term	Group's interest	Stage of completion
® Ã	ó 9	® µ & J < } & & sq. ft. ; Ù J	a \ ,	I « Y ÆB	• Ó I
Plot No 2, 4, 8, 9 Block 59					

Location ® Ã		Type ó 9	Site area/ gross floor area ® µ & J < } & & sq. ft. ; Ù J	Lease term a \ ,	Group's interest I « Y ÆB	Stage of completion • Ó I
12071 Bellegrave Avenue, Jurupa Valley, California	United States	CX	4,755,918	Freehold	100%	Planning stage
12071 Bellegrave Avenue, Jurupa Valley, California	Õ 7	CX	4,755,918	Q n 8 Æ	100%	* Œ I
1300 and 1504 Old Country Road, Westbury, Nassau County, Long Island, New York	United States	CB	723,302#	Freehold	100%	Under refurbishment
1300 and 1504 Old Country Road, Westbury, Nassau County, Long Island, New York	Õ 7	CB	723,302#	Q n 8 Æ	100%	- ˆ û † •

Note:
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CL	Commercial land	8 \ ®
CX	Complex land	] ¥ \ ®
IL	Industrial land	ˆ 8 \ ®
CB	Commercial building	8 } Á
IB	Industrial building	ˆ 8 } Á
#	Represents gross floor area	8 J 8 < } & &

GLOSSARY

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“Board” ˜è + 6 ™	8	the board of directors of the Company I ®! è + 6
“BVI” ˜õ n j ' / Ê ¥ ™	8	the British Virgin Islands õ n j ' / Ê ¥
“China” or “PRC” ˜• 7 ™	8	the People’s Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan • 6 [O• q 7 d 1 I S þ d (” < 0 ¥ e æ ˜ ¿ (D
“Code” ˜Â Æ ™	8	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules j 9 • Æ• } 14 Ô 1 Y † 8 M 7 Â Æ
“Company” or “China Lesso” ˜I ®! ™Ð˜• 7 L ç ™	8	China Lesso Group Holdings Limited • 7 L ç « › p Þ " ®!
“Current Ratio” ˜t â ™	8	the ratio of current assets to current liabilities t * ð ø t À Y â
“EBITDA” ˜ð ¹ ü ± Å Ã ®; ™	8	earnings before interest, taxes, depreciation and amortisation Ô ð ; ¹ e ü ° e ± ¿ Å V Ã ®;
“FVTOCI” ˜2 ®ª =] I ü Œ& × B ™	8	fair value through other comprehensive income >îÎÀ Î è ęÿ ¥ Ã ®;

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“IoT”		Internet of things
˜J L c ™	8	J L c
“Listing Rules”		the Rules Governing the Listing of Securities on the Stock Exchange
˜j 9 • Æ ™	8	L t Ô Ç N j 9 • Æ
“Model Code”		the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
˜z _ Â Æ ™	8	j 9 • Æ• } 10 Ô 1 Y j 9 ï [è + † Ç N t ø Y z _ Â Æ
“New Fortune”		New Fortune Star Limited, a company incorporated in the BVI
˜- , K ™	8	New Fortune Star Limited d S œõ õ n j ' / Ê ¥ W Ó m˜ ® !
“PE”		polyethylene
˜PE ™	8	s T
“PP-R”		polypropylene random
˜PP-R ™	8	Ì • • s s ï
“PVC”		polyvinyl chloride
˜PVC ™	8	s £ T
“Quick Ratio”		the ratio of current assets less inventories to current liabilities
˜º â ™	8	t * ¯ À ¬ Ž ð ø t À Y â
“RMB”		Renminbi, the lawful currency of the PRC
˜[O Æ ™	8	• 7 ˜ , › ¬ Æ— [O Æ
“SFO”		Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
˜Ç N ¿ , ¬ â 7 ™	8	0 ¥ , 7 K 571 Ý Ç N ¿ , ¬ â 7
“Share(s)”		share(s) of a nominal value of HK$0.05 each in the capital of the Company
˜p … ™	8	I ® ! p I • Ê p & = 0.05 ¥ © Y p …
“Shareholder(s)”		holder(s) of the Share(s) of the Company
˜p ™	8	I ® ! p …5 Þ [
“Shunde Liansu Industrial”		Foshan Shunde Liansu Industrial Co., Ltd.*
˜± C L ç ¼8 ™¼Œ™8™¼8 ™ Þ		

“tonne(s)”		a unit measuring weight, equal to 1,000 kilograms
˜ š ™	8	Ž Ž Y d ´ õ 1,000 ® Ø
“US”		the United States of America
˜ Õ 7 ™	8	Õ ; : ¥ : 7
“US$”		US dollar, the lawful currency of US
˜ Õ © ™	8	Õ 7 ˜ , › ¬ Æ— Õ ©
“Xi Xi Development”		Xi Xi Development Limited, a company incorporated in the BVI
˜ c ï • ™	8	c ï • Þ " ® ! d S œõ õ n j ' / Ê ¥ W Ó m ˜ ® !
“%”		per cent
˜% ™	8	õ ± â

* The English or Chinese translations in this report, where indicated, denote for identification purposes only.

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CORPORATE INFORMATION

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BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Luen Hei (Chairman)
Mr. Zuo Manlun (Chief executive)

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2020 Ë 3 Ü 27 Ú

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PRINCIPAL BANKERS

Agricultural Bank of China Limited
China Merchants Bank Co., Ltd.
CTBC Bank Co., Ltd., Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch
Foshan Shunde Rural Commercial Bank Company Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Sumitomo Mitsui Banking Corporation
Taipei Fubon Commercial Bank Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

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WEBSITE

http://www.lesso.com

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http://www.lesso.com

Forward-looking statements

This report contains forward-looking statements. These forward-looking statements include, without limitation, statements related to revenue and earnings. The words “believe”, “intend”, “expect”, “anticipate”, “forecast”, “estimate”, “predict”, “is confident”, “has confidence” and similar expressions are also intended to represent forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of China Lesso about the businesses, industries and markets in which China Lesso operates.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Company’s control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements.

Reliance should not be placed on these forward-looking statements, which reflect only the views of the directors and management of China Lesso as at the date of this report only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this report.

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j Ã ü J ü Ã À H • 7 L ç è + ¿ M # 4 õ l S ï Œ…Ú Ô 5 Y H Ã d , [{ S ? ” Ð 1 ` ä Ã ü J ü f l ® ! (Ì ª , ® š L j Ã ü J ü d ø À H l S Ü ™ Ôï [Y + • Ð ‹ 1 f

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