



Stock Code:1234



About

CHINA LILANG

China Lilang is the leading PRC...
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

M . Wa g D g Xi g (*Chairman*)
 M . Wa g Lia g Xi g
 M . Wa g C g Xi g
 M . Cai R g H a
 M . H Che g Ch
 M . Pa  R g Bi 

Independent Non-executive Directors

D . L H g Te
 M . Nie Xi g
 M . Lai Shi ia 

BOARD COMMITTEES

Audit Committee

M . Nie Xi g (*Chairman*)
 D . L H g Te
 M . Lai Shi ia 

Remuneration Committee

M . Lai Shi ia  (*Chairman*)
 M . Wa g C g Xi g
 M . Nie Xi g

Nomination Committee

M . Wa g D g Xi g (*Chairman*)
 D . L H g Te
 M . Nie Xi g

Risk Management Committee

M . Wa g D g Xi g (*Chairman*)
 M . Wa g C g Xi g
 M . Pa  R g Bi 

COMPANY SECRETARY

M . K Y La 

AUTHORISED REPRESENTATIVES

M . Wa g D g Xi g
 M . K Y La 

REGISTERED OFFICE

C ic e S  a e, H chi  D ie
 P.O. B 2681
 G a d Ca a , KY1-1111
 Ca a l a d

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

S ie 3402
 34 h F , Li Ce  e
 T e O e
 N . 89 Q ee  a
 H g K g

HEAD OFFICE IN THE PRC

Li a g l d ia Pa
 200 Cha g Xi g R ad
 Ji jia g Ci
 F jia  P i ce
 The PRC

SHARE REGISTRARS AND TRANSFER OFFICES

SMP Partners (Cayman) Limited

R a Ba  H e
 3 d F , 24 Shedde  R ad
 P.O. BOX 1586
 G a d Ca a , KY1-1110
 Ca a l a d

Hong Kong Share Registrar

C e ha e H g K g l e Se ice Li i ed
 Sh 1712-1716
 17 h F , H e e Ce  e
 183 Q ee  R ad Ea
 Wa chai
 H g K g

AUDITOR

KPMG, *Certified Public Accountants*
(Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance)

PRINCIPAL BANKERS

l d ia Ba  C . L d.
 Chi a Mi  he g Ba  C ., L d.
 Ba  f Chi a (H g K g) Li i ed

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019 (RMB million)	2018 (RMB million)	Change (%)
Revenue	3,658.5	3,167.9	+15.5
Operating income	1,403.2	1,298.1	+8.1
Profit before tax	979.8	881.9	+11.1
Profit after tax	812.2	751.2	+8.1
	(RMB cents)	(RMB cent)	(%)
Earnings per share			
Basic	67.82	62.74	+8.1
Diluted	67.82	62.74	+8.1
Shareholders' equity	301.2	283.9	+6.1
Weighted average	HK18 cents	HK16 cent	+12.5
Specific weighted	HK8 cents	HK7 cent	+14.3
Financial weighted	HK21 cents	HK21 cent	
Specific financial	HK10 cents	HK10 cent	
	(%)	(%)	(% increase)
Operating margin	38.4	41.0	-2.6
Operating profit margin	26.8	27.8	-1.0
Net profit margin	22.2	23.7	-1.5
Return on average shareholders' equity ⁽¹⁾	23.2	23.0	+0.2
Effective tax rate	20.7	20.5	+0.2
Adjusted earnings per share (after effect of share repurchase)	9.3	10.4	-1.1
	Year ended 31 December		
	2019	2018	Shareholder 30 June 2019
Ageing period ⁽²⁾	111	98	129
Ageing period receivable ⁽³⁾	78	72	87
Ageing period payable ⁽⁴⁾	91	92	102

Notes:

- Return on average shareholders' equity is calculated based on the average of the beginning and ending book value of shareholders' equity.
- Ageing period receivable is calculated based on the average of the beginning and ending book value of receivable based on the ageing period.
- Ageing period receivable is calculated based on the average of the beginning and ending book value of receivable based on the ageing period (including added) based on the ageing period.
- Ageing period payable is calculated based on the average of the beginning and ending book value of payable based on the ageing period.



CHAIRMAN'S STATEMENT

China Lilang Limited adhered to the strategy of providing products with excellent value-for-money during the year and recorded stable business growth by improving retail management and propelling channels transformation. In view of various uncertainties in the market, the Group will adopt a prudent approach and focus on the optimization of the store network and retail management to enhance store efficiency. The Group is confident that it will continue to outperform other industry peers and will further consolidate its leading position in the menswear industry in China.



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CHAIRMAN'S STATEMENT

Under the leadership of the Board, China Lilang Limited (the Company) has achieved the strategic objectives set out in the 2019-2021 business plan. The Company has achieved a total revenue of RMB3.66 billion in 2019, an increase of 15.5% over the same period of 2018. The Company has also achieved a total profit of RMB812.2 million in 2019, an increase of 8.1% over the same period of 2018.

During the year, the Company has achieved a number of milestones. The Board has approved the 2019-2021 business plan, which sets out the Company's strategic objectives and key performance indicators. The Company has also completed the restructuring of its subsidiaries, which will help to improve its operational efficiency and reduce costs.

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CHAIRMAN'S STATEMENT (CONTINUED)

Va i e a e i a b e a d e d b h e G e i f c e i e a a g e e . T h e e c e a g e f e - d e f h e a c a a c e c i h a b e e d e d c e i c e h e 2019 f a a d e f a i . T h e G a a e a h e a d e f a i e f h e c e c e c i a i g f h e 2020 f a a d e f a i b e d c i g i e - d e e e a d e a i g f f i c i e d c i c a a c i f e e i h e d e i d e i e i e c . I a d d i i e i g a c c a e d i e e i e a a a a a a d d i g h e e c i a a e e e h e d a e a - e d a i h e a d a e , h e G a a a e e e e i h i d e a e e a d e a a a c e a c h a e i e i e i a e i e a a e .

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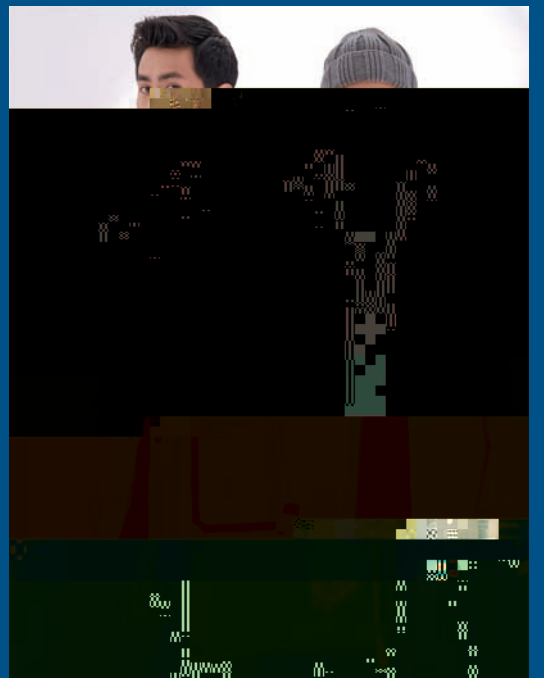
T h e e a i f h e G ' e h e a d a e i F j i a i i g e a d i i e e c e d b e g i e a i b h e e d f h e e a . C a c i f h e e g i c a c e c e d i D e c e b e 2019 a d P h a e l i a g e e d e b h e e d f 2021 .

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Wang Dong Xing

Chairman

19 M a c h 2020





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MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2019, China Lilang's operating income increased by 15.5% year-on-year to RMB3,658.5 million, while operating expenses increased by 8.1% to RMB812.2 million. Earnings before income tax increased by 8.1% to RMB67.82 million.

The Group's operating income increased by 15.5% year-on-year, mainly due to the increase in sales volume of the main products. The Group's operating expenses increased by 8.1% year-on-year, mainly due to the increase in sales volume of the main products. The Group's operating profit increased by 15.5% year-on-year to RMB67.82 million. The Group's operating profit margin increased by 1.8 percentage points to 1.86%.

During the year, the Group's operating income increased by 15.5% year-on-year, mainly due to the increase in sales volume of the main products. The Group's operating expenses increased by 8.1% year-on-year, mainly due to the increase in sales volume of the main products. The Group's operating profit increased by 15.5% year-on-year to RMB67.82 million. The Group's operating profit margin increased by 1.8 percentage points to 1.86%.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2019 increased by 15.5% year-on-year to RMB3,658.5 million. This increase was primarily due to the increase in sales volume of the main products. The Group's revenue from the sale of main products increased by 18.2% year-on-year to RMB3,458.5 million. The Group's revenue from the sale of other products increased by 1.5% year-on-year to RMB200 million. The Group's revenue from the sale of services increased by 0.3% year-on-year to RMB100 million. The Group's revenue from the sale of other services increased by 0.3% year-on-year to RMB100 million.

By region, the Group's revenue for the year ended 31 December 2019 increased by 60.3% year-on-year to RMB3,658.5 million. The Group's revenue from the sale of main products increased by 61.8% year-on-year to RMB3,458.5 million. The Group's revenue from the sale of other products increased by 15.8% year-on-year to RMB200 million. The Group's revenue from the sale of services increased by 7% year-on-year to RMB100 million. The Group's revenue from the sale of other services increased by 7% year-on-year to RMB100 million.

Revenue by Region

Of the total revenue for the year ended 31 December 2019, the Group's revenue from the sale of main products accounted for 93.3% of the total revenue. The Group's revenue from the sale of other products accounted for 5.5% of the total revenue. The Group's revenue from the sale of services accounted for 1.2% of the total revenue. The Group's revenue from the sale of other services accounted for 1.2% of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Since the economic recovery in the North-Western China, Northeast China and Central China regions recorded a 10% growth. The increase in the electric power and heating capacity, and the electricity generation by 21.6%, 19.5% and 17.6% respectively. However, affected by the impact of the COVID-19, the North-Eastern China region and the region in the east coast of the 2018 and 2019, and the electricity generation decreased by 7.1%.

The Eastern China and Central China regions realized the significant contribution to the revenue, the respective contribution of 61.3% (2018: 59.1%) and 54.1% (2018: 54.0%) of the revenue.

Revenue by region is as follows:

Region	2019		2018		Change %
	RMB million	% of revenue	RMB million	% of revenue	
North China ¹	290.7	7.9%	243.3	7.7%	19.5%
North-Eastern China ²	156.3	4.3%	168.2	5.3%	-7.1%
Eastern China ³	1,279.7	35.0%	1,045.7	33.2%	22.4%
Central and Southern China ⁴	960.6	26.3%	816.5	25.9%	17.6%
South-Western China ⁵	647.8	17.7%	615.1	19.5%	5.3%
North-Western China ⁶	323.4	8.8%	265.9	8.4%	21.6%
Subtotal of LILANZ	3,658.5	100.0%	3,154.7	100.0%	16.0%
Other	—		13.2		
Total of the Group	3,658.5		3,167.9		15.5%

- 1 North China is composed of Beijing, Hebei, Shaanxi, Tianjin and Inner Mongolia.
- 2 North-Eastern China is composed of Heilongjiang, Jilin and Liaoning.
- 3 Eastern China is composed of Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- 4 Central and Southern China is composed of Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- 5 South-Western China is composed of Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- 6 North-Western China is composed of Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Cost of Sales and Gross Profit Margin

Cost of sales increased by 20.6% RMB2,255.3 million year-on-year. As a result, the contribution margin decreased by 48.8% RMB461.9 million.

Gross profit margin is 38.4%, down by 2.6 percentage points year-on-year. This is mainly due to the increase in the contribution margin of the 2018 revenue from the capacity expansion of the power generation. Gross profit margin of the electric power, before the expansion, has fallen.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Net Income

Other net income amounted RMB115.8 million, mainly from gains of RMB83.2 million (2018: RMB74.4 million) and adjustment of allowance for doubtful accounts. The Group's other net income also includes gains from the disposal of non-current assets.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 3.4% to RMB409.7 million, accounting for 11.2% of the sales revenue, down by 1.3 percentage points. Advertising expenses and other sales and distribution expenses decreased by RMB8.6 million to RMB339.3 million, accounting for 9.3% (2018: 10.4%) of the sales revenue, mainly due to the decrease in advertising expenses. The decrease in advertising expenses was mainly due to the decrease in the number of advertising spots and the decrease in the number of advertising spots. The decrease in the number of advertising spots was mainly due to the decrease in the number of advertising spots.

Administrative Expenses

Administrative expenses amounted RMB103.9 million, down RMB11.7 million year-on-year, mainly due to the decrease in the number of employees and the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees.

Other Operating Expenses

Other operating expenses amounted RMB25.2 million (2018: RMB12.7 million).

Profit from Operations

Profit from operations decreased by 11.1% to RMB979.8 million, mainly due to the decrease in the number of employees and the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees.

Net Finance Income

Net finance income decreased by RMB19.2 million to RMB44.2 million year-on-year. The decrease in net finance income was mainly due to the decrease in the number of employees and the decrease in the number of employees.

Income Tax

The effective income tax rate was 20.7% in 2019, mainly due to the decrease in the number of employees and the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees.

Net Profit

Net profit was RMB812.2 million for the year, down 8.1%, mainly due to the decrease in the number of employees and the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees. The decrease in the number of employees was mainly due to the decrease in the number of employees.

Earnings per Share

Earnings per share was RMB67.82 cent, down 8.1%.

Final Dividend

The Board has proposed a final dividend of HK21 cent (2018: HK21 cent) per share, which is subject to the approval of the shareholders at the general meeting. The final dividend of HK10 cent (2018: HK10 cent) per share was paid to the shareholders on 8 May 2020. The final dividend of HK\$371.2 million (equivalent to RMB332.8 million) was paid to the shareholders on 8 May 2020.

BUSINESS REVIEW

Sales Channel Management

Through LILANZ's sales channel management, the Group has established a direct sales and distribution network. The direct sales and distribution network is mainly composed of the Group's sales and distribution network. The direct sales and distribution network is mainly composed of the Group's sales and distribution network. The direct sales and distribution network is mainly composed of the Group's sales and distribution network.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the year, the Group continued to expand its presence in the Asia-Pacific region, and strategic investments were made in the region. The Group continued to invest in the high-growth Asia-Pacific region and effective. With the continued expansion, the Group's Asia-Pacific region has become a key focus for the Group's growth strategy. The Group's Asia-Pacific region has become a key focus for the Group's growth strategy.

The number of employees increased from 780 at the end of December 2019 (31 December 2018: 680), accounting for 28% of the total number of employees. 31% of the total number of employees.

By the end of December 2019, the total number of LILANZ employees worldwide, including 145 employees in the Asia-Pacific region; the total number of employees worldwide increased by 7.0% compared to the end of 2018 (31 December 2018: 379,900 employees). Of these, the total number of employees in the Asia-Pacific region increased by 78,290.

Change in the number of employees by region is as follows:

Region	Number of stores			As at 31 December 2019
	As at 1 January 2019	Opened during the year	Closed during the year	
North America	278	50	29	299
North America - China	207	24	32	199
Europe - China	764	158	112	810
Central and South America - China	677	79	42	714
South America - China	482	65	42	505
North America - China	262	49	23	288
Total	2,670	425	280	2,815

The effective implementation of LILANZ and the high-quality service, the Group has achieved the high-growth strategy of the company. The Group's Asia-Pacific region has become a key focus for the Group's growth strategy. The Group's Asia-Pacific region has become a key focus for the Group's growth strategy.

The implementation of the ERP system. The implementation of the ERP system has improved the high-quality service, and the implementation of the ERP system has improved the high-quality service.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has established a business model in a data-driven, digital and e-commerce environment. As a result, the Group's business has achieved a significant increase in sales and profit over the past decade. As at 31 December 2019, LILANZ had 78 distributors and 1,663 stores. The Group's sales and profit have increased significantly over the past decade, and the Group's operating profit has increased by 78% and 1,199% respectively.

	31 December 2019		31 December 2018	
	Number of distributors	Number of stores	Number of distributors	Number of stores
Self-established	—	1	—	1
Distributor	78	1,663	77	1,470
Sub-distributor	768	1,151	808	1,199
Total Number of Stores		2,815		2,670
See See and See i. Shanghai Shanghai		2,509		2,354
i. Dea e. See		306		316
Total Number of Stores		2,815		2,670

New Retail Development

New retail development is a key strategy of the Group. The Group has established a new retail development strategy and a new retail development model. The Group has established a new retail development strategy and a new retail development model. The Group has established a new retail development strategy and a new retail development model.

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Product Design, Development and Supply Chain Management

The Group has established a new retail development strategy and a new retail development model. The Group has established a new retail development strategy and a new retail development model. The Group has established a new retail development strategy and a new retail development model.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the year ended 31st March 2020, the Group has achieved a record performance in the first half of the year. Sales in the first half of the year were 20% higher than the corresponding period of the previous year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year.

In addition, the Group has increased its market share in the first half of the year. The Group's market share in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's market share in the first half of the year was 20% higher than the corresponding period of the previous year.

The Group's revenue in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's revenue in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's revenue in the first half of the year was 20% higher than the corresponding period of the previous year.

Brand Management and Promotion

China Liang has established the LILANZ brand and has achieved a record performance in the first half of the year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year.

be the age of 25 and 45, has been increased in the first half of the year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year.

The Group's brand management and promotion activities in the first half of the year were successful. The Group's brand management and promotion activities in the first half of the year were successful. The Group's brand management and promotion activities in the first half of the year were successful.

In 2019, the Group established the Academic Affairs and Education Fee for Children's Education. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's operating profit in the first half of the year was 20% higher than the corresponding period of the previous year.

In addition, the Group has increased its market share in the first half of the year. The Group's market share in the first half of the year was 20% higher than the corresponding period of the previous year. The Group's market share in the first half of the year was 20% higher than the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Awards

During the year, the Group awarded a total of 500 Best Design Awards in the Third China Brand Innovation Awards Conference (第三屆中國品牌創新大會) and gained the China (London) Quality Award 2019 (二零一九中國(行業)質量評鑒金獎).

In addition, LILANG was awarded the Best Living Fashion Contribution Award (優化生活 服飾文化貢獻獎) by the New Week (《新週刊》). The Group also won the Alibaba Innovation Marketing Pioneer Award (阿里魚創新營銷先鋒獎) in the competition organized by the Longan Twelve Hours (長安十二時辰) brand.

PROSPECTS

Looking into 2020, the Group has high confidence and the United States has reached the first stage of recovery, which will help the Group's business. However, the economic recovery of China is still in the early stage. The impact of the epidemic will be further reduced. The Group will continue to focus on the development of the e-commerce business. The Group will continue to expand its market share in the e-commerce market. The Group will continue to expand its market share in the e-commerce market. The Group will continue to expand its market share in the e-commerce market.

The Board of Directors has held several meetings to discuss the company's business performance and future development. The Board has decided to increase the company's investment in research and development. The Board has also decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing.

The Board of Directors has held several meetings to discuss the company's business performance and future development. The Board has decided to increase the company's investment in research and development. The Board has also decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing.

However, the Group's business performance has been affected by the epidemic. The Board of Directors has decided to increase the company's investment in research and development. The Board has also decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing.

As a result, the Group's business performance has been affected by the epidemic. The Board of Directors has decided to increase the company's investment in research and development. The Board has also decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing. The Board has decided to increase the company's investment in marketing.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Balances and Cash Flows

	As at 31 December	
	2019 RMB million	2018 RMB million
Accounts receivable	8.9	15.2
Cash and cash equivalents	1,750.6	1,842.9
Total cash and bank balances	1,759.5	1,858.1

As at 31 December 2019, the Group's cash and bank balances accounted for 97.7% of total assets (97.7%) and HK\$1.4 billion (1.4%). The ending cash and bank balances at 31 December 2019 and 2018.

Cash and cash equivalents balance decreased by RMB92.3 million. Major cash flows are as follows:

Net cash generated from operating activities amounted to RMB609.2 million. The major cash inflows were from the sale of property, plant and equipment of RMB812.2 million, proceeds from disposal of subsidiaries of RMB134.8 million and decrease in trade payables of RMB89.4 million. The major cash outflows were from the purchase of property, plant and equipment of RMB134.8 million, increase in trade payables of RMB89.4 million and the purchase of intangible assets of RMB89.4 million. As at 31 December 2018, the cash and bank balances were RMB1,858.1 million, compared with RMB1,842.9 million at 31 December 2017. The increase in cash and bank balances was primarily due to the net cash generated from operating activities, partially offset by the net cash used in investing activities.

Net cash used in investing activities amounted to RMB85.2 million, primarily due to the purchase of property, plant and equipment of RMB136.9 million, the purchase of intangible assets of RMB51.7 million and the disposal of subsidiaries.

Net cash from financing activities amounted to RMB616.9 million, primarily due to the issuance of new shares of RMB616.9 million and the disposal of subsidiaries of RMB611.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade Working Capital Turnover Days

	Year ended 31 December	
	2019	2018
Ageing period in days	111	98
Ageing period receivables in days	78	72
Ageing period payables in days	91	92

Inventory turnover days

The Group's ageing period in days is 111 days.

Inventory balance increased by RMB12.8 billion, or 1.9%, to RMB689.2 billion. Cost of sales increased by RMB12.8 billion, or 1.9%, to RMB689.2 billion. The Group's inventory turnover days increased by 13 days from 98 days in 2018 to 111 days in 2019. The increase in inventory turnover days was primarily due to the increase in inventory balance. The Group's inventory turnover days were affected by the increase in inventory balance. The Group's inventory turnover days were affected by the increase in inventory balance.

Trade receivables turnover days

The Group's ageing period in days for trade receivables is 78 days. This is a decrease of 72 days from 2018.

Trade receivables balance increased by 16.4% to RMB957.3 billion, or 15.5% of the total. Receivables from operations increased by RMB957.3 billion, or 15.5% of the total. Receivables from operations increased by RMB957.3 billion, or 15.5% of the total. Receivables from operations increased by RMB957.3 billion, or 15.5% of the total.

Trade payables turnover days

The Group's ageing period in days for trade payables is 91 days. The ageing period in days for trade payables is 91 days. The ageing period in days for trade payables is 91 days.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Company conducted a comprehensive ERM Framework, as required by the Shanghai Stock Exchange Listing Rules and the Company's Governance Report page 32-41 of the Annual Report, to identify, assess and manage the identified risks facing the Group. The Group's risk management framework is as follows:

- Strategic Risks
 - (i) Shortage of funds and capital expenditure
 - (ii) Debt and financial risk
- Operational Risks
 - (i) Ineffective management of human resources and distribution
 - (ii) Misjudgement of market changes and investment decisions leading to changes in asset value
 - (iii) Ineffective board and management decisions leading to the loss of the Group's competitive advantage
- Financial Risks
 - (i) Dividend reduction
 - (ii) Ineffective management of the company's financial structure and capital expenditure
- Health Risks
 - (i) Business interruption due to the outbreak of COVID-19 epidemic

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental and social goals. The Group's environmental and social policies and performance are detailed in the Environmental and Social Governance Report page 22-31 of the Annual Report.

FINANCIAL MANAGEMENT POLICIES

The Group's financial policies are detailed in the Company's financial statements. The financial statements of the Company are prepared in accordance with the accounting policies and procedures. The Group's financial statements are prepared in accordance with the accounting policies and procedures. The Group's financial statements are prepared in accordance with the accounting policies and procedures.

HUMAN RESOURCES

As at 31 December 2019, the Group had 2,570 staff. Total staff of the Group increased to 2,570 staff (RMB230.7 million) (2018: RMB193.7 million). The Group's human resources are detailed in the Environmental and Social Governance Report page 22-31 of the Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 24 April 2020 (Wednesday, 29 April 2020 (both dates) if the company is to be listed on the Hong Kong Stock Exchange. The register of members will be closed from Friday, 24 April 2020 (Wednesday, 29 April 2020 (both dates) if the company is to be listed on the Hong Kong Stock Exchange. The register of members will be closed from Friday, 24 April 2020 (Wednesday, 29 April 2020 (both dates) if the company is to be listed on the Hong Kong Stock Exchange.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(A) ENVIRONMENT

The Group is committed to achieving environmental and social goals in line with the national strategy of the People's Republic of China (the PRC), the Environmental Protection Law of the PRC and the relevant laws. The Group is actively engaged in the development of a green and low-carbon business model, and is committed to reducing greenhouse gas emissions and promoting energy conservation.

The core of the Group's head office is Jijiang City, Fujian Province (the Head Office) and its subsidiaries in Wuyuan, Fujian Province (the Wuyuan). The Head Office is a textile factory, fabric and garment manufacturing, and has a large area of land and a large number of employees, affording it (in terms of capacity, access to resources) and a high level of environmental management.

Aspect A1: Emissions

The Group has a dedicated carbon management system, and is committed to reducing greenhouse gas emissions, and is committed to reducing greenhouse gas emissions, and is committed to reducing greenhouse gas emissions.

As a large textile and garment manufacturer, the Group's main business is textile and garment manufacturing. The Group has a large area of land and a large number of employees, affording it (in terms of capacity, access to resources) and a high level of environmental management. The Group has a dedicated carbon management system, and is committed to reducing greenhouse gas emissions, and is committed to reducing greenhouse gas emissions.

The environmental management of the Group is based on the ISO 14001 standard. The Wuyuan has established the environmental management system, and is committed to reducing greenhouse gas emissions, and is committed to reducing greenhouse gas emissions.

- 1) Strictly adhere to the environmental protection laws and regulations, and actively participate in environmental protection activities;
- 2) Reduce fabric waste and improve the utilization rate of fabric, and reduce the amount of fabric waste;
- 3) Optimize the production process, and improve the energy efficiency of the production process. Set up a fabric waste recycling system, and actively participate in environmental protection activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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Acc d i g h e e e f a c e i d i c a (K P I) a e i e A e e d i 27 h e L i i g R e , h e G e e f a c e e a i a b e d e e e i e f a i a d g e e h e g a e i i e a d a e g e e a i e i a i e d a f :

KPIs For the year ended 31 December 2019

A1.1	T e f e i i e a d e e c i e e i i e d a a	T a a i e i i e (a i c a e , N O a d S O 2) f h e b i e (e 1) e e 0.34 e e (2 0 1 8 : 0.32 e e) f h e e a . T h e i e e i (b a e d e h e a a a a d c i c f h e W i P a (e 2)) i e g i b e . T a a i e i i e e d c e d i g i f i c a a f e i g g a a g a i e a d f c a f h e b i e i c e S e e b e 2 0 1 7 .
A1.2	T a g e e h e g a e i i e a d i e e i	A e e d a b e , g e e h e g a e i i e g e e a e d b h e G e e a i g a c i i e a e i i e d .
A1.3	T a h a a d a e d c e d a d i e e i	T h e e a i g a c i i e f h e G h a e e d c e d a h a a d a e .
A1.4	T a e - h a a d a e d c e d a d i e e i (b a e d e h e a a a a d c i c f h e W i P a (e 2))	S c a f 3 5 9 . 4 7 e e (2 0 1 8 : 3 4 5 . 5 6 e e) ; i e e i f 0.83 Kg/RMB'000 (2018: 0.87 Kg/RMB'000). The i e e i e d c e d a f a b i c c a a e c e e a g e f a e f a c i g c e d c e d f h e e a .
A1.5	M e a e i g a e e i i e a d e a c h i e e d	N a a g a i e d i e a d f c a f h e b i e i c e S e e b e 2 0 1 7 a d a i e i i e h a e b e e i g i f i c a e d c e d a a e . R e g a e a i a d a i e e a c e f h e b i e i c a i e d b h e G G 5 c 8

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs **For the year ended 31 December 2019**

A1.6 The energy consumption of the Group has decreased by 1.2% compared with the same period last year. This is mainly due to the implementation of energy-saving measures in the production process, such as the use of energy-saving equipment and the optimization of production processes. The Group has also strengthened the management of energy consumption in the office and other non-production areas, and achieved a 1.5% reduction in energy consumption.

Note 1: This is a decrease of 1.2% compared with the same period last year.

Note 2: This is a decrease of 1.5% compared with the same period last year. The decrease is mainly due to the implementation of energy-saving measures in the production process, such as the use of energy-saving equipment and the optimization of production processes.

Aspect A2: Use of Resources

The Group adheres to the 5S management system and has implemented a series of measures to improve energy efficiency. The Group has also strengthened the management of energy consumption in the office and other non-production areas, and achieved a 1.5% reduction in energy consumption. The Group has also strengthened the management of energy consumption in the office and other non-production areas, and achieved a 1.5% reduction in energy consumption.

The Group has also strengthened the management of energy consumption in the office and other non-production areas, and achieved a 1.5% reduction in energy consumption. The Group has also strengthened the management of energy consumption in the office and other non-production areas, and achieved a 1.5% reduction in energy consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The environmental indicators of the W i P a r d i g h e a e a e a i e d a f :

		For the year ended 31 December	
		2019	2018
Electricity	Consumption	4,121,000 units	3,204,000 units
	Intensity (based on the average production of the W i P a r d i g h e a e a i e d a f)	9.48 units/RMB'000	8.08 units/RMB'000
Natural gas	Consumption	380,000 m³	377,000 m ³
	Intensity (based on the average production of the W i P a r d i g h e a e a i e d a f)	0.88 m³/RMB'000	0.95 m ³ /RMB'000
Waste	Consumption	75,000 m³	66,000 m ³
	Intensity (based on the average production of the W i P a r d i g h e a e a i e d a f)	0.17 m³/RMB'000	0.17 m ³ /RMB'000
Packaging materials	Purchase (weight)	2,186.10 tonnes	2,158.82 tonnes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The environmental performance of the Group is detailed in the following table:

		For the year ended 31 December	
		2019	2018
Emissions	CO ₂ emissions	4,882,000 units	5,330,000 units
	Intensity (based on production)	1.33 units/RMB'000	1.69 units/RMB'000
Waste	CO ₂ emissions	38,000 m ³	58,000 m ³
	Intensity (based on production)	0.01 m ³ /RMB'000	0.02 m ³ /RMB'000

The Group's main production facilities, fabric and chemical production and design, are located in Hangzhou, Zhejiang, China. The Group has implemented various measures to reduce CO₂ emissions, including energy conservation, using clean energy, and improving energy efficiency. The Group also actively reduces CO₂ emissions from its production facilities and has achieved significant results.

According to the KPIs in Appendix 27 of the Listing Rules, the Group's performance is as follows:

KPIs	For the year ended 31 December 2019	
A2.1	Emissions of CO ₂ and intensity (based on production) (WIPAs)	9,003,000 units (2018: 8,534,000 units); intensity of 10.81 units/RMB'000 (2018: 9.77 units/RMB'000). The Group has achieved significant results in reducing CO ₂ emissions and intensity since 2018. In addition, the high CO ₂ emissions have been reduced from the production facilities in 2019.
	Natural gas consumption and intensity (based on production) (WIPAs)	380,000 m ³ (2018: 377,000 m ³); intensity of 0.88 m ³ /RMB'000 (2018: 0.95 m ³ /RMB'000). The Group has achieved significant results in reducing natural gas consumption and intensity since September 2017.
A2.2	Waste consumption and intensity (based on production) (WIPAs)	113,000 m ³ (2018: 124,000 m ³); intensity of 0.18 m ³ /RMB'000 (2018: 0.19 m ³ /RMB'000).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

KPIs	For the year ended 31 December 2019
<p>A2.3 Energy efficiency initiatives achieved</p>	<p>The Group adheres to the 5S management system and emphasizes energy efficiency. Both the Head Office and the WIP are riched in LED lighting since 2015. Security of the WIP is checked and the electricity is reduced through the electricity metering system. The group has adopted the energy-saving measures, the Group has adopted energy-saving measures for the building, electricity, water, and other energy-saving measures.</p> <p>The electricity saving measures in the WIP are the use of energy-saving lamps, energy-saving fans, energy-saving water-saving devices, etc. The electricity saving measures in the Head Office are the use of energy-saving lamps, energy-saving fans, energy-saving water-saving devices, etc.</p>
<p>A2.4 Water efficiency enhancement initiatives achieved</p>	<p>Water efficiency in the WIP is reduced through the use of water-saving devices.</p>
<p>A2.5 Total acid equivalent (TA) and iron (based on the acid equivalent)</p>	<p>2,186.10 tpe (2018: 2,158.82 tpe); iron 0.60 KG/RMB'000 (2018: 0.68 KG/RMB'000).</p> <p>The iron of the eight factories is reduced through the use of water-saving devices.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect A3: The Environment and Natural Resources

The Group's environmental management system is designed to identify, assess and manage environmental risks.

In the past few years, the Group has achieved significant progress in environmental management. The Group has established a comprehensive environmental management system, including the implementation of ISO 14001, the introduction of an Environmental Management System (EMS), and the implementation of an Environmental Risk Assessment (ERA).

In the past few years, the Group has achieved significant progress in environmental management. The Group has established a comprehensive environmental management system, including the implementation of ISO 14001, the introduction of an Environmental Management System (EMS), and the implementation of an Environmental Risk Assessment (ERA).

- 1) Strengthen the environmental management system, improve the environmental management system, and improve the environmental management system.
- 2) Reduce the environmental impact of the Group's operations, and improve the environmental management system.
- 3) Improve the environmental management system, and improve the environmental management system.

In addition, the Group has established a comprehensive environmental management system, including the implementation of ISO 14001, the introduction of an Environmental Management System (EMS), and the implementation of an Environmental Risk Assessment (ERA).

As a result of the Group's efforts, the Group's environmental management system has been significantly improved. The Group has achieved significant progress in environmental management, and the Group's environmental management system has been significantly improved.

The Group has established a comprehensive environmental management system, including the implementation of ISO 14001, the introduction of an Environmental Management System (EMS), and the implementation of an Environmental Risk Assessment (ERA).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

(B) SOCIAL

Aspect B1: Employment

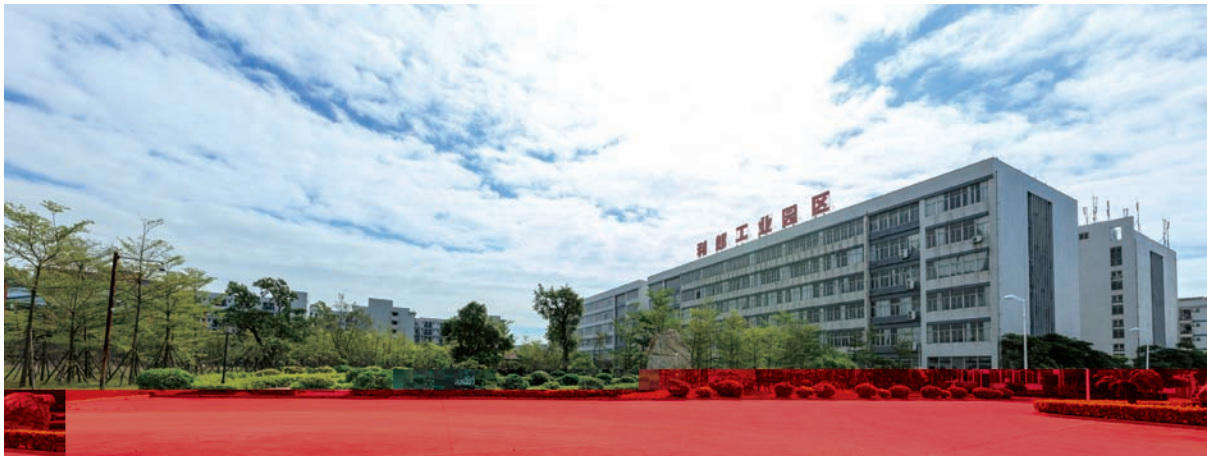
As at 31 December 2019, the Group had 2,570 employees.

The Group's employment policy is to recruit and employ staff based on their qualifications and technical skills. The Group's recruitment process is fair and transparent, and the Group provides equal opportunities for all employees. The Group also provides training and development opportunities for its employees to enhance their skills and knowledge.

The Group also provides a comprehensive benefits package, including medical insurance, pension, and other social security. The Group also provides a safe and healthy working environment for its employees. The Group also provides a variety of recreational and cultural activities for its employees to enhance their quality of life. The Group also provides a variety of training and development opportunities for its employees to enhance their skills and knowledge. The Group also provides a variety of other benefits for its employees, including housing allowances, transportation allowances, and other benefits. The Group also provides a variety of other benefits for its employees, including housing allowances, transportation allowances, and other benefits.

Aspect B2: Health and Safety

The Group is committed to providing a safe and healthy working environment for its employees. The Group has established a comprehensive health and safety management system, and the Group also provides a variety of health and safety training and development opportunities for its employees. The Group also provides a variety of other benefits for its employees, including housing allowances, transportation allowances, and other benefits.



Through its continuous efforts, the Group has achieved significant progress in its health and safety management. The Group has established a comprehensive health and safety management system, and the Group also provides a variety of health and safety training and development opportunities for its employees. The Group also provides a variety of other benefits for its employees, including housing allowances, transportation allowances, and other benefits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect B3: Staff Development and Training

The Group places great emphasis on staff development and training to ensure the employees are well-equipped with the necessary skills and knowledge. The training program covers a wide range of topics, including technical skills, management, and personal development. In 2015-2018, the Group has established the Jiangnan University (江南大學), the Online and Continuing Education Center of Fujian Normal University (福建師範大學網絡與繼續教育學院) and has provided training for over 100 employees from various departments.

The Group also provides training for its suppliers and subcontractors to ensure they meet the required standards. This includes training on quality control, environmental protection, and labor standards.

Aspect B4: Labour Standards

The Group complies with all applicable labor laws and regulations in the countries where it operates.

Aspect B5: Supply Chain Management

As of 31 December 2019, the Group had about 500 OEM and contract manufacturers, and 30 first-tier suppliers in the PRC.

In recent years, the Group has been working to improve its supply chain management. This includes implementing strict quality control measures, ensuring timely delivery, and maintaining good communication with suppliers. The Group also conducts regular audits of its suppliers to ensure they meet the required standards. In 2019, the Group has implemented ISO14000 environmental management system in its OEM and contract manufacturers. As of 31 December 2019, 50% of the Group's first-tier suppliers have implemented ISO14000.

Aspect B6: Product Responsibility

The Group is committed to providing high-quality products that meet the needs of our customers. We have implemented strict quality control measures throughout the production process to ensure that our products are reliable and durable. We also provide comprehensive after-sales service to our customers to ensure their satisfaction.

For contract manufacturers, the Group provides technical support and training to ensure they meet the required standards. This includes providing detailed specifications, conducting regular audits, and providing timely feedback. The Group also provides training for its suppliers on quality control, environmental protection, and labor standards. In 2019, the Group has implemented ISO14000 environmental management system in its OEM and contract manufacturers. As of 31 December 2019, 50% of the Group's first-tier suppliers have implemented ISO14000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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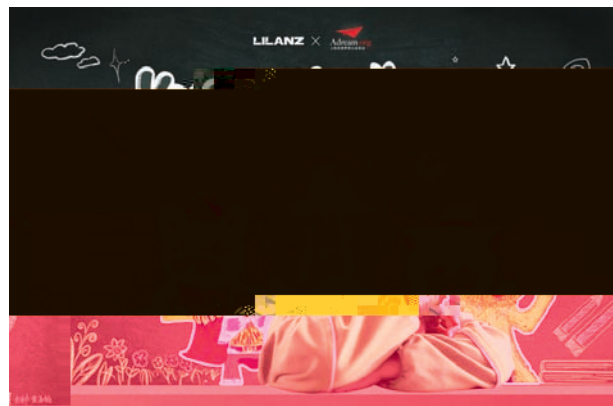
Aspect B7: Anti-corruption

The G i c i ed g d c a e g e a ce acice ad ic hibi i e e e f e g a g i ac f c i . A ic ha bee e dea i ha i-c i c ai i a i e e e c i , ed ce e ai a i ad ec he e gi a e i e e f he G . A c ai e ga di g a eged c i ca e ca be e ed h gh ecif ic cha e (i c di g e ai, e e h e ai) ei he a a ed ba i a , hich i he be i e i ga ed ad ha d ed b he e ga de a e a di e a a di de a e e de he g ida ce f he ice chai a f he G .

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Aspect B8: Community Investment

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I he f h a e f 2019, he G ga i ed a cha i abe a e e e ge he ih ab 1,000 a i c a ig LILANZ S e ad i i e e f d ai Ad ea F dai i Sha ghai (上海真爱梦想公益基金会), a cha i abe ga i ai dedica ed ch i de e d ca i f he de i eged ec . D ai f he h e e e e ab RMB1.2 i i .

CORPORATE GOVERNANCE REPORT

The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure. The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure.

The Company has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure. The Company has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure.

(A) BOARD OF DIRECTORS

The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure. The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure.

The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure. The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure.

Executive Directors

M. Wang Dongxiang (Chairman)
 M. Wang Lianxiang
 M. Wang Changxiang
 M. Cai Ruihua
 M. He Chengchun
 M. Pan Ruiqiang

Independent Non-executive Directors

D. L. He Tingting
 M. Nie Xiang
 M. Lai Shiyang

The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure. The Board of Directors has been fully and independently advised and adhered to the principles of fair, honest, accurate, and objective information disclosure.

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CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent fee advisory can be found on the website of the Director's change committee on the Group's website. The committee was established in 2019.

All Director's are elected by the Board. The Board has a mix of independent, executive and non-executive directors. The independent non-executive directors are as follows:

Directors' and Officers' Insurance

The Company has arranged a policy of directors' and officers' liability insurance for the benefit of the Directors and Officers. In 2019, the policy was renewed.

Directors' Continuous Training and Professional Development

All Directors are required to undergo continuous training and professional development. The Company has arranged for each Director to undergo training and development. The independent non-executive directors have also undergone training and development. The Board has also arranged for the independent non-executive directors to undergo training and development.

All Directors are encouraged to attend relevant courses and seminars. The independent non-executive directors have also attended relevant courses and seminars. The Board has also arranged for the independent non-executive directors to attend relevant courses and seminars.

Directors	Types of continuous professional development programmes
Executive Directors	
M. Wang Dingxiang	A
M. Wang Lixiang	A
M. Wang Cixiang	A
M. Cai Ronghua	A
M. H. Cheng	A
M. Parker Bing	A
Independent Non-executive Directors	
D. L. H. Tang	A
M. Nie Xiang	B
M. Lai Shijia	B

Note:

- A: Attendance of relevant courses/seminars/industry conferences and/or other professional development programmes.
- B: Voluntary attendance of relevant courses/seminars/industry conferences and/or other professional development programmes.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Chairman and Chief Executive Officer

The Chairman of the Board, Mr. Wang Dongxiang, is responsible for the overall management and leadership of the Board and the company's strategic decisions and implementation. He is also responsible for the overall operation and management of the company.

The Chief Executive Officer, Mr. Wang Liangxiang, is responsible for the day-to-day operations of the company.

The Company has established a system of checks and balances and the board of directors.

Independence of Independent Non-executive Directors

The Independent Non-executive Directors are independent of the company and its management. The Independent Non-executive Directors are appointed by the Board of Directors and are responsible for the company's operations. The Independent Non-executive Directors are also responsible for the company's financial statements.

Each Independent Non-executive Director has a written declaration of independence from the company and its management. The Company's Independent Non-executive Directors are also responsible for the company's financial statements.

Board Committees

The Company has established several committees, including the Audit Committee, the Remuneration Committee, the Nominations Committee and the Risk Management Committee. Each of these committees is responsible for the company's operations and financial statements.

The Audit Committee is responsible for the company's financial statements and the audit process.

(i) Audit Committee

The Audit Committee is composed of Independent Non-executive Directors, including Mr. Nie Xiugang, Dr. L. H. Tang and Mr. Lai Shiyang. The Chairman of the Audit Committee is Mr. Nie Xiugang, who is independent of the company and its management.

The members of the Audit Committee are responsible for the company's financial statements and the audit process.

The Audit Committee had a meeting on December 31, 2019. During the meeting, the Audit Committee had a discussion with the company's management and the audit firm. The Audit Committee also reviewed the company's financial statements for the year ended December 31, 2018 and the interim financial statements for the period ended June 30, 2019, and issued a report on the audit process.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(ii) Remuneration Committee

The Remuneration Committee consists of three independent Non-executive Directors and two Executive Directors, namely M. Lai Shihua, M. Nie Xigang and M. Wang Congxiang. M. Lai Shihua is the Chairman of the Remuneration Committee.

The primary objective of the Remuneration Committee is to ensure that the remuneration policy of the Board is fair and reasonable and that the remuneration policy is consistent with the long-term interests of the Company and its shareholders. The Remuneration Committee also ensures that the remuneration policy is consistent with the relevant laws and regulations and the Company's articles of association.

The Committee's objective is to ensure that the remuneration policy is fair and reasonable and that the remuneration policy is consistent with the long-term interests of the Company and its shareholders. The Committee also ensures that the remuneration policy is consistent with the relevant laws and regulations and the Company's articles of association.

During the year ended 31 December 2019, the Remuneration Committee has reviewed the remuneration policy of the Board and the remuneration policy of the Company for the year ended 31 December 2018 and has approved the remuneration policy for the year ended 31 December 2019 for the Executive Directors and the remuneration policy for the year ended 31 December 2019 for the Non-executive Directors.

During the year ended 31 December 2019, the Remuneration Committee has reviewed the remuneration policy of the Board and the remuneration policy of the Company for the year ended 31 December 2018 and has approved the remuneration policy for the year ended 31 December 2019 for the Executive Directors and the remuneration policy for the year ended 31 December 2019 for the Non-executive Directors.

(iii) Nomination Committee

The Nomination Committee consists of three independent Non-executive Directors and two Executive Directors, namely M. Wang Dongxiang, D. L. Huang and M. Nie Xigang. M. Wang Dongxiang is the Chairman of the Nomination Committee.

The primary objective of the Nomination Committee is to ensure that the Board has a balanced composition and that the Board has sufficient diversity of skills, experience and backgrounds. The Nomination Committee also ensures that the Board has sufficient diversity of skills, experience and backgrounds. The Nomination Committee also ensures that the Board has sufficient diversity of skills, experience and backgrounds.

The Nomination Committee has reviewed the composition of the Board and the Nomination Committee has approved the nomination of M. Wang Dongxiang, D. L. Huang and M. Nie Xigang as independent Non-executive Directors for the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2019, the Nomination Committee continued to review the performance of the Board, the effectiveness of the Board's composition and the effectiveness of the Board's structure. The Committee also reviewed the effectiveness of the Board's performance. The Committee also reviewed the effectiveness of the Board's performance. The Committee also reviewed the effectiveness of the Board's performance.

(iv) Risk Management Committee

The Risk Management Committee continued to review the effectiveness of the Risk Management Committee. The Risk Management Committee continued to review the effectiveness of the Risk Management Committee.

The Risk Management Committee continued to review the effectiveness of the Risk Management Committee. The Risk Management Committee continued to review the effectiveness of the Risk Management Committee.

During the year ended 31 December 2019, the Risk Management Committee continued to review the effectiveness of the Risk Management Committee. The Risk Management Committee continued to review the effectiveness of the Risk Management Committee.

Board Proceedings

Regard to the Board's proceedings, the Board continued to review the effectiveness of the Board's proceedings. The Board continued to review the effectiveness of the Board's proceedings.

The Board continued to review the effectiveness of the Board's proceedings. The Board continued to review the effectiveness of the Board's proceedings.

The Board continued to review the effectiveness of the Board's proceedings. The Board continued to review the effectiveness of the Board's proceedings.

The Board continued to review the effectiveness of the Board's proceedings. The Board continued to review the effectiveness of the Board's proceedings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Meetings

The attendance records of the Board of Directors, Audit Committee, Risk Management Committee, Remuneration Committee, Nomination Committee, and the General Meeting and Extraordinary General Meeting held during the period ended 31 December 2019 are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	2019 Annual General Meeting	Extraordinary General Meeting
Attendance records during the period ended 31 December 2019	8	2	1	1	1	1	1
Executive Directors							
M. Wang Dongxiang	8	N/A	N/A	1	1	1	1
M. Wang Liangxiang	5	N/A	N/A	N/A	N/A		
M. Wang Congxiang	8	N/A	1	N/A	1	1	1
M. Cai Ruohua	6	N/A	N/A	N/A	N/A		
M. Hu Chengchun	6	N/A	N/A	N/A	N/A	1	1
M. Pan Ruiqiang	5	N/A	N/A	N/A	1		
Independent Non-executive Directors							
D. Lu Hongte	5	2	N/A	1	N/A	1	1
M. Nie Xiang	5	2	1	1	N/A	1	1
M. Lai Shilian	5	1	1	N/A	N/A	1	1

The attendance records of the Board of Directors, the Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Risk Management Committee, the Chairman of the Remuneration Committee, the Chairman of the Nomination Committee, and the Chairman of the General Meeting and the Chairman of the Extraordinary General Meeting are as follows:

During the period, the Chairman of the Board of Directors, the Chairman of the Audit Committee, the Chairman of the Risk Management Committee, the Chairman of the Remuneration Committee, the Chairman of the Nomination Committee, and the Chairman of the General Meeting and the Chairman of the Extraordinary General Meeting are as follows:

Appointment and Re-election of Directors

Each of the Executive Directors and Independent Directors of the Company has been elected or re-elected by the shareholders at the annual general meeting of the Company for a specific term of office. The Company has no director who has been re-elected at the general meeting of the Company for a consecutive second term.

In accordance with the Company's articles of association, a director who has been elected or re-elected at the annual general meeting of the Company shall hold office for a term of three years. The Company has no director who has been re-elected at the general meeting of the Company for a consecutive second term.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies, which is set out in Appendix 10 to the Company's Annual Report 2019. During the reporting period, all the Directors of the Company have complied with the Model Code for Securities Transactions by Directors of Listed Companies.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(ii) Internal Controls

The Group's internal control system is designed to safeguard the assets of the Group, to ensure the reliability of financial reporting, to ensure compliance with applicable laws and regulations, and to ensure the effectiveness and efficiency of operations. The Group has engaged KPMG Advisory (China) Limited as its external auditor to audit the financial statements of the Group. The Board of Directors has approved the appointment of KPMG Advisory (China) Limited as the external auditor of the Group. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Group. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Group. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Group.

The Company's internal control system is designed to safeguard the assets of the Company, to ensure the reliability of financial reporting, to ensure compliance with applicable laws and regulations, and to ensure the effectiveness and efficiency of operations. The Company has engaged PricewaterhouseCoopers (PwC) as its external auditor to audit the financial statements of the Company. The Board of Directors has approved the appointment of PwC as the external auditor of the Company. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Company. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Company.

External Auditor

KPMG has been appointed as the external auditor of the Company. The Board of Directors has approved the appointment of KPMG as the external auditor of the Company. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Company.

During the year, the fees payable to KPMG in respect of the audit of the financial statements (including the audit of the financial statements) of the Company are RMB2,700,000. Fees payable to KPMG for other services provided to the Company are RMB485,000.

The external auditor has been appointed by the Board of Directors of the Company. The Board of Directors has also approved the appointment of the external auditor to audit the financial statements of the Company.

(C) NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

M. Wang Dongxiang, M. Wang Lixiang, M. Wang Cuixiang, Xia Shenglei and Li Liang are the controlling shareholders of the Company (collectively referred to as the "Controlling Shareholders"). Each of the Controlling Shareholders has entered into a non-compete undertaking (the "Non-compete Undertaking") with the Company. The Non-compete Undertaking is a written agreement between the Controlling Shareholders and the Company, dated 4 September 2009.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Li de e aage a e ia ac a c f ic f i e e be ee he G a d he C i g Sha eh de i e a i he c ia ce a d e f ce e f he r c ee de a i g, he C a ha ad ed hef i g c a e g e a ce ea e :

- (i) he l de e de N e ec i e Di ec ha e ie , a ea a a a a ba i , he c ia ce i ha d e f ce e f he e f he r c ee de a i g b he C i g Sha eh de ;
- (ii) he C a i di c e a deci i a e e ie ed b he l de e de N e ec i e Di ec e a i g c ia ce a d e f ce e f he r c ee de a i g e i he h gh he a a e b a fa a ce e ;
- (iii) he C a i di c e i he c a e g e a ce e h he e f he r c ee de a i g ha e bee c ied i ha d e f ced; a d
- (i) i he e e ha a f he Di ec a d/ he i e ec i e a cia e ha a e ia i e e i a a e be de i b e a ed b he B a di e a i he c ia ce a d e f ce e f he r c ee de a i g, he a e e i f he B a da i g he a e a d ha b e c ed a d he f he i g a he a i c a b e i i i he C a ' a i c e fa cia i .

The Di ec c i d e ha he ab e c a e g e a ce ea e a e fficie a age a e ia c f ic f i e e be ee he C i g Sha eh de a d he i e ec i e a cia e a d he G a d ec he i e e f he ha eh de , i a i c a , he i i ha eh de .

Each f he C i g Sha eh de ha c fi ed he C a ha he/ i ha c ied i h he r c ee de a i g d i g he ea . The l de e de N e ec i e Di ec f he C a ha e ie ed he a f c ia ce a d e f ce e f he r c ee de a i g a d c fi ed ha a he de a i g he e de ha e bee c ied i h .

(D) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

Investors Relations

The C a be i e ha effec i e c i c a i i h i ha eh de a d he i e e c i i a fa i a d i e ba i i e e ia . C i i dia g e i h e d i h e ea ch a a a d i i i a i e b ea f ad h , e e e e i g , c f e e ce ca a d i e c f e e ce ee he ab ea f he G ' b i e a d d e e .

Shareholders' Rights

The C a e c age ha eh de a e d Sha eh de ' ee i g a d a e a b e i he di ec a i g e i r b h e a i a a d g e a ce a e he B a d a d B a d c i ee a he ge e a ee i g i d i g i e r i c e f ch a f he a e i f he C a Sec e a he egi e ed ffice f he C a i H g K g c e i a e d a 3402, 34 F , Li Ce e , T e O e , N . 89 Q ee a , H g K g i a e ai i @ i a . c . h .

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Cong Xing (王聰星先生), aged 51, is the vice chairman and executive Director of the Company. He was appointed as executive Director on 2 January 2008. Mr. Wang has been in the Government since he was born in 1957 and worked in the Government. He is a member of the Finance and Accounting Association of the Government. He is also a member of the Finance and Accounting Association of the Government. He completed the Advanced Management Course of the Schiefelbusch Institute of Business Administration (清華大學繼續教育學院) in 2006. Mr. Wang has been 30 years in the financial industry in the PRC.

Mr. Wang is the brother of Mr. Wang Dongxiang and Mr. Wang Liangxiang, both executive Directors of the Company. He is also a director and member of the Management Board of Liyuan and Xian Sheji. He is also a member of the Management Board of the Liyuan Group (利源集團) of the Company.

Mr. Cai Rong Hua (蔡榮華先生), aged 51, is an executive Director of the Company. He joined the Company in 1998 and was appointed as executive Director on 13 June 2008. He is a member of the Management Board of the Company. Mr. Cai completed the Advanced Management Course of the Schiefelbusch Institute of Business Administration (清華大學繼續教育學院) and an EMBA program at the Graduate School of Sun Yat-sen University (中山大學嶺南學院). He has been 20 years in the financial industry in the PRC.

Mr. Cai is the brother-in-law of Mr. Wang Liangxiang, his aunt is executive Director of the Company. He is a member of the Management Board of Xian Sheji and Management Board of Liyuan Group (利源集團) of the Company.

Mr. Hu Cheng Chu (胡誠初先生), aged 75, is an executive Director of the Company. He joined the Company in 1998 and was appointed as executive Director on 13 June 2008. He is a member of the Management Board of the Company. Mr. Hu completed the Advanced Management Course of the Schiefelbusch Institute of Business Administration (清華大學繼續教育學院). He is also the vice chairman of the Qianjiang Association of Professional Managers (泉州職業經理人協會), a member of the Association of China Brand Managers (品牌中國產業聯盟之中國品牌經理人協會) and the Fujian Province Micro-electronics Industry Association (福建省微電子行業協會). He has been awarded the title of Honorary Citizen of Jinjiang City (晉江市榮譽市民) in 2012 and has been:

- vice chairman of the 10th National Marketing Strategy Conference of the PRC for the years 2007-2008 and 2009-2010 (2007-2008年及2009-2010年中國十大企業營銷策劃人);
- vice chairman of the 10th National Branding Conference of China for the year 2010 (2010中國十大品牌經理人);
- the China Advertising Main City Award Winner (2011年中國廣告主長城獎人物獎之功勳獎);
- executive chairman of the 2013 China Outstanding Branding Conference (2013中國卓越首席品牌官);
- vice chairman of the 10th National Marketing Strategy Conference of the PRC for the year 2015 (2015中國企業十大品牌營銷策劃人);
- executive chairman of the 2016 China Outstanding Branding Conference (2016中國卓越品牌官); and
- vice chairman of the 10th National Marketing Strategy Conference of China for the year 2016 (2016中國十大品牌營銷策劃人)

Mr. Hu is also a member of the Management Board of Xian Sheji and Management Board of Liyuan Group (利源集團) of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Pan Rong Bin (潘榮彬先生), aged 46, is an executive Director of the Company. He joined the Company in Feb 2003 and was appointed as an executive Director on 13 June 2008. Prior to joining the Company, he worked as a manager of the Group's LILANZ brand since March 2011, Mr. Pan also worked in the advertising industry for LILANZ.

Mr. Pan completed advanced management executive training (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. From 2001 to 2005, Mr. Pan worked as an executive manager of the Nanping Municipal People's Congress (福建省南平市人民代表大會). From 1995 to 2007, he worked as a member of the Chinese People's Political Consultative Conference Fujian Provincial Jiyang City Committee (中國人民政治協商會議福建省建陽市委員會). He has also worked in the manufacturing industry as a labor model in Quanzhou, Fujian (福建省泉州市勞動模範) in March 2006. He has also been recognized as a retail excellence leader (零售業卓越推動人物) in the Golden Standard (金座標) award by the Winner Network (贏商網) magazine in his career. He also worked in the advertising industry in China since 2018. He has worked for 20 years in the advertising industry in the PRC.

Mr. Pan is also a member of the board of Xia Sheglu (夏舍路) and Ming Laglu (明拉古) Limited, which are his former employers (including the former Liyong Real Estate Company) of the Company.

Independent Non-executive Directors

Dr. Lu Hong Te (呂鴻德博士), aged 59, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Dr. Lu obtained a Bachelor's degree in Nanjing University in 1983 and a Master's degree in Management from the Graduate School of Beijing University of Aeronautics and Astronautics in 1985 and 1992, respectively. Dr. Lu also worked as a faculty member at the China University of Aeronautics and Astronautics, Nanjing Tech University and EMBA Center of Xian University of EMBA Center.

Dr. Lu is also an independent director of the following companies: Fiich Electronics Co., Ltd. (台灣伍豐科技股份有限公司) (CCC de: 8076), Lan Eecnic Inc. (台灣立端科技股份有限公司) (CCC de: 6245) and Uni-Peide Electronics Co., Ltd. (統一企業股份有限公司) (CCC de: 1216), he has also worked as an executive director of the GeTai Securities Market (證券櫃檯買賣中心) in Taiwan. He is also an independent director of the following companies: Calte Electronics Co., Ltd. (凱普松國際電子有限公司) (CCC de: 469), China SCEP Holdings Limited (中駿置業控股有限公司) (CCC de: 1966) and Cityland (China) Holdings Co., Ltd. (都市麗人(中國)控股有限公司) (CCC de: 2298), he has also worked as an executive director of the SCS Exchange. Dr. Lu is also an independent director of the following companies: ANTAS Products Limited (安踏體育用品有限公司) (CCC de: 2020), he has also worked as an executive director of the SCS Exchange. He resigned as an independent director of the Company on 1 March 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Nie Xing (聶星先生), aged 55, is a graduate of the Economics Degree of the Central China University of Finance and Economics (江西財經學院) in a batch of degree recipients in 1986 and finished his bachelor's degree in Business Administration of the Open University of Hong Kong (香港公開大學) in December 2000. During his tenure at M. Nie & Associates Limited (勵時集團有限公司) (former Time 2U Leisure & Entertainment International Limited (時間由你國際控股有限公司)) (CRIC Code: 1327), he has performed his duties as a Director of the Special Committee. He resigned as a Director of the company on 7 June 2017. Mr. Nie has a Bachelor's degree in Finance from the University of Hong Kong, a graduate of the EMBA degree of the Chinese University of Hong Kong Business School.

Mr. Lai Shixian (賴世賢先生), aged 45, is a graduate of the Economics Degree of the Central China University of Finance and Economics (江西財經學院) in a batch of degree recipients in December 2012. Mr. Lai is a Director and Chief Financial Officer of ANTA Sports Products Limited (安踏體育用品有限公司) (CRIC Code: 2020), he has performed his duties as a Director of the Special Committee and is also the independent non-executive Director of the company. Mr. Lai holds a EMBA degree of the Chinese University of Hong Kong Business School.

SENIOR MANAGEMENT

Ms. Ko Yuk Lan (高玉蘭女士), aged 58, is the Chief Financial Officer and Executive Director of the company. She joined the Group in January 2008 and resigned from the Group in September 2008. She joined the Group in March 2010. Ms. Ko graduated from the Hong Kong Polytechnic University (香港理工大學) in a Bachelor's Degree in Management Accounting. She has 25 years of experience in Finance and Accounting. Prior to joining the Group, she had worked as an independent financial advisor and the controller of the Main Board of the Special Committee. Ms. Ko is a former member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Cost Accountants. During his tenure at the company, he has performed his duties as a Director of the Special Committee. She resigned as a Director of the company on 30 April 2018.

Ms. Shi Mei Ya (施美芽女士), aged 43, is the head of the direct operations of the Group. She completed a graduate certificate in Finance from Fujian Provincial University of Broadcasting and Television (福建省廣播電視大學) in 1998 and advanced graduate certificate in Business Administration from the Executive Education Program of the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. She completed a graduate certificate in Business Administration from the Graduate School of Management of Xiamen University (廈門大學). Ms. Shi joined the Group in August 1998 and has been the head of the direct operations of the Group since November 2008.

Mr. Zhang Yu Feng (章宇峰先生), aged 49, is the head of the general operations of the Group. He graduated from Shanghai University of Finance and Economics (上海財經大學) in a batch of degree recipients in 1992 and completed an EMBA degree of the Cheung Kong Graduate School of Business (長江商學院) in 2006. From 1992 to 2007, he had worked as a Director of S.C. Johnson & Son, Inc. (美國莊臣父子公司) and as a Director of the Special Committee, Director of C.L.C. (法國科蒂化妝品集團) and as a Director of Heine AG (德國漢高公司) and as a Director of Li Ning Company Limited (李寧有限公司) and as a Director of Puma China (彪馬中國) and as a Director of the Special Committee. He joined the Group in August 2007 and has been the head of the general operations of the company since January 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Zhuang Zhi Han (莊志函先生), aged 50, is the deputy financial officer of the Group. He graduated from Faculty of Accounting, East China University of Technology (華東工業大學) with a bachelor's degree in economics major in accounting in 1994. He obtained an EMBA degree from Xiamen University (廈門大學) in December 2012. Prior to joining the Group, he worked at Xiamen Electronic Science and Technology Co., Ltd. (廈新電子股份有限公司), a subsidiary of the financial affairs. He joined the Group in September 2008.

Mr. Chen Wei Jin (陳維進先生), aged 50, is the head of the general department of the Group. He graduated from Zhanjiang Normal University (漳州師範學院) with a first degree in education in 2000 and completed the executive education program of the Superior Enterprise Management Program (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. From 1989 to 2004, he worked as a manager of Jinjiang Wei Xin Knitting Factory (晉江維信針織廠). From 1996 to 2004, he worked as the manager of the branch office of the China Life Insurance Co., Ltd. (中國人壽保險有限公司) in Jinjiang. He worked as a manager of the sales department, he held a sales manager certificate (營銷標兵) from 1998 to 2000 and a director (優秀理事) from 2002. He joined the Group in March 2004 as the manager of the general department of the Group. Mr. Chen is the chairman of the Management Board of Xiangxi, a subsidiary of the Group.

Mr. Huang Ming Hai (黃明海先生), aged 44, is the financial officer of the Group's subsidiary LILANZ. He completed the executive education program of the Superior Enterprise Management Program (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), a graduate financial officer of the Adult Education College of Huaqiao University (華僑大學成人教育學院), and completed the executive education program of the Superior Enterprise Management Program (卓越企業經營管理高級課程研修班) at the Executive Education College of Huaqiao University (華僑大學商學院), and a distance education finance major (財務領袖高級研修班課程) at the Executive Education College of Huaqiao University (華僑大學商學院), and a distance education finance major (會計學專業函授課程) at the Fujian Agriculture and Forestry University Continuing Education College (福建農林大學成人教育學院). He joined the Group in April 1995.

REPORT OF THE DIRECTORS

The Directors are pleased to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in the Cayman Islands and its registered office is at Suite 3402, 34/F., Lippo Centre, The Orient, 89 Queen's Road East, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are as follows and are substantially the same as those of the Group in the PRC. The principal activity of the subsidiary is the provision of financial services.

For the directors' and shareholders' information, the Board has scheduled 5 meetings of the Hong Kong Company in accordance with the provisions of the Companies Ordinance of the PRC and the Companies Act of the Cayman Islands for the year ending 31 December 2019, as follows: the Management Director's and Chairman's meeting on 8-21 February 2019. This director's meeting is a full meeting.

MAJOR CUSTOMERS AND SUPPLIERS

The following table sets out the Group's major customers and suppliers for the year ended 31 December 2019:

	2019 Percentage of the Group's Total Sales Purchases	2018 Percentage of the Group's Total Sales Purchases
The largest customer	3.7%	4.0%
Five largest customers aggregated	15.8%	16.0%
The largest supplier	4.8%	3.0%
Five largest suppliers aggregated	19.1%	13.4%

As indicated by the above table, the Directors, the Chairman and the Company (which is the registered office of the Directors) do not have 5% of the Company's (indicated in the table above) major customers and suppliers.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the performance and financial position of the Group for the five financial years ending 31 December 2019 is set out in page 118 of the Annual Report.

FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 and the audit of the Company's affairs are set out in pages 62-117 of the Annual Report.

REPORT OF THE DIRECTORS (CONTINUED)

TRANSFER TO RESERVES

Profit for the year, before deduction, of RMB812,180,000 (2018: RMB751,194,000) has been appropriated as follows. Of these, the amount transferred to the General Reserve is the amount of change in equity.

Amounts deducted from HK18 cent (2018: HK16 cent) and dividends have been allocated to the special dividend of HK8 cent (2018: HK7 cent) and dividends of 13 September 2019. The Directors also decided to appropriate from the HK21 cent (2018: HK21 cent) and dividends have been allocated to the special dividend of HK10 cent (2018: HK10 cent) and dividends effective from 31 December 2019.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB25,185,000 (2018: RMB12,700,000).

NON-CURRENT ASSETS

Debt facilities are available for the Group (including the amount of 20 million Hong Kong dollars, and the amount of 12 million Hong Kong dollars) as at 31 December 2019.

BANK FACILITIES

Part of the bank facilities for the Group as at 31 December 2019 are the amount of 20 million Hong Kong dollars. A bank guarantee is provided to the Group as at 31 December 2018 and 2019.

SHARE CAPITAL

Details of the share capital of the Company are set out in paragraph 26(a) of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company, the Company is in compliance with the requirements of the Securities and Futures Ordinance, the Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange (the Securities and Futures Ordinance) and the Listing Rules of the Hong Kong Stock Exchange (the Listing Rules) as at 31 December 2019 and the Company is in compliance with the requirements of the Securities and Futures Ordinance and the Listing Rules of the Hong Kong Stock Exchange (the Listing Rules).

PRE-EMPTIVE RIGHTS

The Company does not have any pre-emptive rights in the shares of the Company.

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

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

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The Directors' biographical details are:

Executive Directors

M. Wang Dongxiang (Chairman)

M. Wang Liangxiang

M. Wang Congxiang

M. Cai Ruihua

M. H. Cheng Chao

M. Pan Ruiqiang

Independent Non-executive Directors

D. L. He Tingting

M. Nie Xianguo

M. Lai Shijian

Details of the Directors' biographical details are set out in pages 42-46 of the Annual Report.

In accordance with Article 105(a) of the Company's Articles of Association, M. Wang Liangxiang, D. L. He Tingting and M. Nie Xianguo are eligible for re-election at the forthcoming general meeting, being eligible, respectively.

Non-executive directors are eligible for re-election at the forthcoming general meeting in accordance with Article 105(a) of the Company's Articles of Association, being eligible, respectively.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors a written confirmation of independence in accordance with Rule 3.13 of the Listing Rules and the independent non-executive directors are independent.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and holdings of the Directors and chief executives of the Company in the shares, debentures and derivatives of the Company and its associated companies (including the interests of Paragraph XV of the Securities and Futures Ordinance (SFO)), are disclosed in the register maintained by the Company under Section 352 of the SFO as they are notified to the Company and the Stock Exchange and the Mandatory Securities Transaction Disclosure Rules of the Listing Rules (Mandatory Disclosure Rules) of the Listing Rules:

Name of shareholder	Name of Group company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
M. Wang Dongxiang	The Company	Beneficially	22,950,000 shares (L)	1.917%
	Xia Shegleng International Limited (Xia Shegleng International) (Note 2)	Beneficially	2,550 shares of US\$1.00 each (L)	26.289%
M. Wang Liangxiang	The Company	Beneficially	26,031,000 shares (L)	2.174%
	Xia Shegleng International (Note 2)	Beneficially	2,550 shares of US\$1.00 each (L)	26.289%
M. Wang Congxiang	The Company	Beneficially	22,950,000 shares (L)	1.917%
	Xia Shegleng International (Note 2)	Beneficially	2,550 shares of US\$1.00 each (L)	26.289%
M. Cai Ronghua	The Company	Beneficially	1,810,000 shares (L)	0.151%
	The Company	Secured	7,200,000 shares (L)	0.601%
	Xia Shegleng International (Note 2)	Secured	800 shares of US\$1.00 each (L)	8.247%

REPORT OF THE DIRECTORS (CONTINUED)

Name of shareholder	Name of Group company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
M . H Che ǳg Ch	The C a ǳ	Se ǳ f a di c ei ǳa (N e 4)	4,500,000 ha e (L)	0.376%
	Xia She ǳg l ǳ e ǳ ai ǳa (N e 2)	Se ǳ f a di c ei ǳa (N e 4)	500 ha e f US\$1.00 each (L)	5.155%
M . Pa ǳ R ǳg Bi ǳ	The C a ǳ	Be ǳeficia ǳ e	3,051,000 ha e (L)	0.255%
	Xia She ǳg l ǳ e ǳ ai ǳa (N e 2)	Be ǳeficia ǳ e	300 ha e f US\$1.00 each (L)	3.093%

Note:

- The e e L de ǳ e he Di ec ǳ ǳg ii ǳi ǳ he ha e f he C a ǳ he e e a ǳ a cia ed c a i ǳ.
- Xia She ǳg l ǳ e ǳ ai ǳa i ǳed a 26.289% b each f M . Wa ǳg D ǳg Xi ǳg, M . Wa ǳg Lia ǳg Xi ǳg a ǳd M . Wa ǳg C ǳg Xi ǳg, 8.247% b Jia Fa l ǳ e ǳ ai ǳa Li i ed (ǳ e 3), 5.155% b L ǳ ia ǳ Tea e G ba Li i ed (ǳ e 4), 3.093% b M . Pa ǳ R ǳg Bi ǳ, 2.062% b M . Che ǳ Wei Ji ǳ, 1.031% b M . Wa ǳg Qia Xi ǳg a ǳd 0.515% b each f M . X Tia ǳ Mi ǳ, M . Wa ǳg C i R ǳg a ǳd M . Wa ǳg H i R ǳg.
- The i e e f M . Cai R ǳg H ai ǳ 7,200,000 ha e f he C a ǳ a ǳd 800 ha e f Xia She ǳg l ǳ e ǳ ai ǳa i he d h gh Jia Fa l ǳ e ǳ ai ǳa Li i ed (JFIL). The e ǳ i e i ed ha e ca i a f JFIL i he d b Vi a T (Si ǳga e) Pe . Li i ed i ǳ i ca aci a he e e fa i e cab ed i c ei ǳa e b M . Cai a he e . The be ǳeficia i e ǳde he a e M . Cai a ǳd hi fa i e be . M . Cai i dee ed be i ǳ e e ed i ǳ he e ha e a he e f he di c ei ǳa .
- The i e e f M . H Che ǳg Ch i ǳ 4,500,000 ha e f he C a ǳ a ǳd 500 ha e f Xia She ǳg l ǳ e ǳ ai ǳa i he d h gh L ǳ ia ǳ Tea e G ba Li i ed (LTGL). The e ǳ i e i ed ha e ca i a f LTGL i he d b Vi a T (Si ǳga e) Pe . Li i ed i ǳ i ca aci a he e e fa i e cab ed i c ei ǳa e b M . H a he e . The be ǳeficia i e ǳde he a e M . H a ǳd hi fa i e be . M . H i dee ed be i ǳ e e ed i ǳ he e ha e a he e f he di c ei ǳa .

Sa e a di c ed ab e, a a 31 Dece be 2019, ǳ ǳ e f he Di ec ǳ a ǳd chief e ec i e f he C a ǳ had a dee ed ha e a ǳ i e e h ii ǳi ǳ he ha e, ǳde i ǳg ha e de be ǳ e f he C a ǳ a ǳd i a cia ed c a i ǳ (i hi ǳ he ea i ǳg f Pa XV f he SFO) hich a ec ded i ǳ he egi e ai ǳ ai ǳed b he C a ǳ a ǳ ec i ǳ 352 f he SFO hich had he i e be e ǳ ǳ ified he C a ǳ a ǳd he S c E cha ǳge a ǳ he M de C de.

Sa e i c ǳ ǳ ec i ǳ i ha ǳ ha e i ǳ b c i b e f he ha e f he C a ǳ hich a be ga ǳ ed a ǳ f he Di ec ǳ chief e ec i e ǳde he C a ǳ ha e i ǳ che e a de ai ed i ǳ he a ga h headed E ǳ i - e ed Sha e Ba ed Pa e ǳ i ǳ hi e , a ǳ i ed i ǳg he ea a he C a ǳ, a ǳ fi h di ǳg c a ǳ, b idia i e fe b idia i e a a a ǳ a a ǳge e ǳ e ǳ ab e he Di ec ǳ chief e ec i e f he C a ǳ (i c di ǳg hei ea ǳd chi d e ǳde 18 ea fage) ac ǳ i e be ǳefi b ea ǳ f he ac ǳ i i i ǳ f ha e ǳde i ǳg ha e i ǳ, de be ǳ e f, he C a ǳ a ǳ he b d c a e.

REPORT OF THE DIRECTORS (CONTINUED)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons (including Directors and chief executives of the Company) had a significant interest in the shares and debentures of the Company as recorded in the register maintained by the Company under section 336 of the SFO as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Xia Shengli (徐生利)	Beneficial	661,500,000 shares (L) (Note 2)	55.24%
Minglang (E) Limited (Minglang (E))	Beneficial	74,905,000 shares (L) (Note 3)	6.26%
Valepar (E) Limited	Indirect beneficial	71,108,000 shares (L) (Note 4)	5.94%
Valepar (E) High-Dividend SFC Fund	Beneficial	60,133,000 shares (L) (Note 4)	5.02%

Note:

- The beneficial interest of Xia Shengli in the shares of the Company.
- The shares are held by Xia Shengli (徐生利). Xia Shengli (徐生利) held a 26.289% stake each of M. Wang Dongxiang (王董翔), M. Wang Lixiang (王立翔) and M. Wang Chongxiang (王崇翔), 8.247% stake of Jia Falan (贾法兰) (Note 5), 5.155% stake of Lian Tea (E) (连茶 (E)), 3.093% stake of M. Parag Bhat (帕拉格·巴特), 2.062% stake of M. Cheng Wei Ji (程伟吉), 1.031% stake of M. Wang Qiaoxi (王俏茜) and 0.515% stake each of M. Xiaomi (小米), M. Wang Chirang (王楚昂) and M. Wang Hirang (王希昂).
- The shares are held by Minglang (E). Minglang (E) held a 26.289% stake each of M. Wang Dongxiang (王董翔), M. Wang Lixiang (王立翔) and M. Wang Chongxiang (王崇翔), 8.247% stake of Jia Falan (贾法兰) (Note 5), 5.155% stake of Lian Tea (E) (连茶 (E)), 3.093% stake of M. Parag Bhat (帕拉格·巴特), 2.062% stake of M. Cheng Wei Ji (程伟吉), 1.031% stake of M. Wang Qiaoxi (王俏茜) and 0.515% stake each of M. Xiaomi (小米), M. Wang Chirang (王楚昂) and M. Wang Hirang (王希昂).
- Valepar (E) High-Dividend SFC Fund is controlled by Valepar (E) Limited, indirect beneficial owner of Valepar (E) High-Dividend SFC Fund and controlled by Valepar (E) Limited.
- The interest is held by Jia Falan (贾法兰) (Note 5) held by Vita T (Singapore) P. Limited (Vita T (Singapore) P. Limited) as a nominee for the beneficial owner M. Cai Ronghua (蔡荣华). The beneficial interest is held by M. Cai and his family members. M. Cai is deemed to be beneficially interested in the shares of the Company.
- The interest is held by Lian Tea (E) (连茶 (E)) held by Vita T (Singapore) P. Limited (Vita T (Singapore) P. Limited) as a nominee for the beneficial owner M. H. Cheng Cha (程茶). The beneficial interest is held by M. H. and his family members. M. H. is deemed to be beneficially interested in the shares of the Company.

Save as disclosed above, as at 31 December 2019, the Directors and chief executives of the Company had no significant interest in the shares and debentures of the Company as recorded in the register maintained by the Company under section 336 of the SFO.

REPORT OF THE DIRECTORS (CONTINUED)

CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION

The entered a contract of the lease and the 31st December 2019 the contract is a lease agreement for a connected party transaction of the company and/or connected party transaction of the Company, which is entered into in accordance with Chapter 14A of the Listing Rules. Details of the connected party transaction of the company (a defined term of the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

Tenancy Agreement with Jinlang (Fujian) Investments Co., Ltd. (“Jinlang Fujian”)

Jinlang Fujian is headed by Mr. Wang Dongxiang, Mr. Wang Liangxiang and Mr. Wang Changxiang, who are the Executive Directors of the company (including the company) of the Company. Jinlang Fujian is the effective controller of the Company of the Listing Rules.

The Group, as a lessee, entered into a lease agreement with Jinlang Fujian, as a landlord, on 19 December 2016 (the Tenancy Agreement) in respect of the premises of the Company's head office at Liaogang Road, 200 Changxiang Road, Jinjiang City, Fujian Province (the Premises) in aggregate of approximately 27,757 sq. ft. of area effective from 1 January 2017 to 31 December 2019. The monthly rent payable by the Group to Jinlang Fujian under the Tenancy Agreement is a RMB270,000 (exclusive of applicable charges, gas and electricity, telephone charges, maintenance fees and the fees payable by the lessee for the Premises).

During the year ended 31 December 2019, the total amount payable by the Group under the Tenancy Agreement is approximately RMB3,240,000 which did not exceed the applicable cap of the connected party transaction.

Opinion from the Independent Non-executive Directors and auditor on the continuing connected transaction

The Directors (including the Independent Non-executive Directors)

Mr. Khoo Seng Nee, Director (Mr. Khoo Seng Nee & Co., Chartered Accountants, 4th Floor, 330 North Bridge Road, Singapore 049413)

REPORT OF THE DIRECTORS (CONTINUED)

The following information is available as at 21 December 2019, and is subject to audit by the independent members of the Board, which is detailed in the financial statements, and is available to the public. The following information is subject to audit by the independent members of the Board.

The following information is available to the independent members of the Board, which is subject to audit by the independent members of the Board, which is detailed in the financial statements, and is available to the public. The following information is subject to audit by the independent members of the Board.

As at 31 December 2019, the following information had been agreed with the 2019 Shareholders.

RETIREMENT SCHEMES

The Group has established defined contribution schemes in the PRC and Hong Kong. The Group has established defined contribution schemes in the PRC, and the Mainland PRC Provident Fund Scheme in Hong Kong. Participants in the schemes are employees of the Group.

AUDITOR

KPMG is the auditor of the Group. A representative of KPMG is available to discuss the audit of the financial statements.

Board of Directors

Wang Dong Xing

Chairman

Hong Kong, 19 March 2020

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Revenue recognition	
Refer to note 3 to the consolidated financial statements and the accounting policies on page 85	
The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue is recognised when the performance obligation is satisfied, which is when the customer obtains control of the goods. The Group's revenue is derived from the sale of goods to customers. The Group's revenue is recognised when the customer obtains control of the goods, which is when the customer has the ability to direct the use of the goods and obtain substantially all the remaining benefits from the goods.</p> <p>The Group's revenue is recognised when the customer obtains control of the goods, which is when the customer has the ability to direct the use of the goods and obtain substantially all the remaining benefits from the goods.</p> <p>The Group's revenue is recognised when the customer obtains control of the goods, which is when the customer has the ability to direct the use of the goods and obtain substantially all the remaining benefits from the goods.</p> <p>The Group's revenue is recognised when the customer obtains control of the goods, which is when the customer has the ability to direct the use of the goods and obtain substantially all the remaining benefits from the goods.</p> <p>The Group's revenue is recognised when the customer obtains control of the goods, which is when the customer has the ability to direct the use of the goods and obtain substantially all the remaining benefits from the goods.</p>	<p>Our audit procedures included the following:</p> <p>We performed detailed testing of revenue transactions to ensure that revenue is recognised when the customer obtains control of the goods. We tested the Group's revenue recognition process, including the identification of performance obligations, the determination of the point in time when control is transferred, and the recognition of revenue.</p> <p>We tested the Group's revenue recognition process, including the identification of performance obligations, the determination of the point in time when control is transferred, and the recognition of revenue.</p> <p>We tested the Group's revenue recognition process, including the identification of performance obligations, the determination of the point in time when control is transferred, and the recognition of revenue.</p> <p>We tested the Group's revenue recognition process, including the identification of performance obligations, the determination of the point in time when control is transferred, and the recognition of revenue.</p> <p>We tested the Group's revenue recognition process, including the identification of performance obligations, the determination of the point in time when control is transferred, and the recognition of revenue.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the information. The independent auditor's report is a separate report, and is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

Other than the independent auditor's report, the independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

If, based on the information, the independent auditor is unable to express an opinion, the independent auditor's report will be qualified. We have no opinion on the financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements in accordance with IFRS as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable laws and regulations. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

The directors are also responsible for the accuracy and completeness of the information. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We do not provide a guarantee. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

Reasonable assurance is a high level of assurance, but is not a guarantee. The independent auditor's report is not intended to be read in conjunction with the financial statements, and should not be relied upon for any purpose.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

A a f a a di i acc da ce i h HKSA , e e e ci e fe i a j dge e a d ai ai fe i a ce ici h gh he a di . We a :

Ide if a d a e he i f a e ia i a e e f he c ida ed fi a cia a e e , he he d e f a d e , de ig a d e f a di ced e e i e h e i , a d bai a di e ide ce ha i fficie a d a ia e ide a bai f i i . The i f de ec i g a a e ia i a e e e i g f f a di highe ha f e e i g f e , a f a d a i e c i f ge , i e i a i i , i e e e ai he e ide fi e a c .

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the audit conducted in the Audit Committee, the independent auditor has performed significant procedures to identify and evaluate the risks of material misstatement of the financial statements. We describe the audit procedures in the audit report, including the audit procedures performed to identify and evaluate the risks of material misstatement of the financial statements, including the audit procedures performed to identify and evaluate the risks of material misstatement of the financial statements, including the audit procedures performed to identify and evaluate the risks of material misstatement of the financial statements.

The engagement partner is the individual who is responsible for the audit of the financial statements.

KPMG

Certified Public Accountants

8th Floor, Prince Building

10 Chancery Road

Georgetown, Guyana

19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	3,658,471	3,167,872
Cost of sales		(2,255,300)	(1,869,820)
Gross profit		1,403,171	1,298,052
Other operating expenses	4	115,822	87,027
Share of add-in investee's		(409,707)	(396,348)
Administrative expenses		(103,902)	(92,150)
Other expenses		(25,589)	(14,718)
Profit from operations		979,795	881,863
Finance expenses	5	44,168	63,376
Profit before taxation	6	1,023,963	945,239
Income tax	7(a)	(211,783)	(194,045)
Profit for the year		812,180	751,194
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference in foreign currency translation of the Company and subsidiaries in the PRC		5,792	(1,587)
Total comprehensive income for the year		817,972	749,607
Earnings per share	11		
Basic (cents)		67.82	62.74
Diluted (cents)		67.82	62.74

The Group has applied IFRS 16 as of 1 January 2019 in accordance with the amended accounting standards. Under the amended accounting standards, the Group has recorded a net expense of RMB26.8 million.

The expense of RMB117 million is a result of the financial assets held. Details of the financial assets held are disclosed in Note 26(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(Expressed in Renminbi)

Note	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	12 713,892	699,124
Intangible intangible assets	13 142,403	98,811
Lease receivables	2, 14 —	102,766
Right-of-use assets	2, 14 139,506	
Long-term equity investments	15 7,776	6,752
Deferred charge for property, plant and equipment	8,280	11,860
Deferred tax assets	24(b) 20,823	6,016
	1,032,680	925,329
Current assets		
Intangible assets	16 689,243	676,411
Trade and other receivables	17 1,081,849	952,620
Pledged bank deposits	18 8,946	15,201
Cash and cash equivalents	19(a) 1,750,609	1,842,850
	3,530,647	3,487,082
Current liabilities		
Trade and other payables	21 755,828	817,417
Lease liabilities	22 537	
Contract liabilities	23 26,724	40,728
Contract payables	24(a) 152,156	134,485
	935,245	992,630
Net current assets	2,595,402	2,494,452
Total assets less current liabilities	3,628,082	3,419,781
Non-current liabilities		
Deferred tax liabilities	24(b) 21,803	19,922
Net assets	3,606,279	3,399,859
Capital and reserves		
Share capital	26(a) 105,517	105,517
Reserves	3,500,762	3,294,342
Total equity	3,606,279	3,399,859

Approved and authorized for issue by the Board of Directors on 19 March 2020.

Mr. Wang Dong Xing
Chairman

Mr. Wang Liang Xing
Chief Executive Officer

Mr. Wang Cong Xing
Executive Director

The Group has prepared the consolidated financial statements in accordance with IFRS 16 as at 1 January 2019, which is consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2019.

The page number 62-117 is a reference to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019
(Expressed in Renminbi)

	Share capital (note 26(a)) RMB'000	Share premium (note 26(d)(i)) RMB'000	Statutory reserve (note 26(d)(ii)) RMB'000	Capital reserve (note 26(d)(iii)) RMB'000	Exchange reserve (note 26(d)(iv)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2018	105,492	27,096	251,996	24,430	(41,574)	2,774,291	3,141,731
Change in equity for 2018:							
Profit for the year						751,194	751,194
Other comprehensive income for the year					(1,587)		(1,587)
Transfer comprehensive income for the year					(1,587)	751,194	749,607
Capital increase by share buyback	(21)			21			
Share issued under share incentive plan	46	4,315		(1,275)			3,086
Dividend paid to shareholders for the year	26(c)					(252,712)	(252,712)
Dividend declared to shareholders for the year	26(c)					(241,853)	(241,853)
Amortisation of share-based payments			5,042			(5,042)	
At 31 December 2018 and 1 January 2019	105,517	31,411	257,038	23,176	(43,161)	3,025,878	3,399,859
Change in equity for 2019:							
Profit for the year						812,180	812,180
Other comprehensive income for the year					5,792		5,792
Transfer comprehensive income for the year					5,792	812,180	817,972
Dividend paid to shareholders for the year	26(c)					(328,196)	(328,196)
Dividend declared to shareholders for the year	26(c)					(283,356)	(283,356)
Amortisation of share-based payments			6,429			(6,429)	
At 31 December 2019	105,517	31,411	263,467	23,176	(37,369)	3,220,077	3,606,279

The Group has adopted IFRS 16 as at 1 January 2019 in accordance with the amended accounting standards (see note 2).

The relevant page 62-117 of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Expressed in Renminbi)

Note	2019 RMB'000	2018 RMB'000
Operating activities		
Cash generated from operations	19(b) 816,235	601,992
Tax paid	24(a) (207,038)	(156,344)
Net cash generated from operating activities	609,197	445,648
Investing activities		
Payments for the acquisition of subsidiaries	(93,894)	(188,264)
Payments for the acquisition of other investments	(38,851)	(3,851)
Payments for the acquisition of financial assets	(4,194)	(3,851)
Proceeds from disposal of subsidiaries	95	1,050
Proceeds from disposal of other investments	51,685	71,563
Decrease in prepayments and other receivables	—	188,000
Net cash (used in)/generated from investing activities	(85,159)	68,498
Financing activities		
Cash received from issuance of shares	19(c) (1,526)	—
Proceeds from bank borrowings	19(c) 508,838	578,285
Repayment of bank borrowings	19(c) (508,838)	(578,285)
Proceeds from issue of convertible preferred shares	—	3,086
Proceeds from issuance of shares	19(c) (56)	—
Proceeds from other financing activities	(3,749)	(5,930)
Dividend paid	26(c) (611,552)	(494,565)
Net cash used in financing activities	(616,883)	(497,409)
Net (decrease)/increase in cash and cash equivalents	(92,845)	16,737
Cash and cash equivalents at 1 January	1,842,850	1,823,281
Effect of foreign exchange rate changes	604	2,832
Cash and cash equivalents at 31 December	19(a) 1,750,609	1,842,850

The Group has adopted IFRS 16 as at 1 January 2019 using the modified retrospective approach. Under the approach, cumulative effect of the adoption is recognized at the beginning of the period.

The page 62-117 of the financial statements are empty.

NOTES TO THE FINANCIAL STATEMENTS

(E e e d i Re i bi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The e fi a a e e ha e bee e a e d i a c e i h a a i c a b e l e a i a F i a R e i g S a d a d (I F R S), h i c e c i e e i c d e a a i c a b e i d i d a l e a i a F i a R e i g S a d a d , l e a i a A c c i g S a d a d (I A S) a d i e e a i i e d b h e l e a i a A c c i g S a d a d B a d (h e I A S B) a d h e a i c a b e d i c e e e i e e f h e H g K g C a i e O d i a c e .

The e fi a a e e a c i h h e a i c a b e d i c e i i f h e R e G e i g h e L i i g f S e c i e f h e S c E c h a g e f H g K g L i i e d (h e S c E c h a g e) . A a f i g i f i c a a c c i g i c i e a d e d b h e G i e e b e .

The IASB ha i e d c e a i e a d e i e d IFRS ha a e f i e f f e c i e a a i a b e f e a a d i f h e c e a c c i g e i d f h e G . N e 2 i d e i f a i a a c h a g e i a c c i g i c i e e i g f i i a a i c a i f h e e d e e e h e e e h a h e a e e e a f h e G f h e c e a d i a c c i g e i d e f e c e d i h e e f i a a e e .

(b) Basis of preparation of the financial statements

The c i d a e d f i a a e e f h e e a e d e d 31 D e c e b e 2 0 1 9 c i e h e C a a d i b i d i a i e (g e h e e f e e d a h e G) .

The c i d a e d f i a a e e a e e e e d i R e i b i (R M B) d e d h e a e h a d . T h e e a e e b a i e d i h e e a a i f h e f i a a e e i h e h i c a c b a i e c e h a h e d e i a i e f i a a i e e a e a e d a f a i a e a e a i e d i e 1 () .

The e a a i f h e e f i a a e e i c f i i h IFRS e i e a g e e a e j d g e e , e i a e a d a i h a a f f e c h e a i c a i f i c i e a d e a a f a e , i a b i i e , i c e a d e e e . T h e e i a e a d a c i a e d a i a e b a e d h i c a e e i e c e a d a i h e f a c h a a e b e i e d b e e a a b e d e h e c i c a c e , h e e f h i c h f h e b a i f a i g h e j d g e e a b c a i g a e f a e a d i a b i i e h a a e e a d i a a e f h e c e . A c a e a d i f f e e i a e .

T h e e i a e a d d e i g a i a e e i e d a a g i g b a i . R e i i a c c i g e i a e a e e c g i e d i h e e i d i h i c h h e e i a e i e i e d i f h e e i i a f f e c h a e i d , i h e e i d f h e e i i a d f e e i d i f h e e i i a f f e c b h c e a d f e e i d .

J d g e e a d e b a g e e i h e a i c a i f IFRS ha h a e i g i f i c a e f f e c h e f i a a e e a d a j c e f e i a i a c e a i a e d i c e d i e 3 2 .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it has the power to govern the financial and operating policies of the entity and has the ability to affect the entity's returns. Where a subsidiary is not wholly owned, the Group has the power to exercise control over the subsidiary.

All subsidiaries are accounted for on a consolidated basis. The consolidated financial statements are prepared on the same accounting policies as the parent company. All subsidiaries are accounted for on a consolidated basis. The consolidated financial statements are prepared on the same accounting policies as the parent company. All subsidiaries are accounted for on a consolidated basis. The consolidated financial statements are prepared on the same accounting policies as the parent company.

The Company's financial statements are prepared on a consolidated basis. The consolidated financial statements are prepared on the same accounting policies as the parent company.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The carrying amount of property, plant and equipment is reviewed at the end of each reporting period to determine whether there is any indication that the carrying amount may not be recoverable. If such an indication exists, the carrying amount is reduced to its recoverable amount. A reversal is made if the circumstances that caused the impairment have ceased to exist.

Net carrying amount of property, plant and equipment is as follows:

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Buildings are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Leasehold improvements are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Plant and machinery 10 ea

Motor vehicles 5 ea

Office equipment 5 ea

Furniture and fixtures 5 ea

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leased assets (Continued)

(i) As a lessee (Continued)

(a) P i c a i c a b e f 1 J a , a 2 0 1 9 (C , i , e d)

The igh - f - e a e e c g i e d h e , a e a e i c a i a i e d i i j i a e a e d a c , h i c h c i e h e i j i a a , f h e e a e i a b i i a , e a e a e , a d e a b e f e h e c e , c e e , d a e , a d a , i j i a d i e c c i c e d . W h e a i c a b e , h e c f h e i g h - f - e a e a i c d e a e i a e f c d i a , e a d e e h e , d e i g a e e e h e , d e i g a e h e i e , h i c h i i c a e d , d i c , e d h e i e e , a e , e a , e a e i c e , i e e c e i e d . T h e i g h - f - e a e i b e e , a e d a c e a c c a e d d e e c i a i , a d i a i e , e (e e , e 1 (h) (i i)) .

D e c a i , i c a c a e d i e f f h e c f i e f i g h - f - e a e , i g h e a i g h - i , e e h d e h e , e i e d e f e a e a f :

La d e i g h	50 e a
P e i e e a e d f , e	1-5 e a

T h e e a e i a b i i i e e a e d h e , h e e i a c h a g e i , f e e a e a e , a i i g f a c h a g e i , a i d e a e , h e e i a c h a g e i , h e G ' e i a e f h e a , e e c e d b e a a b e , d e a e i d a a e g a a e e , h e e i a c h a g e a i i g f h e e a e e , f h e h e h e G i b e e a , a b c e a i , e e c i e a c h a e , e e i , e i a i , i . W h e , h e e a e i a b i i i e e a e d i , h i a , a c e , d i g a d j e , i a d e h e c a i g a , f h e i g h - f - e a e , i e c d e d i , f i f h e c a i g a , f h e i g h - f - e a e h a b e e , e d c e d e .

T h e G e e , i g h - f - e a e a d e a e i a b i i e e a a e i , h e c , i d a e d a e e , f f i a c i a i i .

(b) P i c a i c a b e i 1 J a , a 2 0 1 9

I , h e c a a i e e i d , a a e e e h e G c a i f i e d e a e a f i a , c e e a e i f h e e a e a , f e e d b a , i a a h e i a d e a d f , e h i h e G . L e a e h i c h d i d , a , f e b a , i a a h e i a d e a d f , e h i h e G e e c a i f i e d a e a i g e a e .

W h e e h e G h a d h e e f a e h e d , d e e a i g e a e , a e , a d e

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(English in Pinyin)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leased assets (Continued)

(iii) As a lessor

When the Group acts as a lessor, it determines at the inception of each lease whether the lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. If it does not, the lease is classified as an operating lease.

When a contract contains both lease and non-lease components, the Group accounts for each component separately as a lease or as a non-lease. The lease component is recognized as a lease liability at the inception of the lease.

(g) Intangible assets

Intangible assets are recognized by the Group as identifiable intangible assets (hereinafter referred to as identifiable intangible assets) (see note 1(h)(ii)).

An identifiable intangible asset is identified if it is a non-monetary asset without physical substance and the Group can identify it. The following intangible assets are identified:

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Both the identifiable intangible assets are measured at cost.

(h) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Group recognizes a provision for expected credit losses (ECL) for financial assets measured at amortized cost (including cash and cash equivalents, bank deposits, and receivables).

Measurement of ECL

ECL are measured on a basis of expected credit losses. Credit losses are measured as the difference between the carrying amount of a financial asset and the present value of the expected cash flows (i.e. the difference between the carrying amount and the present value of the expected cash flows). The Group uses the expected credit loss rate to measure the ECL.

The expected cash flows are determined by the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the expected cash flows to the net carrying amount of the financial asset.

The amount of ECL is determined by the EIR of the financial asset. The EIR is the rate that exactly discounts the expected cash flows to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i Re i bi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets (Continued)

Mea e e f ECL (Continued)

I ea i g ECL , he G a e i acc ea ab e a d ab e i f a i ha

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(English) (Revised)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets (Continued)

Significant impairment (Continued)

In addition, the following criteria are applied to assess the credit risk of the financial assets:

the asset is a financial asset;

the asset is a financial asset that is not a derivative;

the asset is a financial asset that is not a derivative;

the asset is a financial asset that is not a derivative;

Debtors are classified as impaired when they are not expected to pay their debts in full. When the debtors are not expected to pay their debts in full, the financial asset is classified as impaired.

ECL are estimated at each reporting date using the following criteria:

Basic criteria for impairment

The ECL are estimated at each reporting date using the following criteria:

At each reporting date, the Group assesses the credit risk of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cr



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(English in Pinyin)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

Long-term assets are assessed for impairment at the end of each reporting period if indicators have been identified that the carrying amount may exceed its recoverable amount:

- Cash flows expected to be received from the asset;
- Current market value;
- Market value less costs to sell;
- Fair value less costs to sell;
- Value in use; and
- Other indicators that the carrying amount may exceed its recoverable amount.

If a carrying amount exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

Carrying amount of an asset is determined as the maximum of the following amounts: (1) the carrying amount less accumulated impairment losses; (2) the fair value less costs to sell; and (3) the value in use. When the carrying amount of an asset is reduced to its recoverable amount, the carrying amount is increased to the recoverable amount. However, the carrying amount of an asset is not increased above its carrying amount before the impairment loss was recognized. (i.e. cash-generating unit).

Recognition of impairment loss
An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in the profit or loss account. If the carrying amount of an asset is increased to its recoverable amount, the carrying amount is increased to the recoverable amount. However, the carrying amount of an asset is not increased above its carrying amount before the impairment loss was recognized. (i.e. cash-generating unit).

Reversal of impairment loss
An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is recognized in the profit or loss account. However, the carrying amount of an asset is not increased above its carrying amount before the impairment loss was recognized. (i.e. cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i Re i bi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventory is measured at the lower of cost and net realizable value. Cost is determined on the basis of the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

Inventory is measured at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost method. Cost of sales is calculated using the FIFO method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

When inventory is measured at the lower of cost and net realizable value, the cost of sales is calculated using the FIFO method. The cost of sales is calculated using the FIFO method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

(j) Contract liabilities

Contract liabilities are recognized when the contract is entered into. Contract liabilities are recognized when the contract is entered into. Contract liabilities are recognized when the contract is entered into.

(k) Trade and other receivables

Trade and other receivables are recognized when the contract is entered into. Trade and other receivables are recognized when the contract is entered into.

Trade and other receivables are recognized when the contract is entered into. Trade and other receivables are recognized when the contract is entered into.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognized when the contract is entered into. Interest-bearing borrowings are recognized when the contract is entered into.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade and other payables

Trade and other payables are recognized at the amount payable, net of trade discounts and other discounts, which are the amount due.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other financial institutions, and highly liquid investments that are readily convertible into cash and whose fair value changes little. Cash and cash equivalents are measured at the end of the reporting period in accordance with paragraph 1(h)(i).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, allowances, paid annual leave, contributions to defined contribution retirement plans and other short-term employee benefits are accrued as liabilities when the employees have rendered services. When the employees are entitled to the benefits, the liabilities are recognized.

Contributions to a defined contribution retirement plan are recognized as liabilities when the employees are entitled to the benefits. The PRC Accounting Standards for Business Enterprises require the contributions to be recognized as liabilities when the employees are entitled to the benefits.

(ii) Share-based payments

The fair value of the shares granted to employees of the Group is recognized as an expense and recorded in the profit and loss account at the time of the grant. The fair value is measured at the grant date using the Black-Scholes model, adjusted for the expected volatility of the shares. When the employees are entitled to the shares, the liabilities are recognized. When the employees are entitled to the shares, the liabilities are recognized.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

The ca i g a , f a d e f e d a a e i e i e d a h e e d f e a c h e i g e i d a d i e d c e d h e e e h a i i , g e b a b e h a f f i c i e , a a b e f i i b e a a i a b e a h e e a e d a b e f i b e i i e d . A , c h e d c i i e e e d h e e e h a i b e c e b a b e h a f f i c i e , a a b e f i i b e a a i a b e .

C e , a b a a c e a d d e f e d a b a a c e , a d e e h e i , a e e e e d e a a e f e a c h h e a d a e f f e . C e , a a e a e f f e a g a i , c e , a i a b i i e , a d d e f e d a a e a g a i , d e f e d a i a b i i e , i f h e G h a h e e g a e f c e a b e i g h e f f c e , a a e a g a i , c e , a i a b i i e a d h e f i g a d d i a c d i i a e e :

i , h e c a e f c e , a a e a d i a b i i e , h e G i e d e i h e e e a e b a i , e a i e h e a e a d e e h e i a b i i i a e ;

i , h e c a e f d e f e d a a e a d i a b i i e , i f h e e a e i c e a e e i e d b h e a e a a i a h i i e i h e :

h e a e a a b e e i ;

d i f f e e , a a b e e i e , h i c h , i e a c h f e e i d i , h i c h i g i f i c a , f d e f e d a i a b i i e a e a e e e c e d b e e e d e c e e d , i e d e a i e h e c e , a a e a d e e h e c e , a i a b i i e a e b a i e a i e a d e e i a e .

(q) Provisions and contingent liabilities

P i i a e e c g i e d f h e i a b i i e f a c e a i i i g a , h e h e G h a a e g a c , c i e b i g a i a i i g a a e f a a e e , i i b a b e h a a f f e c , i c b e f e f i i b e e i e d e e h e b i g a i a d a e i a b e e i a e c a b e a d e . W h e h e i e a e f e i a e i a , i i a e a e d a h e e e a e f h e e e d i e e e c e d e e h e b i g a i .

W h e e i i b a b e h a a f f e c , i c b e f e f i i b e e i e d , h e a c a a b e e i a e d e i a b , h e b i g a i i d i c e d a a c i g e i a b i i , e h e b a b i i f f e c , i c b e f e f i i e e . P i b e b i g a i , h e e i e c e i b e c f i e d b h e c c e c e - c c e c e f e e f e e e a e a d i c e d a c i g e i a b i i e e h e b a b i i f f e c , i c b e f e f i i e e .

(r) Revenue and other income

I c e i c a i f i e d b h e G a e e e h e i a i e f h e a e f g d h e e b h e f h e G a e d e e a e i h e d i a c e f h e G b i e .

R e e e i e c g i e d h e c e a d c i a f e e d h e c e , h e e a e e h a h e i g h e h e a e a h e a f i e d c i d e a i , h i c h h e G i e e c e d b e e i e d , e c d i g h e a c e c e d b e h a f f h i d a i e . R e e e c d e a e a d d e d a a d i a f e d e d c i f a a d e d i c , e b a e a d g d e .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e di, Re, i, bi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (Continued)

F he de ai f he G ' e e, ea d he i c e ec gi i, icie a ea f :

(i) Sale of goods

F ae di ib , ce he d c a e de i e ed he ca i de ig a ed b he di ib hich i he i a hich he c f he e, ea g d i c ide ed ha e bee a fe ed he di ib a d he i a hich e e e i ec gi ed.

F ae h gh c ig ee , ce he d c a e d e d e b he c ig ee, he c f he g d i c ide ed ha e bee a fe ed i acc da ce ih he e f c ig e ag ee e a d e e e i ec gi ed a ha i.

(ii) Interest income

I e e i c e i ec gi ed a i acc e d e he effec i e i e e e h d i g he a e ha e ac di c e i a ed f e ca h ecei h gh he e ec ed ife f he fi a cia a e he g ca i ga f he fi a cia a e . F fi a cia a e ea ed a a i ed c ha a e c edi - i ai ed, he effec i e i e e a e i a i ed he g ca i ga f he a e . F c edi - i ai ed fi a cia a e , he effec i e i e e a e i a i ed he a i ed c (i.e. g ca i ga a fe f a a ce) f he a e (ee e 1(h)(i)).

(iii) Government grants

G e e e g a a e ec gi ed i he a e e f fi a cia i i i i a he, he e i ea a be a a ce ha he i be ecei ed a d ha he G i c ih he c di i a achi g he . G a ha c e a e he G f e e e i c ed a e

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Translation of foreign currencies (Continued)

N r - r e a a e a d i a b i i e h a a e e a e d i , e f h i i c a c i , a f e i g , c e , c a e a r a e d i g h e f e i g , e c h a g e a e i g a h e a r a c i , d a e . T h e a r a c i , d a e i h e d a e r h i c h h e c a r i i a e c g i e c h r - r e a a e i a b i i e .

T h e e f e a i , i d e a i , a d C h i , a a e a r a e d i , R e , i , b i a h e a e a g e e c h a g e a e f h e e a h i c h a i a i g h e f e i g , e c h a g e a e i g a h e d a e f h e a r a c i , . S a e e , f f i a c i a i i r i e a e a r a e d i , R e , i , b i a h e c i g f e i g , e c h a g e a e i g a h e e d f e i g e i d . T h e e i g e c h a g e d i f f e r e n c e a e e c g i e d i , h e c e h e i e i c e a d a c c a e d e a a e i , e i i , h e e c h a g e e e e .

O , d i a f a , e a i , i d e a i , a d C h i , a , h e c a i e a r f h e e c h a g e d i f f e r e n c e e a i g h a f e i g , e a i i e c a i f i e d f e i , f i h e , h e f i r d i a i e c g i e d .

(t) Borrowing costs

B i g c h a a e d i e c a i b a b e h e a c i i i , c , c i , d c i , f a , a e h i c h r e c e a i a e a b a i a e i d f i e g e a d f i i e d e e a e a e c a i a i e d a a f h e c f h a a e . O h e b i g c a e e e e d i , h e e a i , h i c h h e a e i c e d .

(u) Research and development

R e e a c h a d d e e e , c c i e a c h a a e d i e c a i b a b e e e a c h a d d e e e r a c i i e h a c a b e a c a e d r a e a r a b e b a i c h a c i i e . B e c a e f h e r a e f h e G ' e e a c h a d d e e e r a c i i e , h e c i e i a f h e e c g i i r f c h c a a a e a e g e e a r e r i a e i , h e d e e e r a g e f h e j e c h e , h e e a i i g d e e e c a e i a e i a . H e r e b h e e a c h c a d d e e e c a e g e e a e c g i e d a e e e i , h e e i d i , h i c h h e a e i c e d .

(v) Derivative financial instruments

D e i a i e f i a c i a i , e r a e e c g i e d a f a i a e . A h e e d f e a c h e i g e i d h e f a i a e i e e a e d . T h e g a i , r e e a e e r f a i a e i e c g i e d i e d i a e i , f i .

(w) Related parties

(i) A e r , a c e e b e f h a e r f a i , i e a e d h e G i f h a e r :

(a) h a c r j i c r e h e G ;

(b) h a i g i f i c a i f e r e e h e G ;

(c) i a e b e f h e e a r a g e e r e r e f h e G h e G ' a e r .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Related parties (Continued)

(iii) A e e i i e a e d h e G i f a , f h e f i , g c , d i i , a i e :

- (a) T h e e i a d h e G a e e b e f h e a e g (h i c h e a , h a e a c h a e , b i d i a a d f e b i d i a i e a e d h e h e).
- (b) O e e i i a a c i a e j i , e , e f h e h e e i (a a c i a e j i , e , e f a e b e f a g f h i c h h e h e e i i a e b e).
- (c) B h e i i e a e j i , e , e f h e a e h i d a .
- (d) O e e i i a j i , e , e f a h i d e i a d h e h e e i i a a c i a e f h e h i d e i .
- (e) T h e e i i a - e e b e e f i a f h e b e e f i f e e e f e i h e h e G a e e i e a e d h e G .
- (f) T h e e i i c , e d j i , c , e d b a e i d e i f i e d i (i).
- (g) a e i d e i f i e d i (i) (a) h a i g i f i c a i f e e e h e e i i a e b e f h e e a a g e e f h e e e f h e e i (f a a e f h e e i).
- (h) T h e e i , a e b e f a g f h i c h i i a a , i d e e a a g e e e e e e i c e h e G h e G ' a e .

C e f a i e b e f a i d i d i d a a e h e f a i e b e h a b e e e c e d i f e e c e , b e i f e e c e d b , h a i d i d i a i h e i d e a i g i h h e e i .

(x) Segment reporting

O e a i g e g e , a d h e a f e a c h e g e e i e e e d i h e f i a c i a a e e , a e i d e i f i e d f h e f i a c i a i f a i i d e d e g a h e G ' e i e e c i e a a g e e f h e e f a c a i g e e c e , a d a e i g h e e f a c e f , h e G ' a i i e f b i e a d g e g a h i c a i .

I d i d i a a e i a e a i g e g e a e a g g e g a e d f f i a c i a e i g e e h e e g e h a e i i a e c i c h a a c e i c a d a e i i a i e e c f h e a e f d c a d e i c e , h e a e f d c i , c e e , h e e c a f c e , h e e h d e d d i b e h e d c i d e h e e i c e , a d h e a e f h e e g a e i e . O e a i g e g e h i c h a e i d i d i a a e i a a b e a g g e g a e d i f h e h a e a a j i f h e e c i e i a .

T h e G e a e i a i g e b i e e g e , a f a c i g a d a e f e e a a d a c c e i e i h e P R C . A c c d i g , e g e a a a i i e e e .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i, R e, i, b i)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a new standard, IFRS 17, *Insurance Contracts*, which have been effective for the Group from 1 January 2019.

Except for IFRS 16, *Leases*, the Group had no accounting policy changes. The Group has adopted the new standard IFRS 16, *Leases*, which has been effective for the Group from 1 January 2019.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting definition, which is effective from 1 January 2019. The Group has adopted IFRS 16, *Leases*, which has been effective for the Group from 1 January 2019. The accounting policy has been changed.

IFRS 16 also introduces a new definition of a lease, which is effective from 1 January 2019. The Group has adopted IFRS 16, *Leases*, which has been effective for the Group from 1 January 2019. The accounting policy has been changed.

The Group has adopted IFRS 16 from 1 January 2019. The Group has elected to apply the modified retrospective approach. Under the approach, the Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019.

The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019.

a. *New definition of a lease*

The change in the definition of a lease is effective from 1 January 2019. IFRS 16 defines a lease as a contract that transfers the right to use an identified asset for a period of time in exchange for consideration. The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019.

The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019. The Group has applied the new standard from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact

IFRS 16 e i i a e h e e i e e f a e e c a i f e a e a e i h e e a i g e a e f i a c e e a e , a a e i e e i e d b I A S 1 7 . I e a d , h e G i e e i e d c a i a i e a e a e h e i i h e e e e , i c d i g e a e e i c a i f i e d a e a i g e a e e d e I A S 1 7 , h e h a h e h - e e a e a d e a e f - a e a e h i c h a e e e . F a e a i f h h e G a i e e e e a c c i g , e e e 1 (f) (i) .

A h e d a e f a i i I F R S 1 6 , h e G d e e i e d h e e g h f h e e a i i g e a e e a d e a e d h e e a e i a b i i e f h e e a e e i c a i f i e d a e a i g e a e a h e e e a e f h e e a i i g e a e a e , d i c e d i g h e e e a i c e e a b i g a e a 1 J a a 2 0 1 9 . T h e e i g h d a e a g e f h e i c e e a b i g a e e d f d e e i a i f h e e e a e f h e e a i i g e a e a e a 4 . 7 5 % .

T e a e h e a i i I F R S 1 6 , h e G a i e d h e f i g e c g i i e e i a d a c i a e e d i e a h e d a e f i i a a i c a i f I F R S 1 6 :

- (i) h e G e e c e d a h e e i e e f I F R S 1 6 i e e c f h e e c g i i f e a e i a b i i e a d i g h - f - e a e e a e f h i c h h e e a i i g e a e e e d i h i 1 2 h f h e d a e f i i a a i c a i f I F R S 1 6 , i . e . h e e h e e a e e e d e b e f e 3 1 D e c e b e 2 0 1 9 ; a d
- (ii) h e e a i g h e e a e i a b i i e a h e d a e f i i a a i c a i f I F R S 1 6 , h e G a i e d a i g e d i c a e a f i f e a e i h e a a b i i a c h a a c e i c (c h a e a e i h a i a e a i i g e a e e f a i i a c a f d e i g a e i a i i a e c i c e i e) .

T h e f i g a b e e c i e h e e a i g e a e c i e e a d i c e d i e 3 0 (b) a a 3 1 D e c e b e 2 0 1 8 h e e i g b a a c e f e a e i a b i i e e c g i e d a a 1 J a a 2 0 1 9 :

1 January 2019

RMB'000

O e a i g e a e c i e a 3 1 D e c e b e 2 0 1 8	2,339
L e : c i e e a i g e a e e e f c a i a i a i :	
h e e a e a d h e e a e i h e a i i g e a e e	(242)
e d i g e b e f e 3 1 D e c e b e 2 0 1 9	
L e : a f e i e e e e e e	(67)

L e a e i a b i i e e c g i e d a 1 J a a 2 0 1 9	2,030
---	-------

T h e i g h - f - e a e i e a i e a e e i c a i f i e d a e a i g e a e h a e b e e e c g i e d a a a e a h e a e c g i e d f h e e a i i g e a e i a b i i e .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The following table details the impact of the adoption of IFRS 16 on the Group's consolidated financial position:

	Carrying amount at 31 December 2018 RMB'000	Reclassification from lease prepayments (Note) RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Lease receivables	102,766	(102,766)		
Right-of-use assets		102,766	2,030	104,796
Total non-current assets	925,329		2,030	927,359
Lease liabilities (current)			1,526	1,526
Current liabilities	992,630		1,526	994,156
Net current assets	2,494,452		(1,526)	2,492,926
Total assets less current liabilities	3,419,781		504	3,420,285
Lease liabilities (non-current)			504	504
Total non-current liabilities	19,922		504	20,426
Net assets	3,399,859			3,399,859

Note: Lease receivables represent the amount of lease receivables from the PRC. The Group is a lessor of property and equipment. The carrying amount of lease receivables is measured at amortised cost less impairment. The Group has also adopted IFRS 16. As a result, the Group's lease receivables are measured at amortised cost less impairment. The Group's lease liabilities are measured at amortised cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

c. Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at January 1, 2019, the Group has applied the modified retrospective method to the adoption of the new lease accounting standard, and the details of the right-of-use assets and lease liabilities are disclosed in the accompanying notes. This is a retrospective application of the new standard from the beginning of the reporting period, as if IAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group has applied the retrospective method to the adoption of the new standard (see note 19(c)). The new standard has been applied to the consolidated statement of cash flows, as if the new standard had been applied from the beginning of the reporting period. As a result, the cash flows are affected, and the impact of IFRS 16 is reflected in the change in the cash flows in the consolidated statement of cash flows (see note 19(d)).

The impact of IFRS 16 on the Group's financial results and cash flows is significant for the period ended December 31, 2019.

d. Lessor accounting

The Group's lease income and office expenses are affected by the new standard. The accounting policy is the same as the previous period, but the change in the new standard of IAS 17.

3 REVENUE

The operating activities of the Group are affected by the adoption of the new standard. The accounting policy is the same as the previous period, but the change in the new standard of IAS 17.

During the period ended December 31, 2019 and 2018, the Group's operating activities are affected by the new standard. The accounting policy is the same as the previous period, but the change in the new standard of IAS 17.

4 OTHER NET INCOME

	2019 RMB'000	2018 RMB'000
Operating activities	83,218	74,387
Recurring operating expenses	4,117	2,700
Operating income	18,681	1,781
Other	9,806	8,159
	115,822	87,027

Operating activities of RMB83,218,000 (2018: RMB74,387,000) are affected by the new standard. The accounting policy is the same as the previous period, but the change in the new standard of IAS 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000
C e , a PRC C a e l , c e Ta (, e 24(a))	224,709	206,848
De fe e d a	(12,926)	(12,803)
	211,783	194,045

N e :

(i) P a , h e e a d e g a i , f h e C a a l a d a d h e B i i h V i g i l a d (B V I) , h e G i , b j e c a i , c e a i , h e C a a l a d a d h e B V I .

(ii) N i i , f H , g K , g P f i T a h a b e e , a d e a h e G d i d , h a e a e a b e f i b j e c H , g K , g P f i T a f h e e a e d e d 31 D e c e b e 2019 a d 2018 .

(iii) T a a i , f h e G ' P R C b i d i a i e i c a c a e d i , g h e i , c e a a e a i c a b e h e b i d i a i e . I , a c c d a , c e i h h e e a , P R C C a e l , c e T a L a , e g a i , a d i e e a i , g i d a , c e , e , e f h e b i d i a i e h a b e e , g a , e d A d a , c e d a d N e T e c h , g E , e i e a h i c h e i e h e b i d i a a e d c e d i , c e a a e a 15% f 2018 a d 2019 . I , a d d i , f h e G ' b i d i a i e i , c a e d i , h e T i b e A , g R e g i , f h e P R C a e e i e d a e d c e d i , c e a a e a 15% f 2018 a d 2019 .

(i) A c c d i , g h e C a e l , c e T a L a a d i i e e a i , e , d i d e d e c e i a b e b , a P R C c a e e i d e , f P R C e e i e a e b j e c i h h d i , g a a a e f 10% , e e d c e d b a e a i e a a g e e , f f i e a e d i , c e 1 J a , a 2008 . I , a d d i , f h e S i , - H , g K , g D b e T a A a g e e , a d i e e a , e g a i , , a i f i e d H , g K , g a e i d e , i b e i a b e f i h h d i , g a a h e a e f 5% f d i d e d i , c e e d e i e d f h e P R C i f h e H , g K , g a e i d e , i h e b e , e f i c i a e a d h d 25% e f h e e , i i e e f h e P R C c a . D e f e e d a i a b i i e h a e b e e , i d e d f i , h i e g a d b a e d , h e e e c e d d i d e d b e d i b e d f h e G ' P R C b i d i a i e i , h e f e e a b e f e i , e e c f h e f i g e a e d i , c e 1 J a , a 2008 .

De fe e d a i , c e d e d P R C d i d e d i h h d i , g a f R M B 30,450,000 i d e d f h e e a (2018: R M B 26,180,000) .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	1,023,963	945,239
Non-deductible expenses, including depreciation, amortization and impairment losses	258,047	233,410
Tax effect of non-deductible expenses	3,947	2,389
Tax effect of non-deductible expenses	(86)	(1,094)
Tax effect of accelerated depreciation (see 7(a)(iii))	(83,120)	(63,990)
Undeveloped land (see 7(a)(iii))	2,545	(2,850)
Withholding tax effect of dividend income paid by PRC subsidiaries (see 24(b))	30,450	26,180
Actual tax expense	211,783	194,045

8 DIRECTORS' EMOLUMENTS

Disclosed pursuant to Article 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2019 Total RMB'000
Executive Directors					
Wang Dingxiang	—	1,040	13		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E n e e d i , R e , i , b i)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Fee RMB'000	Basic salary, allowance and benefits RMB'000	Contributory employee benefits RMB'000	Director's bonus RMB'000	2018 Total RMB'000
Executive Directors					
Wang Dongxiang		1,040	13		1,053
Wang Liangxiang		1,300	13		1,313
Wang Congxiang		780	13		793
Cai Ruihan		585	13		598
Hu Chengchun		585			585
Pan Ruiqun		1,040	13		1,053
Independent Non-executive Directors					
Liu Hongte	200				200
Nie Xiang	200				200
Lai Shilian	200				200
Total	600	5,330	65		5,995

During the year, the Board has adopted a remuneration policy for the Directors as follows: the Director's bonus is determined by the Board according to the performance of the Company and the individual performance of the Director.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2018: five) are Directors. The details are set out in Note 8. The emoluments of the five highest paid individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salary and benefits	1,431	1,370
Director's bonus	493	483
Contributory employee benefits	16	15
Total	1,940	1,868

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

10 REMUNERATION OF SENIOR MANAGEMENT

Remuneration of senior management of the Group, including the highest paid executive directors, is as follows:

	2019 RMB'000	2018 RMB'000
Salaries and benefits	2,907	2,853
Director's fee	1,036	1,057
Contribution to employee benefit scheme	48	45
	3,991	3,955

Remuneration of the executive directors of the Group is as follows:

	2019 Number of individuals	2018 Number of individuals
Nil - HK\$1,000,000 (Nil - RMB897,000)	5	5
HK\$2,000,001 - HK\$2,500,000 (RMB1,793,001 - RMB2,241,000)	1	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of RMB812,180,000 (2018: RMB751,194,000) and the weighted average number of shares outstanding of 1,197,485,000 (2018: 1,197,247,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

12 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At January 2018	127,616	48,894	66,551	10,672	31,137	8,265	278,611	571,746
Additions		6,598	9,836	2,726	5,217	152	269,125	293,654
Transfer of construction in progress	105,582	4,649	4,545				(114,776)	
Disposals			(627)	(1,822)	(612)	(46)		(3,107)
Exchange adjustment		37			17	5		59
At 31 December 2018 and 1 January 2019	233,198	60,178	80,305	11,576	35,759	8,376	432,960	862,352
Additions	—	1,964	9,572	152	5,308	17	74,097	91,110
Transfer of construction in progress	25,375	1,384	5,888	—	—	—	(32,647)	—
Reclassification of re-evaluated property	(47,018)	—	—	—	—	—	—	(47,018)
Disposals	—	—	(730)	(37)	(506)	(8)	—	(1,281)
Exchange adjustment	—	15	—	—	8	2	—	25
At 31 December 2019	211,555	63,541	95,035	11,691	40,569	8,387	474,410	905,188
Accumulated depreciation:								
At January 2018	28,633	42,472	30,775	5,047	27,049	7,825		141,801
Change of lease	3,588	6,335	8,829	1,091	3,504	183		23,530
Write-back of impairment			(587)	(943)	(586)	(44)		(2,160)
Exchange adjustment		37			15	5		57
At 31 December 2018 and 1 January 2019	32,221	48,844	39,017	5,195	29,982	7,969	—	163,228
Change of lease	5,249	6,758	10,844	1,086	5,102	183	—	29,222
Reclassification of re-evaluated property	(131)	—	—	—	—	—	—	(131)
Write-back of impairment	—	—	(529)	(20)	(485)	(5)	—	(1,039)
Exchange adjustment	—	7	—	—	7	2	—	16
At 31 December 2019	37,339	55,609	49,332	6,261	34,606	8,149	—	191,296
Net book value:								
At 31 December 2019	174,216	7,932	45,703	5,430	5,963	238	474,410	713,892
At 31 December 2018	200,977	11,334	41,288	6,381	5,777	407	432,960	699,124

Construction in progress includes completed and under construction of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

13 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	118,062	118,062
Reclassification, impairment (12)	47,018	
At 31 December	165,080	118,062
Accumulated depreciation:		
At 1 January	19,251	16,513
Reclassification, impairment (12)	131	
Change in value	3,295	2,738
At 31 December	22,677	19,251
Net book value:		
At 31 December	142,403	98,811

The carrying amount of investment properties at the end of the reporting period is RMB142,403,000 (2018: RMB98,811,000). At 31 December 2019, the carrying amount of investment properties is determined by the Directors of the Company based on the fair value of the investment properties. The fair value of the investment properties is determined by the Company's independent valuation firm. The fair value of the investment properties is RMB218,100,000 (2018: RMB144,800,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

15 INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	27,493	23,642
Additions	4,194	3,851
At 31 December	31,687	27,493
Accumulated amortisation:		
At 1 January	20,741	18,027
Change for the year	3,170	2,714
At 31 December	23,911	20,741
Net book value:		
At 31 December	7,776	6,752

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

The carrying amount of intangible assets is reviewed at the end of each reporting period to determine whether there is any indication that the carrying amount may not be recoverable. If such indication exists, the carrying amount is written down to the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounts receivable and other receivables, based on the invoice date and reference, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	854,708	754,191
Over 3 months but within 6 months	96,993	68,349
Over 6 months but within 1 year	5,617	
	957,318	822,540

Trade receivables aged 90-240 days are classified as high risk. The default rate of the Group's credit records is significantly lower than trade receivables as per paragraph 29(a).

The following table summarizes the accounts receivable aging schedule as follows:

	2019 RMB'000	2018 RMB'000
As at January 1	9,154	75,903
Uncollectible receivables	—	(66,749)
As at December 31	9,154	9,154

18 PLEDGED BANK DEPOSITS

Bank deposits have been pledged as security for bank borrowings (see paragraph 21). The pledged bank deposits are used for the settlement of bank borrowings.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents held in the collectible receivables financing collectible receivables financing cash balances held	1,750,609	1,842,850

As at December 31, 2019, cash and cash equivalents held in the accounts and China's Renminbi (RMB)1,710,560,000 (2018: RMB1,806,243,000). Receivables financing held in the accounts and China's Renminbi (RMB)1,710,560,000 (2018: RMB1,806,243,000). Receivables financing held in the accounts and China's Renminbi (RMB)1,710,560,000 (2018: RMB1,806,243,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations:

N e	2019 RMB'000	2018 RMB'000
P fi bef e a a i ,	1,023,963	945,239
Adj e , f :		
De ecia i ,	6(b) 36,691	26,268
A i a i , f e a e e a e ,	6(b) —	2,383
A i a i , f i , a g i b e a e	6(b) 3,170	2,714
L / (g a i) , d i a f e , a a d e i e ,	6(b) 147	(103)
L e e , b a b i g	5 3,749	5,930
L e e , e a e i a b i i e	5 56	
L e e i c e	5 (51,685)	(69,360)
U e a i e d f e i g e c h a g e / (g a i)	5,179	(4,419)
Ch a g e i , i g c a i a :		
L e e a e i i e , e	(12,832)	(353,078)
L e e a e i , a d e a d h e e c e i a b e	(129,229)	(246,556)
Dec e a e / (l e e a e l i) e d g e d b a , d e i	6,255	(8,370)
(Dec e a e) / l e e a e i , a d e a d h e a a b e	(55,225)	281,178
(Dec e a e) / l e e a e i c , a c i a b i i e	(14,004)	20,166
C a h g e a e d f e a i ,	816,235	601,992

N e: The G h a i i a a i e d I F R S 1 6 i g h e d i f i e d e e c i e a a c h a d a d j e d h e e i g b a a c e a 1 J a a 2 0 1 9 e c g i e i g h - f - e a e a d e a e i a b i i e e a i g e a e h i c h e e e i c a i f i e d a e a i g e a e d e I A S 1 7 h e h a , h e h - e e a e . P e i , c a h a e , d e e a i g e a e a d e b h e G a a e e e f R M B 4 , 6 2 0 , 0 0 0 e e c a i f i e d a e a i g a c i i e i , h e c , i d a e d a e e , f c a h f . U d e I F R S 1 6 , e c e f h - e e a e a e , a e , f e a e f a e a e a d a i a b e e a e a e , i c d e d i h e e a e e , f e a e i a b i i e , a h e e a a i d , e a e a e , i i , c a i a e e e a d i e e e e e (e e e 1 9 (c)) a d c a i f i e d a f i a c i g c a h f . U d e h e d i f i e d e e c i e a a c h , h e c a a i e i f a i i , e a e d . F h e d e a i , h e i a c f h e a , i i , I F R S 1 6 a e e i , e 2 .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i, R e, i, b i)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

The above table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows are, or are expected to be, classified in the Group's cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 31 December 2018			
Initial recognition at 1 January 2019		2,030	2,030
At 1 January 2019	—	2,030	2,030
Changes from financing cash flows:			
Proceeds from bank borrowings	508,838	—	508,838
Repayment of bank borrowings	(508,838)	—	(508,838)
Capital lease payments	—	(1,526)	(1,526)
Lease payments	—	(56)	(56)
Total change from financing cash flows	—	(1,582)	(1,582)
Other changes:			
Interest expense	—	18	18
Lease expense (Note 5)	—	56	56
Exchange adjustment	—	15	15
Total other changes	—	89	89
At 31 December 2019	—	537	537

Note: The Group has applied IFRS 16 in the defined period and adjusted the carrying amount as at 1 January 2019 to recognize lease liabilities and lease expense which were previously accounted for under IAS 17. The impact of the change is detailed in Note 2(a)(b).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(d) Total cash outflow for leases

As at December 31, 2019 and 2018, the cash outflow for leases is as follows:

	2019 RMB'000	2018 RMB'000
With operating lease	3,288	4,620
With finance lease	38,851	
With financing lease	1,582	
	43,721	4,620

The cash outflow for leases is as follows:

	2019 RMB'000	2018 RMB'000
Lease expense	4,870	4,620
Payment of lease liability	38,851	
	43,721	4,620

Note: As amended in paragraph 19(b), the adoption of IFRS 16 in December 2019 has resulted in a change in classification of cash outflow for lease expense. The classification is as follows:

20 BANK LOANS AND FACILITIES

As at 31 December 2019 and 2018, the bank loans and facilities are as follows:

The amount of bank facilities and the interest rate for each of the period are as follows:

	2019 RMB'000	2018 RMB'000
Facilities	1,158,600	1,431,320
Used facilities are as follows:		
Bills payable (see 21)	29,820	50,670
Bank guarantee	35	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

21 TRADE AND OTHER PAYABLES



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

22 LEASE LIABILITIES

The f i g a b e h h e e a i i g c , a c a a i e f h e G ' e a e i a b i i e a h e e d f h e c e , e i g e i d a d a h e d a e f a i i , I F R S 1 6 :

	31 December 2019		1 January 2019 (N e)	
	Present value of the minimum	Total minimum	P e e a e f h e i j	T a
2.21263816 563.0137 Tm 226 6 € • € €				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i, R e i, b i)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The c e e f defe ed a a e a d iabi i e e g i e d i, h e c, i d a e d a e e, f f i a c i a i i a d h e e e, d i g h e e a e a f :

	Deferred tax assets/(liabilities) arising from			Total RMB'000
	Accrued expenses and others RMB'000	Impairment of trade receivables RMB'000	Undistributed profits of PRC subsidiaries RMB'000	
A 1 Ja a 2018	4,572	1,433	(32,714)	(26,709)
C e d i e d / (c h a g e d) c, i d a e d a e e, f f i a d h e c e h e i e i c e	11		(26,180)	(26,169)
R e e a e d i d i b i f d i d e d			38,972	38,972
A 31 D e c e b e 2018 a d 1 J a a 2019	4,583	1,433	(19,922)	(13,906)
C e d i e d / (c h a g e d) c, i d a e d a e e, f f i a d h e c e h e i e i c e	14,807	—	(30,450)	(15,643)
R e e a e d i d i b i f d i d e d	—	—	28,569	28,569
A 31 D e c e b e 2019	19,390	1,433	(21,803)	(980)

R e c i a i, h e c, i d a e d a e e, f f i a c i a i i :

	2019 RMB'000	2018 RMB'000
De f e e d a a e	20,823	6,016
De f e e d a i a b i i e	(21,803)	(19,922)
	(980)	(13,906)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends received from PRC subsidiaries in respect of the financial year ended since 1 January 2008. As at 31 December 2019, deferred tax liabilities in respect of a difference arising from undistributed profits of RMB2,227,267,000 (2018: RMB1,984,097,000) were recognised under the Cayman Islands dividend withholding tax provisions.

The deferred tax liability is a difference arising from deferred tax liabilities recognised as at 31 December 2019 and 2018.

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

Net	2019 RMB'000	2018 RMB'000
Non-current assets		
Investment in subsidiaries	142,492	139,600
Current assets		
Accounts receivable	186,138	437,744
Prepaid expenses	198	207
Cash and cash equivalents	4,603	5,182
	190,939	443,133
Current liabilities		
Accounts payable	2,275	2,229
Other liabilities and accrued	80	162
	2,355	2,391
Net current assets	188,584	440,742
Net assets	331,076	580,342
Capital and reserves		
Share capital	26(a)	105,517
Reserves	26(b)	225,559
Total equity	331,076	580,342

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Movements in components of equity

The accompanying table sets out the movements in each component of the Group's equity attributable to the shareholders of the Company. Details of the change in the Company's dividend policy are set out in the beginning and end of the financial statements.

The Company

Note	Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits	Total equity
	(note 26(a)) RMB'000	(note 26(d)(i)) RMB'000	(note 26(d)(iii)) RMB'000	(note 26(d)(iv)) RMB'000	RMB'000	RMB'000
At 1 January 2018	105,492	27,096	2,250	(52,588)	226,503	308,753
Change in 2018:						
Transaction of the year				23,719	739,349	763,068
Change in fair value of financial assets	(21)		21			
Share issued during the year	46	4,315	(1,275)			3,086
Dividend paid to shareholders of the Company					(252,712)	(252,712)
Dividend declared to shareholders of the Company					(241,853)	(241,853)
At 31 December 2018 and 1 January 2019	105,517	31,411	996	(28,869)	471,287	580,342
Change in 2019:						
Transaction of the year				16,780	345,506	362,286
Dividend paid to shareholders of the Company					(328,196)	(328,196)
Dividend declared to shareholders of the Company					(283,356)	(283,356)
At 31 December 2019	105,517	31,411	996	(12,089)	205,241	331,076

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i, R e, i q b i)

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 RMB'000	2018 RMB'000
Li e i di ide d dec a ed a d aid f HK18 ce q (2018: HK16 ce q) e ha e	196,170	168,246
S ecia i q e i di ide d dec a ed a d aid f HK8 ce q (2018: HK7 ce q) e ha e	87,186	73,607
Fi a di ide d ed a f e he e d f he e i q e i d f HK21 ce q (2018: HK21 ce q) e ha e	225,444	222,326
S ecia fi a di ide d ed a f e he e d f he e i q e i d f HK10 ce q (2018: HK10 ce q) e ha e	107,355	105,870
	616,155	570,049

The fi a di ide d a d ecia fi a di ide d ed a f e he e d f he e i q e i d ha e q bee q ec g i ed a i a b i i e a he e d f he e i q e i d.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019 RMB'000	2018 RMB'000
Fi a di ide d i q e ec f he e i fi a q cia ea f HK21 ce q (2018: HK18 ce q) e ha e	222,326	174,954
S ecia fi a di ide d i q e ec f he e i fi a q cia ea f HK10 ce q (2018: HK8 ce q) e ha e	105,870	77,758
	328,196	252,712

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

Under the Company Law of the PRC, the share premium account of the Company is established for the purpose of recording the amount of the share premium received by the Company in excess of the par value of the shares issued. The share premium account is a part of the Company's equity and is not available for distribution to shareholders.

(ii) Statutory reserve

According to the Company Law of the PRC, the Company is required to set aside 10% of its after-tax profit (after deducting income tax and other items) as statutory reserve until it reaches 50% of the registered capital. The amount of the statutory reserve shall be used for the following purposes:

The statutory reserve shall be used, for example, to supplement the registered capital of the Company, to pay off the principal and interest of the Company's bonds, and to pay off the principal and interest of the Company's loans.

(iii) Capital reserve

The capital reserve consists of the following:

(i) Fair value change reserve: The fair value change reserve is established to record the fair value change of the Company's investment in equity instruments. The fair value change reserve is calculated as follows: RMB1,143,000.

(ii) The reserve for the acquisition of minority interests: The reserve for the acquisition of minority interests is established to record the difference between the fair value of the minority interests and the book value of the minority interests. The reserve for the acquisition of minority interests is calculated as follows: RMB200,000.

(iii) The reserve for the disposal of long-term equity investments: The reserve for the disposal of long-term equity investments is established to record the difference between the fair value of the long-term equity investments and the book value of the long-term equity investments. The reserve for the disposal of long-term equity investments is calculated as follows: RMB1,000,000.

(iv) The reserve for the disposal of long-term equity investments: The reserve for the disposal of long-term equity investments is established to record the difference between the fair value of the long-term equity investments and the book value of the long-term equity investments. The reserve for the disposal of long-term equity investments is calculated as follows: RMB1,000,000.

(iv) Exchange reserve

Exchange reserve is established to record the difference between the fair value of the exchangeable debt instruments and the book value of the exchangeable debt instruments. The exchange reserve is calculated as follows: RMB1,000,000.

(e) Distributability of reserves

As at December 31, 2019, the aggregate amount of the Company's reserves available for distribution is RMB248,358,000, of which RMB236,652,000 (2018: RMB539,816,000, of which RMB502,698,000) is available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group is a bjec i e h e , a a g i g c a i a a e a f e g a d h e G ' a b i i c , i e a a g i g c , h a i c a c i e i d e e f h a e h d e a d b e f e f h e a e h d e , b i c i g d c a d e i c c e , a e i h h e e e f i a d b e c i g a c c e f i a c e a a e a b e c .

The Group ac i e a d e g a e i e a d a a g e i c a i a c e a i a i a b a a c e b e e , h e h i g h e h a e h d e ' e , h a i g h b e i b e i h h i g h e e e f b i g a d h e a d a a g e a d e c i a f f d e d b a d c a i a i i , a d a e a d j e , h e c a i a c e i g h f c h a g e i e c i c c d i .

N e i h e h e C a , a f i b i d i a i e a e b j e c e e a i e d c a i a e i e e .

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC b i d i a i e f h e G a i c i a e i , d e f i e d c , i b i , e i e e , b e f e i c h e e (h e S c h e e) g a i e d b h e P R C i c i a a d i c i a g e , e a h i i e h e e b h e P R C b i d i a i e a e e i e d a e c , i b i , a h e a e f 12% 20% f h e e i g i b e e e ' a a i e h e S c h e e . T h e G h a a c c e d f h e e i e d c , i b i , h i c h a e e i e d h e e e c i e c a g e , e a h i i e h e , h e c , i b i , b e c e d e . T h e c a g e , e a h i i e a e e i b e f h e e i , b i g a i , a a b e h e e i e d e e e c e e d d e h e S c h e e .

The Group a e a e a M a , d a P i d e , F d S c h e e (h e M P F c h e e) d e h e H , g K , g M a , d a P i d e , F d S c h e e O d i a c e f e e e e d i , H , g K , g . T h e M P F c h e e i a d e f i e d c , i b i , e i e e , c h e e a d i i e e d b i d e e d e , e . U d e h e M P F c h e e , h e G a d i e e e a e e a c h e e i e d a e c , i b i , h e c h e e a 5% f h e e e ' e e a i c e , b j e c a c a f , h e e a a i c e f H K \$ 30,000 . C , i b i , h e c h e e e i e d i a e .

The Group h a , h e a e i a b i g a i f h e a e , f e i , b e f e i b e d h e c , i b i , d e c i b e d a b e .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The share-based payment expense of the Company for 4 September 2019 is recorded for 3 September 2019 and the share-based payment expense is recorded for the period ending 31 December 2019.

The Company has adopted the share-based payment plan (the 2019 Share Option Scheme) as a share-based payment plan for the employees of the Company. Pursuant to the 2019 Share Option Scheme, the Director of the Company, Mr. Li, has exercised his option to subscribe for 119,748,491 shares of the Company's ordinary shares.

No share-based payment expense of the 2019 Share Option Scheme is recorded for the period ending 31 December 2019.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

The Group is exposed to credit risk, liquidity risk and market risk, which are discussed in the notes to the financial statements. The Group's financial risk management objectives and policies are set out in the following sections.

(a) Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its obligations to the Group. The Group's credit risk is primarily related to trade receivables. The Group's credit risk is managed by the Group's credit management department. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade receivables.

The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade receivables.

Trade and bills receivables

The Group's trade and bills receivables are primarily related to the Group's sales of products. The Group's trade and bills receivables are managed by the Group's credit management department. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables.

The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables.

The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables. The Group's credit management department has established a credit management system to monitor and control the credit risk of the Group's trade and bills receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(a) Credit risk (Continued)

Trade and bills receivables (Continued)

The following table provides a breakdown of the Group's trade receivables and ECL for trade receivables:

	Expected loss rate %	2019 Gross carrying amount RMB'000	Loss allowance RMB'000
Current (trade)	0.5%	951,701	4,610
Leasehold 3 months			
3 months trade	7.9%	9,335	739
Payment 3 months	70.0%	5,436	3,805
		966,472	9,154
		2018	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (trade)	0.6%	825,526	5,073
Leasehold 3 months			
3 months trade	16.5%	2,499	412
Payment 3 months	100.0%	3,669	3,669
		831,694	9,154

The Group's trade receivables are expected to be based on the Group's historical credit experience and the ageing. The ageing is adjusted for specific differences between expected credit loss and the actual loss which the historical data has been recorded, current credit and the Group's specific credit risk. The expected loss is based on the expected loss.

The ageing is expected to be based on the ageing of each financial asset and the expected loss is based on the expected loss.

At 31 December 2019, the Group had ended balance receivable in trade receivables RMB325,668,000 (2018: RMB329,440,000), which is expected to be a financial asset. The ageing is based on the Group's historical data. In addition, the Group's trade receivables are expected to be based on the ageing. Because the trade receivables are expected to be based on the ageing, the Group's trade receivables are expected to be RMB325,668,000 (2018: RMB329,440,000) before the end of 30 June 2020.

The Group's trade receivables are expected to be based on the ageing of each financial asset and the expected loss is based on the expected loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in RMB)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(b) Liquidity risk

The Group's liquidity risk management objective is to ensure that it has sufficient cash and cash equivalents to meet its financial obligations as they fall due.

The following table shows the carrying amount of the Group's financial liabilities, which are based on carrying amount of cash and cash equivalents, and the carrying amount of the Group's financial liabilities, which are based on carrying amount of cash and cash equivalents, and the carrying amount of the Group's financial liabilities, which are based on carrying amount of cash and cash equivalents.

	2019		2018	
	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount at 31 Dec RMB'000	Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount at 31 Dec RMB'000
Total of the above	755,828	755,828	817,417	817,417
Lease liabilities (note 1)	548	537		
	756,376	756,365	817,417	817,417

Note: The Group has applied IFRS 16 and the modified retrospective approach to the lease liability as at 1 January 2019. The carrying amount of lease liabilities is higher than the carrying amount of lease liabilities under IAS 17. The carrying amount of lease liabilities is calculated based on the modified retrospective approach to IFRS 16 and the carrying amount of lease liabilities is calculated based on the retrospective approach to IAS 17. The carrying amount of lease liabilities is calculated based on the retrospective approach to IAS 17 and the carrying amount of lease liabilities is calculated based on the retrospective approach to IAS 17.

(c) Currency risk

The Group's business is primarily conducted in RMB and the Group's revenue is primarily denominated in RMB. Accordingly, the management does not hedge the Group's currency risk. The Group does not use financial instruments for hedging.

(d) Fair value

A financial liability is measured at fair value if it is a derivative or a financial instrument that is measured at fair value. The fair value of the Group's financial liabilities is measured at fair value as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e di, Re i bi)

30 COMMITMENTS

- (a) Ca i a c i e, f he G i, e ec f e, a a a de i e, a d c e e e a d f a e a di g a 31 Dece be 2019, ided f i he fi a cia a e e e e a f :

	2019 RMB'000	2018 RMB'000
C a c ed f	104,016	55,247
A h i ed b c a c ed f	318,062	346,079
	422,078	401,326

- (b) A 31 Dece be 2018, he a f e i i e a e a e, de r ca ce a be e a i g e a e e e a a b e a f :

	P e ie RMB'000
Wi hi e e a	1,836
A f e e e a b i hi e a	503
	2,339

The G i he e e i, e ec f a, be f e i e h e d de e a e h i c h e e e i c a i f i a e a i g e a e de IAS 17. The G h a i i a a i e d IFRS 16 i g he d i f i e e e c i e a a c h. U de h i a a c h, he G a d j e d he e i g b a a c e a 1 J a a 2019 e c g i e e a e i a b i i e e a i g he e e a e e c e h - e e a e (e e e 2). F 1 J a a 2019 a d, f e e a e a e, a e e c g i e d a e a e i a b i i e i, he c a i d a e e e f f i a c i a i i i a c c d a c e i h he i c i e e i, e 1(f), a d he d e a i e g a d i g he G ' f e e a e a e, a e d i c e d i, e 22.

31 MATERIAL RELATED PARTY TRANSACTIONS

I a d d i, he e a e d a i f a i a d i c e d e e he e i, he fi a cia a e e, he G e e e d i, he f i g a e i a e a e d a a a c i.

O, 19 Dece be 2016, he G e e e d i, a h e e a e a e i, e ec f c e a i, e a e h d e i e i h J i a g (F j i a) I e e C., L d. (J i a g F j i a) h i c h i h e d b M. Wa g D g X i g, M. Wa g L i a g X i g a d M. Wa g C g X i g, h e e f he E e c i e D i e c a d c, i g h a e h d e f he C a a. D i g he e a e d e d 31 Dece be 2019, a e a a i d a a b e b he G de he e a c a g e e a e d RMB3,240,000 (2018: RMB3,240,000). Thi e a e d a a a c i, c a i e d c a i i g c e e c e d a a c i a d e f i e d i, C h a e 14A f he L i g R e.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

32 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income taxes (Continued)

Defe d a a e a e e c g i e d f d e d c i b e e a d i f f e r e n c e . A h e d e f e d a a e c a , r e b e c g i e d h e e e , h a i i b a b e h a f e f i i b e a a i a b e a g a i , h i c h h e d e d c i b e e a d i f f e r e n c e c a , r e b e i i e d , a a g e e , j d g e e , i e i e d a e h e b a b i i f f e a a b e f i .

(d) Net realisable value of inventories

The G e f e g a e i e f h e c a i g a , f i e , i e i h e f e e , a g e a g e d i e , i e a a i , j e c i , f e e c e d f e a e a b i i f g d a d a a g e e e e i e e a a d j d g e e . B a e d , h i e i e , i e - d , f i e , i e i b e a d e h e , h e c a i g a a , f i e , i e d e c i e b e h e i e i a e d e e a i a b e a e . D e c h a n g e i , a e c c , d i i , a c a a e a b i i f g d a b e d i f f e e f e i a i a d f i c d b e a f f e c e d b d i f f e e i , h i e i a i .

(e) Loss allowance for trade receivables

The G e i a e h e a a a c e f a d e e c e i a b e b a e i g h e E C L . T h i e i e h e e f e i a e a d j d g e e . E C L a e b a e d , h e G ' h i i c a c e d i e e i e e , a d j e d f f a c h a a e e c i f i c h e d e b a d a a e e e f b h h e c e a d f e c a g e e a e c , i c c , d i i a h e e d f e i g e i d . W h e e h e e i a i i d i f f e e f h e i g i a e i a e , c h d i f f e e i a f f e c h e c a i g a , f a d e e c e i a b e a d h h e i a i e , i h e e i d i , h i c h c h e i a e i c h a n g e d . T h e G e e a e i g h e e e c e d c e d i f a d e e c e i a b e d i g h e i e e c e d i e .

(f) Bank acceptance bills

A e i , e 29(a), h e G c , i d e h a h e c e d i i a c i a e d i h b a , a c c e a c e b i i e d b a j b a , i h e P R C b e i i g i f i c a . T h e G i h e c e d i i f i i g b a . T h e j d g e e d e c g i e b a , a c c e a c e b i , d i c i g e d e e i e i e e d h e , h e c e d i i f i i g b a , d e e i a e i g i f i c a .

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The c a i b e a i e e a 2020 h a b g h a b a d d i i a a c e a i i e i , h e G e a i g e i e e a d h a i a c e d h e G e a i a d f i a c i a i i .

The G h a b e e c e i i g h e i a c f h e d e e e , h e G ' b i e e a d h a i a c e c i g e c e a e . T h e e c i g e c e a e i c d e : a e i g i e ' e a d i e ; c i c a i g i h d i i b f c e h e i a e e f a c e ; e d c e h e d c i f h e 2020 f a d c f a c i a e h e d e c i g f h e i g c h a e i e i e . T h e G i e e c i g e c e a e d e e i e a h e i a i e e .

A f a a h e G ' b i e e a e c e e d , h e b e a h a a d e e i a c e d h e a e , e d e b ' e a e a b i i e a d e f i e . A h e e e , h i c h h e c a i b e a i c i e i a c e a i i i a c i c a b e e i a e h e f i a c i a e f f e c h a h e c a i b e a a h a e , h e G ' b i e e a a h e d a e h e , h e f i a c i a a e e i a h i e d i e .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(E e e d i , R e , i , b i)

35 SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment and operation	Particular of issued and fully paid-up capital	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
Xi a g Li a g Ga e , L d . (Xi a g Li a g) (e b)	The PRC	RMBNi	100%		Wh e a i g f e e a a d a c c e i e
Xi a g Li g Sha g Ga e , L d . (Xi a g Li g Sha g) (e b)	The PRC	HK\$Ni	100%		Wh e a i g f e e a a d a c c e i e
B j j a d a (X i a e) Ga e , L d .	The PRC	US\$27,000,000	100%		Wh e a i g f e e a a d a c c e i e

N e :

- (a) E c e f X i a g L i a g , a e i e e a b i h e d i , h e P R C a e h f e i g , e d e e i e . X i a g L i a g i a i i e d i a b i i c a e a b i h e d i , h e P R C .
- (b) T h e e g i e e d c a i a f X i a g L i a g a d X i a g L i g S h a g a e R M B 2 0 , 0 0 0 , 0 0 0 a d H K \$ 5 0 , 0 0 0 , 0 0 0 e e c i e h i c h e e e b e c , i b e d b h e G a 3 1 D e c e b e 2 0 1 9 . T h e e i , a i c a e i e e , h e i i g f h e c , i b i .

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

A 31 D e c e b e 2 0 1 9 , h e D i e c c , i d e h e i e d i a e a d i a e c , i g a f h e G b e X i a S h e g l e a i a L i i e d , h i c h i i c a e d i , h e B i i h V i g i l a d . T h e i d e , d c e f i a a e e a a i a b e f b i c e .

FIVE YEARS SUMMARY

(Expressed in RMB)

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
Revenue	2,689,093	2,411,638	2,441,057	3,167,872	3,658,471
Profit before tax	794,143	663,353	668,946	881,863	979,795
Finance income	69,441	83,423	52,543	63,376	44,168
Profit before tax	863,584	746,776	721,489	945,239	1,023,963
Income tax	(238,419)	(206,912)	(110,450)	(194,045)	(211,783)
Profit for the year	625,165	539,864	611,039	751,194	812,180
Earnings per share					
Basic (cent)	51.83	44.66	50.71	62.74	67.82
Diluted (cent)	51.77	44.66	50.71	62.74	67.82
Assets and liabilities					
Non-current assets	411,455	553,346	745,849	925,329	1,032,680
Current assets	2,538,461	2,507,484	2,430,996	2,494,452	2,595,402
Total assets	2,949,916	3,060,830	3,176,845	3,419,781	3,628,082
Non-current liabilities	38,718	49,268	35,114	19,922	21,803
Net asset	2,911,198	3,011,562	3,141,731	3,399,859	3,606,279
Capital and reserves					
Share capital	106,458	106,467	105,492	105,517	105,517
Reserves	2,804,740	2,905,095	3,036,239	3,294,342	3,500,762
Total equity	2,911,198	3,011,562	3,141,731	3,399,859	3,606,279

Note: The Group has adopted IFRS 16 as of January 1, 2019 using the modified retrospective approach. Under the approach, the cumulative effect of the adoption is recognized in the opening balance sheet of the reporting period. See Note 2 for the details of the adoption of IFRS 16.