合景泰富集團
KWG GROUP HOLDINGS

Build Home
With Heart

Create Future
With Aspiration

2019 ANNUAL REPORT

KWG GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

www.kwggroupholdings.com

KWG 2019

Contents

Corporate Information and Information for Shareholders

Corporate Information

Directors

Executive Directors

KONG Jianmin *(Chairman)*
KONG Jiantao
(Chief Executive Officer)
KONG Jiannan
CAI Fengjia
TSUI Kam Tim
(resigned on 12 August 2019)

Independent Non-executive Directors

LEE Ka Sze, Carmelo *JP*
TAM Chun Fai
LI Binhai

Company Secretary

CHAN Kin Wai
(appointed on 12 August 2019)
TSUI Kam Tim
(resigned on 12 August 2019)

Authorised Representatives

KONG Jianmin
CHAN Kin Wai
(appointed on 12 August 2019)
TSUI Kam Tim
(resigned on 12 August 2019)

Audit Committee

TAM Chun Fai *(Chairman)*
LEE Ka Sze, Carmelo *JP*
LI Binhai

Remuneration Committee

TAM Chun Fai *(Chairman)*
KONG Jianmin
LI Binhai

Nomination Committee

KONG Jianmin *(Chairman)*
TAM Chun Fai
LI Binhai

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Units 8503–05A, Level 85
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank
Corporation
Industrial and Commercial Bank
of China Limited
The Bank of East Asia, Limited
Standard Chartered Bank (China)
Limited
Standard Chartered Bank
(Hong Kong) Limited
Shanghai Pudong Development
Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
Hang Seng Bank (China) Limited
Hang Seng Bank Limited

Auditor

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Information for Shareholders

Website

www.kwggroupholdings.com

Stock Code

1813 (Main Board of The Stock
Exchange of Hong Kong Limited)

2019 Financial Calendar

Interim results announcement	:	28 August 2019
Interim dividend paid	:	16 January 2020
Annual results announcement	:	25 March 2020
Closure of register of members[1]	:	2 to 5 June 2020 (both days inclusive)
Annual general meeting	:	5 June 2020
Ex-dividend date for final dividend	:	10 June 2020
Closure of register of members[2]	:	12 to 16 June 2020 (both days inclusive)
Final dividend payable	:	on or around 7 August 2020

Notes: 1. For the purpose of determining shareholders' entitlement to attend and vote at the annual general meeting
2. For the purpose of determining shareholders' entitlement to the proposed final dividend

Corporate Profile

Founded in 1995, KWG Group Holdings Limited ("KWG" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Group has been focusing on the development, sales, operation and management of high quality properties.

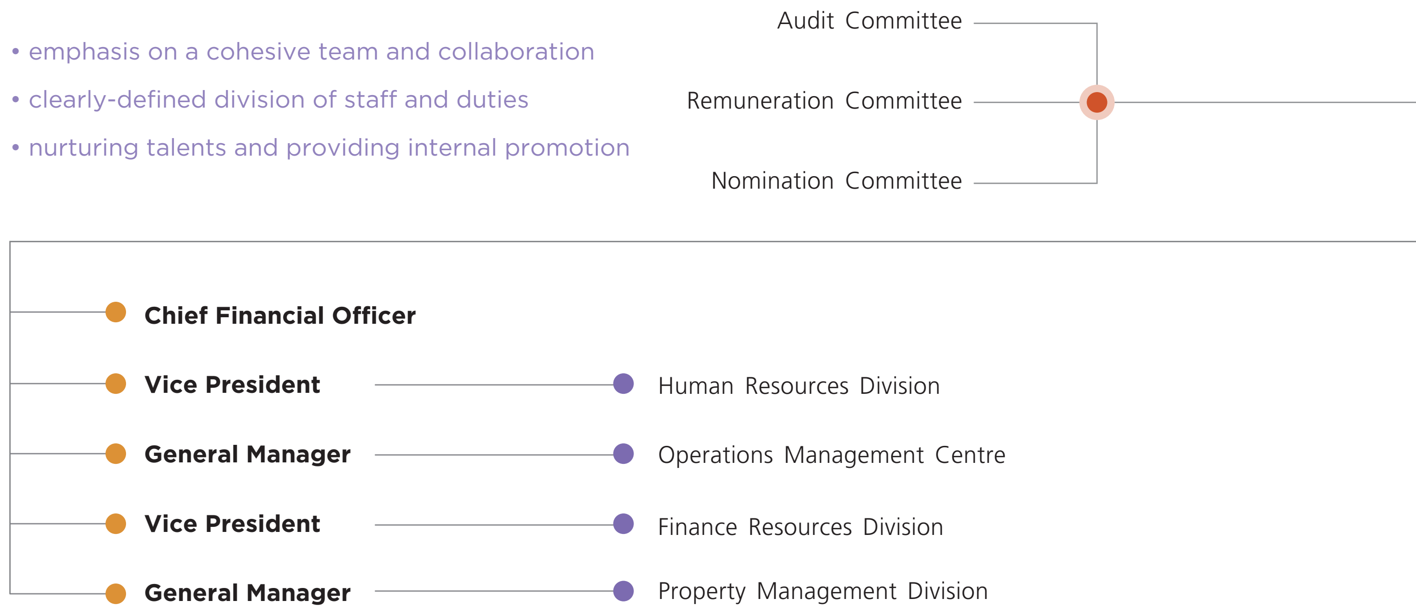
Over the past 25 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Shenzhen, Foshan, as its hub for South China, Shanghai, Hangzhou, Suzhou, Hefei for East China, Chengdu, Chongqing, Nanning for Southwest China, Beijing, Tianjin for North China, Wuhan for Central China and the Group's footprint has been expanded to Hong Kong since 2017.

The Group's current land bank is sufficient for development in the coming 3 to 5 years.

The Group will focus on the development of residential properties and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure stable development, the Group will strengthen the residential properties as the main force by implementing a fast growth strategy since 2017, while maintaining the proportion of commercial properties, such as offices, hotels and shopping malls, to be held in long term as investment properties.

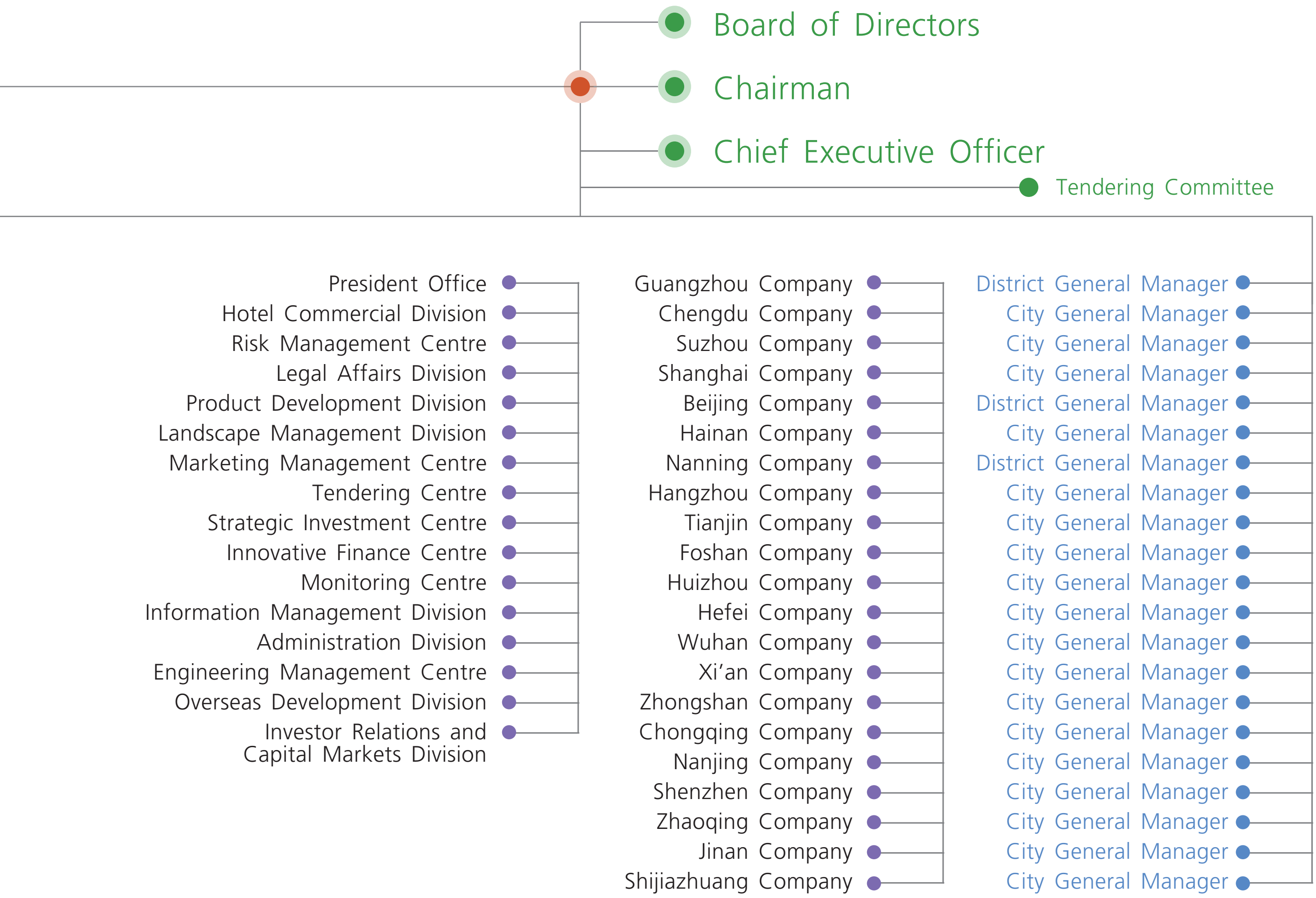
Management Structure of the Group

- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion

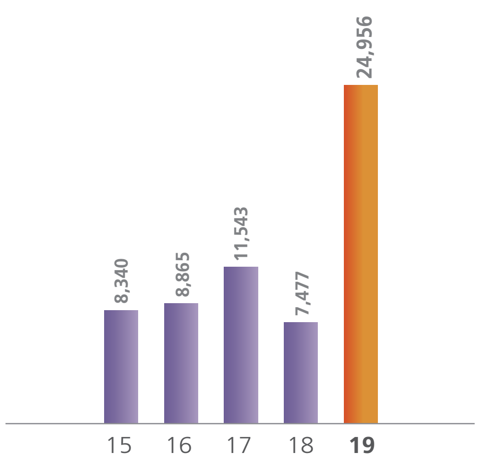


Financial Highlights

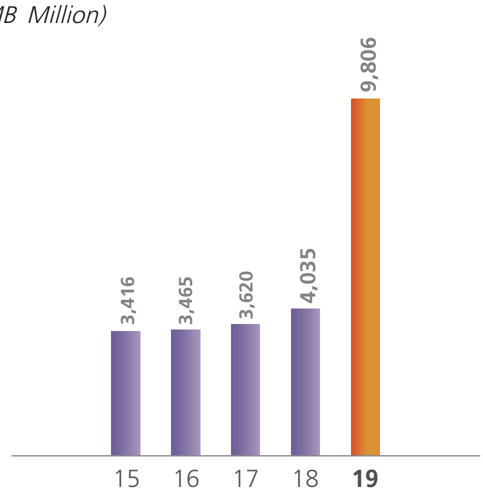
	Year Ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
CONSOLIDATED RESULTS					
Revenue	**24,956,261**	7,477,471	11,543,072	8,865,329	8,339,756
Profit attributable to owners of the Company	**9,805,813**	4,035,415	3,620,071	3,464,714	3,416,248
Earnings per share attributable to owners of the Company (RMB cents)					
– Basic	**309**	128	117	115	115
– Diluted	**309**	127	117	115	115
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**214,322,679**	184,537,161	134,945,038	110,741,810	79,681,417
Total liabilities	**176,080,088**	152,765,152	106,699,345	86,732,898	57,322,501



Revenue
(in RMB Million)



Profit Attributable to Owners of the Company
(in RMB Million)



Honours and Awards

Some of the awards received by the Group are set out below:

Year	Award	Project/Branch	Institution
2019	2019 China's Top 30 Listed Real Estate Enterprises	The Group	Guandian.cn
2019	2019 Top 100 PRC Property Enterprises	The Group	China Index Academy
2019	2019 Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strength	The Group	China Index Academy
2019	2019 Top 500 PRC Private Enterprises	The Group	All-China Federation of Industry and Commerce
2019	2019 Election of PRC Valuable Property — Valuable Listed Property Company for the Year	The Group	National Business Daily
2019	Golden Brick Award for Real Estate in China— 2019 Property Enterprise with Outstanding Influence	The Group	21st Century Business Herald
2019	Guangdong-Hong Kong-Macau Greater Bay Area Golden Competitive Award	The Group	Time Weekly
2019	2019 Top 100 Private Enterprises in Guangdong Province (the 50th)	The Group	Guangdong Federation of Industry & Commerce
2019	CIHAF 2019 Reputable PRC Property Enterprises	The Group	China Real Estate Newspaper Group
2019	Property Enterprise with Outstanding Contribution in Yangtze River Delta	Hangzhou Company	Yangtze River Delta Party Media Urban Development Alliance
2019	2019 Guangzhou Property Value List — Benchmark Urban Property In Guangzhou	Guangzhou Montkam	Guangzhou Real Estate Industry Association
2019	Mansion with Best Value for Holding in Greater Bay Area	Guangzhou The Jadeite	Fang.com
2019	2019 Dianping's Must Shop List for Shopping Malls	Chengdu U Fun	dianping.com
2019	2019 Dianping's Must Shop List for Shopping Malls	Suzhou U Fun	dianping.com
2019	2018 Shanghai Art Business District — Outstanding Commercial Enterprise	Shanghai U Fun	Shanghai Municipal Administration of Culture and Tourism, Shanghai Commission of Commerce

Year	Award	Project/Branch	Institution
2019	2019 CCFA Golden Lily Shopping Mall — Best Marketing Award	Beijing M • Cube	China Chain Store & Franchise Association
2019	2020 Project Worth Investing with Commercial Value in Chengdu	Chengdu M • Cube	Gomall
2019	Outstanding Operator in Commercial Real Estate for the Year	The Group's Commercial Segment	winshang.com
2019	2019 Top 100 PRC Property Service Enterprises — Top 18	Liege Property Services	China Index Academy
2019	2019 Top 100 PRC Leading Property Service Enterprises by Service Quality	Liege Property Services	China Index Academy
2019	2019 Top 10 Enterprises in Property Service Satisfaction in Guangdong Province	Liege Property Services	Guangdong Province Urban Community Development Research Association — Guangdong Province Property Service Satisfaction Survey Committee
2019	2019 Guangdong-Hong Kong-Macau Greater Bay Area Enterprise with Leading Position in Property Service Market	Liege Property Services	China Index Academy
2019	19th China Golden Horse Award Ceremony — Top 10 Hotel Management Companies	The Mulian Hotel	Jury of China Golden Horse Award
2019	Asia Influential Brand — Best Aesthetically Designed Hotel in Asia	The Mulian Hotel	Entrip

wards

Chairman's Statement

"Our meticulous attention to details and pursuance of exquisite quality allow customers to have higher expectation. While optimizing the value of land, we endeavour to provide customers with an extraordinary lifestyle."

Dear Shareholders,

Year 2019 is an important landmark for KWG which celebrated the 24th anniversary of its incorporation and the 12th anniversary of its IPO. In traditional Chinese culture, the number "12" signifies tenacity and fulfilment. In the case of KWG, we developed from "0" to "1" during our first 12 years: identified a unique business model followed by the IPO in Hong Kong, highlighting the recognition from our investors and customers. With their support, KWG spent the next 12 years making bold attempts and breakthroughs in line with the government's macro-economic policies, replicating its successful business model to expand from South China to the whole country and achieve qualitative development.

Now that the third 12-year cycle of KWG has started in 2020, we must ponder on the future of the Group. What will we do next? What kind of company will we become?

Review for 2019

In 2019, "housing for accommodation, not speculative trade" and "customised policies for individual cities" remained the key principle for the regulation of the property market. To underline its determination in property market regulation, the Central Government emphasised that "the property market would not resort as a means of short-term economic stimulus". Meanwhile, the global economy was profoundly affected by the China-U.S. trade war persisting throughout the year. Towards the end of the year, the COVID-19 epidemic caught the world off guard and disrupted every aspect of economic activities. We were deeply aware of the palpable changes taking place in the world around us. In view of new directions and opportunities amidst changes during the year, KWG proactively embraced changes as innovation and the quest for change became the keynotes of the Company's development.

2019 has been a year of delivered results for KWG with its in-depth market development in sub-segments.

During the year, the bubbling asset price and rapid growth period of real estate industry had come to an end under the financial leverage effect. Growth of the real estate industry would henceforth be driven by fulfilling customers' demand for better residences and providing a variety of services and differentiated products. During the year, KWG endeavored to seize the structural opportunities in market sub-segments and achieved sound results for its intensive efforts in property development and investment properties.

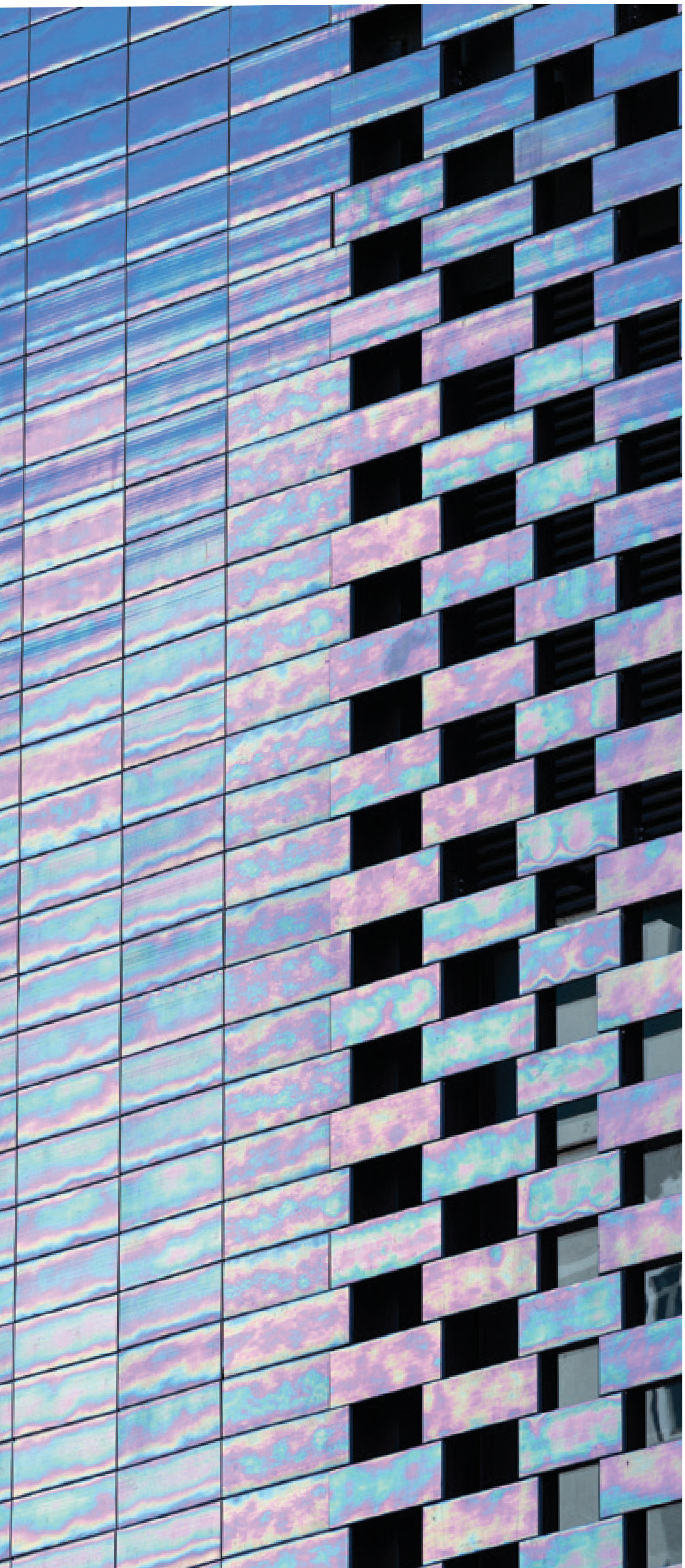
2019 has been a year of quality refinement for KWG products to address customers' demands.

During the year, KWG launched the "CoKWG" member platform to consolidate the memberships and members' credits under various businesses of the Group into a brand new membership regime. The new platform covers all business segments and multiple scenarios, aiming to provide diverse daily services to its users. With an extensive and broadening scope covering residential properties, commercial properties, offices, education, hotels and long-term rental apartments, the consolidated membership regime has grown into a business ecosphere underpinned by the integration of customers' demands with products and services.

During the year, KWG completed the development of residential standardisation 4.0 products. Following year-long of reflection on our products, as well as various surveys conducted by thousands of customers, we have concluded the core value of our 4.0 products: integration of functionality and aesthetics to create people-centric cordiality. To meet the growing product demand of our customers, our products will showcase contemporary aesthetics, quality details and concern for people.

2019 has been a year for KWG to penetrate the two bay areas and achieve further breakthroughs in urban redevelopment.

In 2017, KWG made a proposition on penetrating the advantageous existing regions. In 2018, we further identified such regions as Greater-Bay-Area and Yangtze-River-Delta Area. In 2019, we persisted to implement this investment approach. In the booming land market in the first half of the year and the moderate land market in the second half of the year, we continued to prudently acquire projects in such areas. Throughout the year, we acquired 26 new projects, adding gross sellable resources by approximately RMB73 billion.



In addition to our persistent penetration in the open market as well as mergers and acquisitions, KWG also achieved breakthroughs in urban redevelopment in 2019. In particular, our urban redevelopment business has been gaining pace since August following the government's announcement of relevant rules and regulations. Currently, we are working on more than 20 urban redevelopment projects in Guangzhou with a total sellable GFA of more than 13 million sq.m. Pre-sales are expected to begin in 2021, providing stable contribution of sellable resources for the future.

2019 has been a year of blowout growth for KWG investment properties to complete a full business chain.

Following efforts in business development and consolidation over the years, KWG has developed over 40 projects including asset-light projects in Greater-Bay-Area and Yangtze-River-Delta Area, with a total operating GFA of more than 1.5 million sq.m. Through an ongoing effort to identify the commercial potential of the city, KWG has now evolved into a city operator that delivers long-term commercial value and instills vibrancy into the city life. On top of our shopping malls and offices, we are also witnessing balanced development in hotels and long-term rental apartments. KWG has created a complete business chain by fulfilling customers' needs in all dimensions. In the future, KWG will continue to optimise resource allocation and refine operation management through sophisticated regimes, platforms, teams and brand name, in order to deliver consumers a rich and exquisite life.

2019 has been a year of core technological upgrade for KWG to empower management and growth.

In early 2019, KWG signed an agreement with SAP and IBM to develop the KWG Group SAP digital management platform. This efficient, unified and transparent business information platform enables full regulation over its business operations, facilitates both internal and external synergies, enhances general operation efficiency and drives ongoing business growth. The core SAP system is now in operation. With the ongoing addition of modules, a management control system overseeing all aspects of the Group is established. The system will help to achieve higher standards in delicacy management and operational efficiency, which significantly underpins the Group's endeavour to reach the benchmark of one hundred billion in scale.

Prospects for 2020

Looking to 2020, the starting year of the third 12-year period of KWG, we will proactively innovate and make changes on the back of a solid foundation built over 24 years. We will continue our long-term plans of in-depth business development in the industry and model transformation, upholding the two basic principles in development: first, we will continue to fulfill the role of city operator with an equal emphasis on property development and operation; second, we will persist in doing what is right and pursue stable scale growth maintaining above average market profitability.

2020 will also be an important year for KWG to achieve the target of one hundred billion in scale. A series of game-changing events for KWG will happen during the year. We believe the world today is significantly different from what it used to be, so as the future of KWG. So let us all work together and move forward as a greater company.

KONG Jianmin
Chairman

25 March 2020

The Cosmos Chongqing

Management Discussion and Analysis

Chengdu U Fun

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and property management.

The revenue amounted to approximately RMB24,956.3 million in 2019, representing a significant increase of 233.8% from approximately RMB7,477.5 million in 2018.

In 2019, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB22,761.9 million, RMB626.9 million, RMB553.1 million and RMB1,014.4 million, respectively.

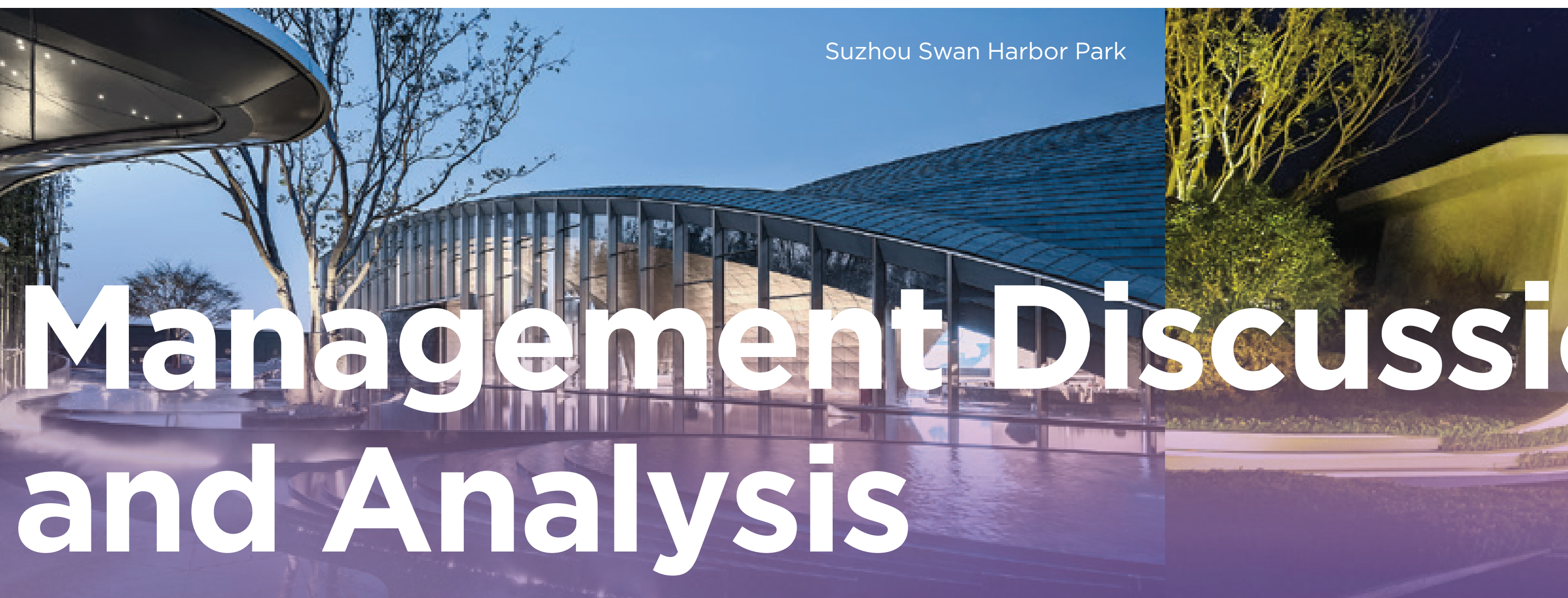
Proportionate revenue amounted to approximately RMB38,954.1 million in 2019, representing an increase of 72.4% from approximately RMB22,594.4 million in 2018.

Property development

Revenue generated from property development significantly increased by 275.3% to approximately RMB22,761.9 million in 2019 from approximately RMB6,064.2 million in 2018, primarily due to an increase in the total gross floor area ("GFA") delivered to 1,771,190 sq.m. in 2019 from 400,602 sq.m. in 2018.

Despite the increase in GFA delivered, the average selling price ("ASP") decreased from 15,137 per sq.m in 2018 to RMB12,851 per sq.m in 2019, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2018.

Proportionate revenue generated from property development increased by 72.5% to approximately RMB36,544.9 million in 2019 from approximately RMB21,181.1 million in 2018.



Suzhou Swan Harbor Park

Property investment

Revenue generated from property investment significantly increased by 65.3% to approximately RMB626.9 million in 2019 from approximately RMB379.3 million in 2018, primarily due to an increased leaseable GFA from leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 18.1% to approximately RMB553.1 million in 2019 from approximately RMB468.2 million in 2018, primarily due to an increase in occupancy rate of the hotels.

Property management

Revenue generated from property management increased by 79.3% to approximately RMB1,014.4 million in 2019 from approximately RMB565.8 million in 2018, primarily due to an increase in the number of properties under management.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales significantly increased by 240.0% to approximately RMB17,090.5 million in 2019 from approximately RMB5,026.2 million in 2018, mainly due to the increase in total GFA delivered in sales of properties.

Land cost per sq.m. decreased from RMB3,750 in 2018 to RMB3,102 in 2019.

Construction cost per sq.m. decreased from RMB5,829 in 2018 to RMB4,626 in 2019, due to the change in delivery portfolio with different city mix compared with that in 2018.

Proportionate core cost of sales increased by 82.4% to approximately RMB26,580.1 million in 2019 from approximately RMB14,574.8 million in 2018, primarily due to the increase of total proportionate GFA delivered in sales of properties.

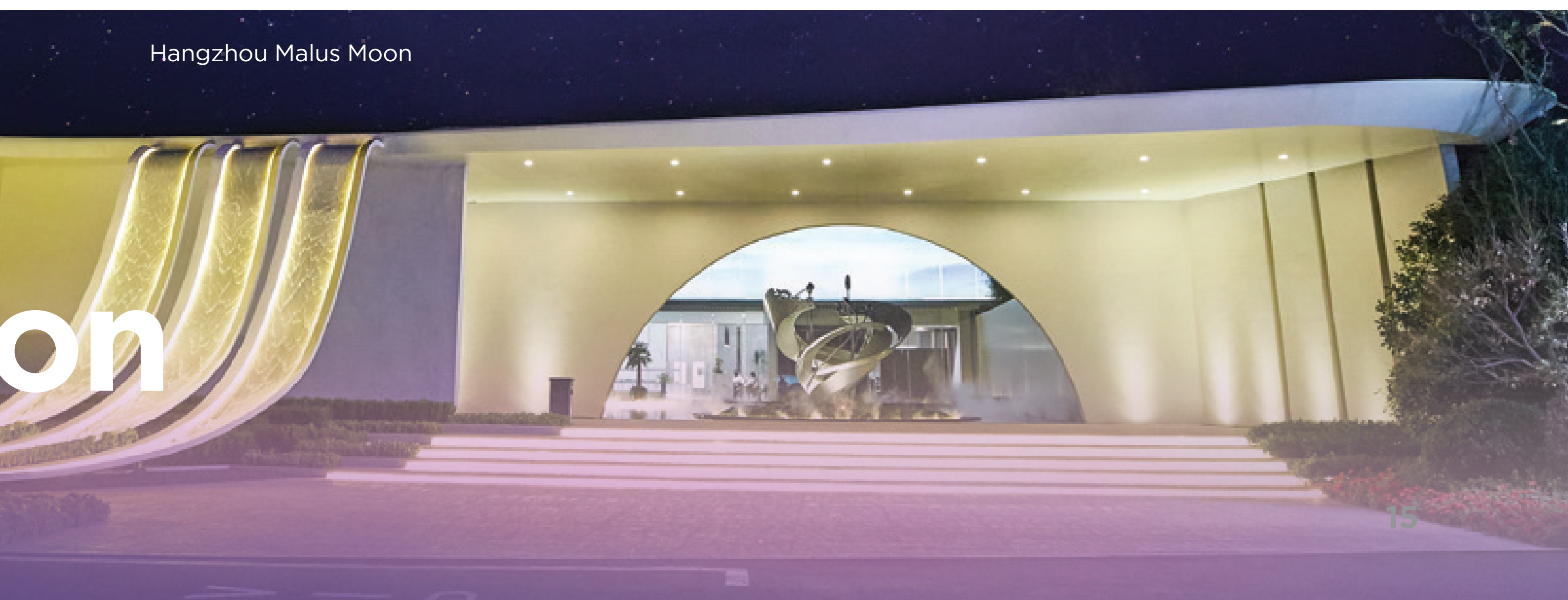
Gross Profit

Gross profit of the Group significantly increased by 220.9% to approximately RMB7,865.8 million in 2019 from approximately RMB2,451.3 million in 2018. The increase of gross profit was principally due to the increase in the total revenue in 2019. The Group reported gross profit margin of 31.5% for 2019 as compared with 32.8% for 2018.

Proportionate core gross profit of the Group increased by 54.3% to approximately RMB12,374.0 million in 2019 from approximately RMB8,019.6 million in 2018. The Group reported proportionate core gross profit margin of 31.8% in 2019 (2018: 35.5%).

Other Income and Gains, Net

Other income and gains increased by 5.8% to approximately RMB2,858.9 million in 2019 from approximately RMB2,703.4 million in 2018, mainly comprising interest income and gains on derecognition of subsidiaries of approximately RMB949.3 million and RMB691.4 million respectively.



Hangzhou Malus Moon

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 89.3% to approximately RMB1,007.4 million in 2019 from approximately RMB532.1 million in 2018, mainly due to the increase in sales commission with the rapid growth of revenue, and an increase in advertising expenses in conjunction with launching of 36 new grand projects during 2019.

Administrative Expenses

Administrative expenses of the Group increased by 31.4% to approximately RMB1,726.1 million in 2019 from approximately RMB1,313.8 million in 2018, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB4.5 million in 2019 (2018: approximately RMB1.7 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB3,716.5 million for 2019 (2018: approximately RMB1,714.7 million), mainly related to various leaseable commercial properties in various regions.

Finance Costs

Finance costs of the Group being approximately RMB1,531.3 million in 2019 (2018: approximately RMB1,070.1 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses increased by 188.2% to approximately RMB3,563.0 million in 2019 from approximately RMB1,236.4 million in 2018, primarily due to an increase in provision of LAT and CIT as a result of the increase in the total GFA delivered from sales of properties in 2019.

Profit for the Year

The Group reported profit for the year of approximately RMB10,056.1 million in 2019 (2018: approximately RMB4,154.8 million). Proportionate net profit margin was 25.8% (2018: 18.4%).

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2019, the carrying amounts of the Group's cash and bank balances were approximately RMB56,734.0 million (31 December 2018: approximately RMB56,677.0 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2019, the carrying amount of the restricted cash was approximately RMB5,356.1 million (31 December 2018: approximately RMB4,099.3 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2019, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB35,573.9 million, RMB25,191.6 million and RMB24,812.1 million respectively. Amongst the bank and other loans, approximately RMB8,219.7 million will be repayable within 1 year, approximately RMB18,565.0 million will be repayable between 2 and 5 years and approximately RMB8,789.2 million will be repayable over 5 years. Amongst the senior notes, approximately RMB3,811.6 million will be repayable within 1 year, approximately RMB21,380.0 million will be repayable between 2 and 5 years. Amongst the domestic corporate bonds, approximately RMB11,696.8 million will be repayable within 1 year and approximately RMB13,115.3 million will be repayable between 2 and 3 years.

As at 31 December 2019, the Group's bank and other loans of approximately RMB31,493.1 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying value of approximately RMB34,620.7 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB5,813.2 million as at 31 December 2019 which were denominated in Hong Kong dollar of approximately RMB3,348.3 million and denominated in U.S. dollar of approximately RMB2,464.9 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB6,914.6 million which were charged at fixed interest rates as at 31 December 2019. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2019. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2019.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2019, the gearing ratio was 75.4% (31 December 2018: 66.4%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2019, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar decreased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Guangzhou New Financial City Project

Contingent Liabilities

(i) As at 31 December 2019, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB16,765.5 million (31 December 2018: approximately RMB8,117.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2019 and 2018 for the guarantees.

(ii) As at 31 December 2019 and 2018, the Group had provided guarantees in respect of certain bank loans for joint ventures and associates.

Employees and Emolument Policies

As at 31 December 2019, the Group employed a total of approximately 11,400 employees. Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB1,641.9 million during the year ended 31 December 2019. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share option scheme and the share award scheme in order to recognize and motivate the contributions by the eligible participants of the Group, and help in retaining them for the Group's further development. Details of the share option scheme and the share award scheme of the Company are set out in the sections headed "Share Option Scheme" and "Share Award Scheme" of the Annual Report respectively.

In addition, training and development programmes are provided on an on-going basis throughout the Group.

Market Review

Under the guiding principles of "differentiated regulatory policies for different cities" and "housing properties for accommodation, not for speculative trading", the nationwide property market reached a record-high industry scale in 2019. Nationwide property development investment increased 9.9% year-on-year to RMB13 trillion, while nationwide commodity properties sales increased 6.5% year-on-year to around RMB16 trillion. Under the circumstances, "stability" remained the emphasis of the government's regulatory policy of the real estate industry. Market regulation was gradually normalised as the grip on credit supply continued to tighten. The polarisation of property developers remained evident as leading players continued to expand, while small and medium enterprises faced escalating fragmentation in scale. The overall property market remained stable.

In 2019, the China-U.S. trade war remained uncertain, while international exchange rates were subject to notable volatility. Against such macro-environment, China reported a 6.1% year-on-year GDP growth in continuation of general stability with moderate growth. In connection with the real estate industry, the Central Government continued to emphasise the principle of "housing properties for accommodation, not speculative trading" and adopted the policies of "each city adopting its own customised measures" and "differentiated regulatory policies for different cities". Specifically, the overall policy of the government had encouraged optimistic market expectations in the first quarter, orchestrating a turnaround to growth from the overall downward trend dominating the second half of 2018. With the resurgence of consumer confidence and positive sentiments, the land market saw a noticeably stronger enthusiasm during the second quarter, which was immediately met by government actions to escalate restrictions against property purchase and sales for cities where markets were considered overheated, and land acquisition policies in some cities were also adjusted. Financing was further tightened during the third quarter. Property sales in selected cities were boosted during the fourth quarter as many cities relaxed their policy for talents residency registration. For example in Greater-Bay-Area, cities such as Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Jiangmen, Zhuhai, Hong Kong and Macau, the direct measure of moderately relaxing purchase restrictions was complemented by the easing of talents residency registration and raising the cap for provident fund loans. Subject to overall market stability, a policy of relaxing purchase restrictions to an extent controllable was implemented.

Business Review

The Group's pre-sales for 2019 amounted to RMB86.1 billion in aggregate, representing a year-on-year increase of 31.5%. ASP stood at approximately RMB17,500 per sq.m., a mild increase by 6% compared to 2018. Analysed by contribution to pre-sales amount, among the 118 projects currently for sale, 43% were from Yangtze-River-Delta Area and 30% were from Greater-Bay-Area; analysed by the ranking of cities, 89% were from tier-one and tier-two cities.

In 2019, the Group launched 36 brand new projects, including Guangzhou The Jadeite, Guangzhou Montkam, Foshan Apex, Jiangmen Apex, Hong Kong Upper RiverBank, Beijing Niulanshan 1107# Project, Hangzhou Malus Moon, Suzhou Swan Harbor Park, Taizhou Star Mansion, Jiaxing Noble Peak, Wuxi Exquisite Palace, Chongqing The Moon Mansion and Nanning Impression Discovery Bay, etc. In particular, Guangzhou The Jadeite and Hong Kong Upper RiverBank have attracted wide attention from the market with their prestigious locations and premium product quality.

Guangzhou The Jadeite is a rare premium residential site located in the Tianhe Park area in Guangzhou Tianhe District. The project is in proximity to Tianhe Park Metro Station, an interchange point for Guangzhou Metro Lines 21, 11 and 13, and just 10 minutes' drive accessible from Pearl River New Town. Surrounded by high-rise towers in the CBD yet embracing the green views of the 700,000 sq.m. Tianhe Park, the development has attracted Shunmyō Masuno, the renowned Japanese garden designer to craft the garden landscape for the project, "using stones in place of hills and sand in place of water", allowing residents to enjoy the beauty of nature amidst the hustle and bustle of city life.

Hong Kong Upper RiverBank is located in Kai Tak, Hong Kong Kowloon East, a widely-acclaimed development initiative of the city commanding multi-billion investments. It is backed by innovative planning and infrastructure construction, which is complemented by ease of access from various transportation networks. The residential project is within two minutes' walk from the Kai Tak MTR Station. The high-rise twin towers on the flanks capture a panoramic view, while the low-rise mansions alongside the Kai Tak River enjoy waterside tranquility and blend into the garden landscapes. Major upgrades in interior layout design, smart home living, ancillary facilities and building materials have ensured sustained interest of buyers. Residents will also be able to enjoy entertainment at the one-of-a-kind British-style Twin Clubhouse and children's clubhouse.

The Group seeks qualitative growth by persisting with a customer-centric approach and the quest for innovative changes. With the consistent supply of premium products and effort to improve service standards for better customer experience, the Group has enhanced customer loyalty and extensive brand recognition in the industry. In 2019, the Group claimed a number of accolades in the brand, residential and commercial categories hosted by renowned institutions such as China Index Academy, Guandian and The Time Weekly, etc.: 2019 Top 30 Listed PRC Property Developers, 2019 China Mainland Top 10 Real Estate Companies Listed in Hong Kong by Comprehensive Strengths, 2019 Top 500 Chinese Private Enterprises, Gold Medal Competitiveness Award of Greater-Bay-Area, Yangtze-River-Delta Area Outstanding Contribution Award of Property Companies, Asia's Best Growth Potential Hotel Group (The Mulian Hotels), Excellent Commercial Real Estate Operator of the Year and 2019 China's Top 100 Property Services Enterprises Top 18.

In 2019, the Group continued to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on tier-one and tier-two cities. The Group acquired premium land sites through tenders, auctions and listings in the public market while also actively participating in mergers and acquisitions and joint developments to obtain land at more favourable costs. During the reporting period, the Group successfully acquired 26 projects in tier-one cities such as Guangzhou, Beijing, Shanghai and Shenzhen and top tier-two cities such as Hangzhou, Chongqing and Nanning, adding 3.74 million sq.m. of gross GFA for a total gross land cost of RMB27.6 billion, which increased the gross sellable resources by approximately RMB73 billion. Analysed by GFA, approximately 74% of the new GFA was acquired through mergers and acquisitions and joint developments to enable us to replenish premium land reserves at lower costs.

As at 31 December 2019, the Group owned 156 projects in 39 cities across Mainland China and Hong Kong with an attributable land bank of approximately 17.01 million sq.m. and gross sellable resources of approximately RMB510 billion, which is sufficient for the Group's development in the next 3 to 5 years.

Recurring Income

Originally based in Guangzhou and expanded throughout China with a focus on core regions such as Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning, KWG Group has a number of commercial projects in operation, including 8 shopping malls, 8 office buildings and 17 hotels after years of development. KWG has now become an operator to impart energy into city life by identifying the commercial potential and delivering long-term commercial value.

The Group's attributable recurring income for 2019 amounted to RMB2.43 billion, a significant growth of 49% as compared to the corresponding period of last year. All commercial properties currently in operation are located in core areas and new CBDs in tier-one and tier-two cities, providing assurance for the Group's stable recurring income. Matured operating shopping malls have a 52% operating profit margin, while the operating profit margin could be up to 86% for matured office buildings. Such projects have provided the Group with stable cash inflow and profit on an ongoing basis.

(1) Shopping mall

The Group is aspired to build an image and character of a city. Based on in-depth research on consumers' experiences, the Group seeks to develop comprehensive shopping experience by providing a rich variety of brands, with a sensitive commercial space and a highly distinctive city footprint. As the two main shopping mall brands of the Group, "U Fun" is focused on fostering a fashionable, healthy and refined LOHAS lifestyle that embodies the enjoyment and passion for life, while "M • Cube" provides a venue where the young and fashionable get a definitive taste of latest trends and fashions.

In 2019, the Group welcomed the grand openings of Guangzhou Nansha U Fun and Foshan U Fun Shopping Malls. Designed to be a pedestrian walk zone for leisure metropolitan life within The Horizon Nansha, Guangzhou Nansha U Fun is currently hosting about 200 brand names to provide a refined and fashionable leisure space for people working and living in the neighbourhood. Foshan U Fun is located within Foshan Oriental Bund adjacent to Lanshi Metro Station of the Guangzhou-Foshan Metro Line and designed to be an exquisite neighbourhood facility that provides fine dining, family activities, leisure and pet space for residents living nearby.

Currently, the Group has 8 shopping malls in operation, variously located in Guangzhou, Beijing, Shanghai, Chengdu, Suzhou and Foshan with an aggregate GFA of 700,000 sq.m. in operation. These shopping malls reported significant increase in shopper flow and retail sales for the year with stable growth in occupancy rate.

In 2020, we will welcome the opening of three brand new projects alongside Chengdu U Fun, which is already in operation — Chengdu M • Cube, Chengdu U8 Pub Street and Chengdu W Hotel. Together with Chengdu U Fun, these three new projects will form a larger commercial cluster by providing a more comprehensive business coverage in the Financial High-tech District of Chengdu. They are set to stimulate retail spending and enrich the commercial activities in the area, creating commercial bustle which combines purposeful spending with casual shopping to unleash the city's energy and spending powers.

In the future, more new shopping malls will be coming on stream in tier-one and tier-two cities such as Beijing, Guangzhou, Chengdu, Suzhou, Nanning and Chongqing. Given the steady growth in rental and occupancy rates for shopping malls in operation as they become well-developed, coupled with the shopping malls to be opened in the future providing a new engine for rental income growth, the Group is expected a significant growth in rental income generated from shopping malls in the coming two to three years.

(2) Hotel

In 2019, the Group's hotel segment opened 8 new Mulian Hotels with an asset-light model, including Mulian Hotels at Canton Fair, Nansha Phoenix Lake and Luogang Science City in Guangzhou, Bantian in Shenzhen, Xixi Lingyin Temple in Hangzhou, International Expo Centre in Wuhan, Wanxianghui in Xi'an and Dayi in Chengdu.

The Mulian Hotel at Guangzhou Canton Fair is located on the Guangzhou International Biological Island, a key incubation base for bio-technology and pharmaceutical research. The hotel is within a 15-minute drive from Canton Fair, Pearl River New Town and Financial City. The Mulian Hotel at Guangzhou Nansha Phoenix Lake is located within the well-developed complex of The Horizon in Nansha, complemented by Nansha U Fun which provides a wide range of entertainment facilities. The Mulian Hotel at Guangzhou Luogang Science City, situated next to the Huangpu District Government Office and close to Wanda Plaza, provides a convenient stopover for business travelers. The Shenzhen Bantian Mulian Hotel near the Huawei Headquarters in Longgang offers convenient and enjoyable accommodation to business travelers. The Mulian Hotel at Hangzhou Xixi Lingyin Temple near Lingyin Temple and Xixi Wetland Park is a perfect blend of natural landscape and the thriving business districts in the neighbourhood. The Mulian Hotel at Wuhan International Expo Centre is located within

Hanyang Commercial Centre with a complete range of ancillary facilities. The Mulian Hotel at Xi'an Wanxianghui is located within the busiest CBD in High-tech District. The Chengdu Dayi Mulian Hotel distinguishes itself with a Chinese-styled garden landscape blending with natural scenery that offers patrons a haven of tranquility.

Currently, the Group has 17 hotels in operation with an aggregate GFA of 360,000 sq.m. which include hotels managed and operated under international brands such as Marriot, Hilton and Hyatt, as well as our own brand of The Mulian Hotels. As the proprietary hotel brand of KWG Group, The Mulian Hotels are positioned to serve the middle- to high-end market. Product line currently in operation comprises mainly light-luxury business hotels targeted at business travelers. In the future, the Group is planning to open boutique hotels, resort hotels and cultural B&Bs as three new product lines, aiming to provide lively and inspiring accommodation designed for young patrons from all walks of life.

In 2020, we will welcome the opening of Chengdu W Hotel, while The Mulian Hotel will continue to expand in major tier-one and tier-two cities in China with an asset-light approach. As The Mulian Hotels in operation grow in maturity, their room rates and occupancy rates will improve steadily, while the opening of new hotels in the future will also boost the growth in hotel revenue. From the earlier model of asset-heavy operation within property complexes to the asset-light model combining lease and franchise adopted during the past year, the business development, marketing and operation teams of The Mulian Hotel has delivered notable results through their creative approach. The Mulian Hotel brand has proved to be a success in the building of brand value and market influence and more can be expected in the future.

(3) Office

At present, the Group owns 8 offices with an aggregate GFA of 350,000 sq.m. in operation in the CBDs of tier-one and top tier-two cities, such as Guangzhou, Shanghai, Chengdu, Suzhou and Nanning. The offices have provided stable cash flow to the Group with rental income. Offices in Guangzhou that have commenced operation include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou and Colorland Center in Nansha. Office in Shanghai is International Metropolitan Plaza in Pudong Bund. Offices in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District, Leader Plaza in Suzhou Industrial Park and Guangxi International Finance Place at the headquarters in Nanning Wuxiang New District. All of the offices mentioned above are located within the CBDs of tier-one and tier-two cities, boasting high occupancy rates on the back of their prestigious locations, convenient transportation access, strong pedestrian flow, vigorous commercial activities and well-developed office operations. While internationally advanced standards of the design and quality of our A+ office towers are an indication of the Group's solid strengths in office tower construction, the stringent and detailed property management and brand value serve as a fine testament to the Group's soft strengths in office operation. Following years of meticulous effort, A+ office towers built by the Group have become landmarks mirroring the images of the cities where they are located.

In the future, more office buildings will come into operation, such as KWG Center in the core canal zone of Tongzhou District, a sub-civic centre in Beijing, and KWG Center in Guangzhou Development Zone, which will contribute to the rapid growth of recurring income.

The Group will continue to further explore the business opportunities of commercial properties for a profitable future. Over years of operations in the market, the commercial segment of KWG has developed a complete business chain. The Group's commercial projects will continue to expand over the next few years, and commercial GFA in operation will continue to grow. In the future, the KWG commercial segment will seek optimisation in resource allocation and delicacy management through its sophisticated regimes, platforms, teams and brands, as it continues to share with consumers the idea of a refined lifestyle with a strong cultural aura.

Enhancement in Management Ability

Launch of the SAP system

In 2019, the Group started the SAP project as a key initiative of the year for the development of information systems. The aim was to drive ongoing business improvements, reformation and management efficiency through informatisation, in order to fulfill the Group's objective in leaping development, namely, to engage in large-scale operation in higher efficiency. By establishing a multi-tier management regime covering the Group, regional companies and project companies, an operational management platform integrating business and finance is underpinned by business standardisation, delicacy management and systematic cost management. It was built on the basis of operational support, with a view to the full-scale unification of operations, financial reporting, treasury and business. The operation of the SAP system will take the management of the Group to a new level where it could achieve qualitative growth, while providing a solid foundation and platform support.

With a strong focus on internal management as well as external development, KWG Group is looking at expansion in scale of an even stronger magnitude as it continues with the process of digitalisation-based transformation, which will put it in a more dominant position in future market competition.

"CoKWG" APP

In view of the call for stability in the government's property sector policy and the Group's business diversification and taking account of market trends, the Group launched the "CoKWG" APP in 2019 to consolidate the services under various business segments. A cross-sector business ecosphere was created to deliver greater value to KWG members. As a guide to the integration of memberships from multiple business sectors, the "CoKWG" APP customises the commercial city service based on user requirements, taking advantage of a well-developed O2O industry chain. Through the integration of various business segments and services, application of big-data analysis and upgrade of the membership management service regimes, members are provided with a multi-dimensional value regime underpinned by the diversification in services, integration of daily-life aspects and enrichment of experience.

The "CoKWG" APP has successfully integrated the Group's diverse range of business segments, such as property development, shopping mall, office, property management, education and big-data healthcare, whereby members are able to apply their points across all segments to enjoy genuine one-stop services.

Outlook

The Central Politburo meeting has called for the implementation of a long-term mechanism for the administration of the real estate sector and ruled out the reliance on property transactions as a short-term economic stimulus. In the meantime, the Central Economic Work Conference has reiterated the application of a permanent mechanism for management and regulation aimed at stabilising land premium, property prices and expectations, with a view to the sound and stable development of the property market.

Property markets nationwide has been considerably affected by the outbreak of the novel coronavirus epidemic in early 2020. In response, the Central Government and local governments have introduced a range of comprehensive, multi-dimensional relief policies, such as support for the land market, business resumption support, tax relief, reduction or exemption, financing support and relaxation of sales, etc. Such policies have been designed to regulate in a positive manner the business environments of all sectors including real estate enterprises, so as to ensure the stable and healthy development of the economy as a whole and the steady operation of the real estate market.

As the Central Politburo and the Ministry of Housing and Urban-Rural Development have repeatedly emphasised that the primary principle of "housing properties for accommodation but not speculative trading, stability in prices and permanent mechanism" should continue to prevail, the dominant trend in 2020 is expected to be "stability". As the future underlying demand for home purchase or upgrade is expected to be stronger in tier-one and tier-two cities given their strengths in economic fundamentals, market resources, population bases and talent recruitment policies, the Group will continue to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on tier-one and tier-two cities. Following years of development in the two aforesaid main regions, our land bank and sellable resources in these two regions account for 57% and 68% of our total attributable land bank and total gross sellable resources. Looking into 2020, the Group expects to launch a number of brand new projects, including Guangzhou New Financial City Project, Beijing New Chang'an Mansion, Hangzhou Oriental Dawn, Ningbo Cloud Mansion, Chongqing The Riviera, Nanning The Horizon, Kunming Salar de Uyuni, Xi'an Yanta Project and Hong Kong Ap Lei Chau Project, etc.

Taking into account the probable impact of the epidemic and based on the Group's existing land bank, project construction schedule and launch plan, the Group's gross sellable resources for 2020 will amount to RMB170 billion.

We believe our strong presence in Greater-Bay-Area and Yangtze-River-Delta Area and our premium sellable resources in tier-one and tier-two cities will provide strong support for continuous sales growth in the future. Analysed by geographic region, Greater-Bay-Area and Yangtze-River-Delta Area accounted for 42% and 28% respectively of the sellable resources in 2020; analysed by the ranking of cities, 88% were from tier-one and tier-two cities.

The Group will seek qualitative growth by persisting with a customer-centric approach and the quest for innovative changes. In connection with the property development segment, we will enhance market development in the two main economic regions with a strong focus on tier-one and tier-two cities. As a result of the prudent land bank investment and expansion, the Group is currently holding sufficient premium land reserve and sellable resources, which will provide strong support for continuous sales growth in the future. In connection with the investment property segment, the Group will focus on core districts in tier-one and tier-two cities, where new shopping malls and hotels will be opened in the future to drive rapid growth in recurring income. Looking ahead, the Group will continue to enhance its customer service standards and make improvements to its operating structure and management system, as it continues to seek qualitative growth by persisting with a customer-centric approach and the quest for innovations.

Overview of the Group's Property Development

As at 31 December 2019, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi'an, Kunming and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial	1,419	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/commercial/hotel	45	33.3
4	The Star	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/commercial/hotel	358	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Zengcheng Li Lake (formerly known as Zengcheng Gua Lv Lake)	Guangzhou	Villa/hotel	43	100
8	Essence of City	Guangzhou	Residential/villa/commercial	140	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment/office/commercial	79	33.3
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/hotel	15	50
12	Blooming River (formerly known as Fortunes Season)	Guangzhou	Residential/villa/commercial	170	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	25	36
14	The Jadeite	Guangzhou	Residential	15	40
15	V-city	Guangzhou	Serviced apartment/commercial	182	70
16	Montkam (formerly known as Montkam Garden)	Guangzhou	Residential/villa	26	30
17	E-city	Guangzhou	Serviced apartment/commercial	506	67
18	Guangzhou Luogang M.Cube	Guangzhou	Commercial/hotel	15	60
19	KWG Center	Guangzhou	Office/commercial	8	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
20	Guangzhou Science City Hotel A Project (formerly known as Guangzhou Science City Hotel Project)	Guangzhou	Villa/serviced apartment/commercial/hotel	14	60
21	Guangzhou Science City Hotel B Project	Guangzhou	Villa/serviced apartment/office/commercial	16	60
22	Guangzhou New Financial City Project	Guangzhou	Residential/serviced apartment/commercial	99	100
23	Fragrant Seasons (formerly known as Guangzhou Huadu Shiling Project)	Guangzhou	Residential/commercial	78	62.5
24	Guangzhou Zengcheng Luogang Project	Guangzhou	Residential	86	100
25	Guangzhou Southern Medical Industrial Park	Guangzhou	Villa/serviced apartment/office/commercial	192	80
26	IFP	Guangzhou	Office/commercial	61	100
27	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
28	The Mulian Huadu	Guangzhou	Hotel	25	100
29	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
30	The Mulian Guangzhou	Guangzhou	Hotel	8	100
31	The Sapphire	Suzhou	Residential/serviced apartment/office/commercial/hotel	38	100
32	Suzhou Apex	Suzhou	Residential/serviced apartment/commercial/hotel	115	100
33	Suzhou Emerald	Suzhou	Residential/commercial	2	100
34	Leader Plaza	Suzhou	Serviced apartment/office/commercial	26	100
35	Fortune Building (formerly known as Wan Hui Plaza)	Suzhou	Office/commercial/hotel	32	100
36	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
37	Orient Aesthetics	Suzhou	Residential/commercial	23	20
38	Orient Moon Bay	Suzhou	Residential	19	50
39	Swan Harbor Park (formerly known as Suzhou Taihu New Town Project)	Suzhou	Residential/serviced apartment/office/commercial	67	20
40	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	54	100
41	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	287	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
42	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/ office/commercial	147	50
43	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/ commercial/hotel	600	55
44	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/ commercial	2	100
45	La Villa	Beijing	Residential/villa/commercial	10	50
46	Beijing Apex	Beijing	Residential/villa/serviced apartment/ commercial	28	50
47	M • Cube	Beijing	Commercial	16	100
48	Summer Terrace	Beijing	Residential/commercial	18	100
49	KWG Center I	Beijing	Serviced apartment/office/ commercial	128	100
50	KWG Center II	Beijing	Serviced apartment/office/ commercial	124	100
51	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
52	The Core of Center	Beijing	Residential/villa/serviced apartment/ commercial/hotel	201	100
53	Beijing Niulanshan 1107# Project	Beijing	Residential	31	80
54	New Chang'an Mansion (formerly known as Link Chang'an)	Beijing	Residential/office/commercial/hotel	29	51
55	Pearl Coast	Hainan	Residential/villa/hotel	122	100
56	Villa Como	Hainan	Residential/villa/commercial/hotel	351	100
57	Hainan Lingao Project	Hainan	Residential	34	20
58	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
59	Shanghai Apex	Shanghai	Residential/serviced apartment/ commercial/hotel	37	100
60	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	51	100
61	Amazing Bay	Shanghai	Residential/serviced apartment/ office/commercial/hotel	50	50
62	Vision of World	Shanghai	Residential/serviced apartment/ commercial/hotel	116	100
63	Glory Palace	Shanghai	Residential	67	100
64	Shanghai Qingpu Project	Shanghai	Office/commercial	121	90
65	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/ commercial	421	25
66	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100
67	Tianjin Apex	Tianjin	Residential/office/commercial/hotel	105	100
68	The Core of Center	Nanning	Residential/villa/serviced apartment/ commercial	266	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
69	International Finance Place	Nanning	Office/commercial	61	100
70	Top of World	Nanning	Residential/villa/serviced apartment/ commercial/hotel	205	100
71	Fragrant Season	Nanning	Residential/villa/commercial	144	100
72	Impression Discovery Bay I	Nanning	Residential/commercial	101	34
73	Impression Discovery Bay II	Nanning	Residential/commercial	50	34
74	Emerald City (formerly known as The Horizon)	Nanning	Residential/serviced apartment/ commercial	428	100
75	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
76	The Moon Mansion	Hangzhou	Residential/villa	2	51
77	Sky Ville	Hangzhou	Residential/villa	39	100
78	Puli Oriental	Hangzhou	Residential/commercial	8	50
79	Hangzhou Linping Project	Hangzhou	Serviced apartment/commercial	15	60
80	Malus Moon (formerly known as Hangzhou Tangqi Project)	Hangzhou	Residential/commercial	46	100
81	Oriental Dawn	Hangzhou	Residential/commercial	64	50
82	Shine City	Nanjing	Residential/office/commercial	7	50
83	Nanjing Yuhuatai Project	Nanjing	Residential/commercial	15	19.75
84	Ruyi Palace (formerly known as Nanjing Lukou Project)	Nanjing	Residential/commercial	21	50
85	Oriental Bund	Foshan	Residential/villa/serviced apartment/ office/commercial	1,098	50
86	The Riviera	Foshan	Residential/commercial	113	51
87	One Palace	Foshan	Residential/serviced apartment/ commercial	89	33.3
88	Foshan Apex	Foshan	Residential/serviced apartment/ commercial	21	50
89	China Image	Foshan	Residential/commercial	38	34
90	Water Moon	Hefei	Residential/commercial	139	100
91	City Moon	Hefei	Residential/commercial	78	100
92	The One	Hefei	Residential/commercial	145	100
93	Park Mansion	Hefei	Residential	25	50
94	Joyful Season	Wuhan	Residential/villa/commercial	88	60
95	The Buttonwood Season I	Wuhan	Residential/villa/commercial	76	100
96	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
97	Exquisite Bay	Xuzhou	Residential/commercial	16	50
98	Fragrant Season	Xuzhou	Residential/commercial	41	50
99	Xuzhou Tongshan Project I	Xuzhou	Residential	21	33
100	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	34	33
101	Majestic Mansion	Jiaxing	Residential/commercial	32	100
102	Star City	Jiaxing	Residential	8	25

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
103	Noble Peak (formerly known as Jiashan Yaozhuang Project)	Jiaxing	Residential	58	100
104	Top of World Residence I	Taizhou	Residential	80	100
105	Top of World Residence II	Taizhou	Residential/commercial	77	80
106	Linhai Mansion	Taizhou	Residential/commercial	95	100
107	Star Mansion	Taizhou	Residential/commercial	16	33
108	Lead Peak Mansion (formerly known as Linhai CBD Project)	Taizhou	Residential/commercial	33	100
109	Jinan Zhangqiu Project	Jinan	Residential	151	49
110	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	26	20
111	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
112	Fragrant Season	Changshu	Residential	15	40
113	Changshu Qinhu Project	Changshu	Residential	16	25
114	Liu Xiang Mansion	Lishui	Residential/commercial	8	49
115	The Riviera Chongqing	Chongqing	Residential/commercial	47	100
116	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/ office/commercial/hotel	379	100
117	The Moon Mansion	Chongqing	Residential/commercial	27	39
118	Splendid City (formerly known as Chongqing Jiangzhou Jinyun Project)	Chongqing	Residential/commercial	47	50
119	Mansion of Jasper (formerly known as Chongqing Longjing Xuefu Project)	Chongqing	Residential	36	50
120	Jade Moon Villa (formerly known as Chongqing Jingyuetai Project)	Chongqing	Residential/commercial	71	50
121	Jinzhu Tianyi Huayuan (formerly known as Jiangsu Taicang Project)	Taicang	Residential	118	100
122	Oriental Mansion	Wuxi	Residential/commercial	23	20
123	Exquisite Palace	Wuxi	Residential/commercial	40	45
124	Star Mansion	Wuxi	Residential/commercial	26	50
125	Vision of World	Zhaoqing	Residential/commercial	147	100
126	River View Mansion	Zhaoqing	Residential/commercial	59	33
127	The Moon Mansion	Zhongshan	Residential/commercial	65	50
128	Serenity in Prosperity	Nantong	Residential/villa/commercial	82	51
129	Oriental Beauty	Nantong	Residential	51	70
130	The Moon Mansion	Liuzhou	Residential/villa/commercial	157	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
131	Fortunes Season	Liuzhou	Residential/commercial/hotel	1,121	100
132	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/ commercial	119	100
133	KWG Topchain City Center	Shenzhen	Serviced apartment/office/ commercial	68	51
134	Shenzhen Nanshan Project	Shenzhen	Serviced apartment/office/ commercial/hotel	46	55
135	Shenzhen Longhua Project	Shenzhen	Residential	90	50
136	Life in Yueshan County	Huizhou	Residential/commercial	370	100
137	Huizhou Longmen Project — Educational#[2019]011	Huizhou	Educational	11	100
138	Huizhou Longmen Project — Educational#[2019]014	Huizhou	Educational	61	100
139	The Horizon	Jiangmen	Residential	36	100
140	Jiangmen Apex	Jiangmen	Residential/serviced apartment/ commercial	131	100
141	Cullinan Mansion	Wenzhou	Residential/commercial	111	100
142	Art Wanderland	Dongguan	Residential/villa/commercial	26	12.5
143	Dongguan Hengli Project	Dongguan	Residential/commercial	50	20
144	Yangzhou Apex	Yangzhou	Residential/commercial	196	100
145	Parkview Place	Ningbo	Residential	52	49
146	Cloud Mansion (formerly known as Ningbo Yinzhou Project)	Ningbo	Residential	42	50
147	Meishan Apex	Meishan	Residential/commercial	125	100
148	River State (formerly known as Meishan Nanhu Peninsula Project)	Meishan	Residential/commercial	116	34
149	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	73	50
150	KWG TusWorld Ice Town (formerly known as KWG Qidi Ice Town)	Wuzhou	Residential/commercial	285	75
151	Xi'an Yanta Project	Xi'an	Serviced apartment/commercial/ hotel	37	100
152	Salar de Uyuni	Kunming	Residential/commercial/hotel	260	51
153	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
154	Upper RiverBank	Hong Kong	Residential	27	50

Project Overview

Guangzhou — 30 projects
Total Attributable GFA
approximately 3,983,000 sqm
The Summit
International Metropolitan Plaza
Tian Hui Plaza (including The Riviera and Top Plaza)
The Star
Top of World
The Eden
Zengcheng Li Lake (formerly known as Zengcheng Gua Lv Lake)
Essence of City
International Commerce Place
CFC (including Mayfair and International Finance East)
The Horizon
Blooming River (formerly known as Fortunes Season)
Nansha River Paradise
The Jadeite
V-city
Montkam (formerly known as Montkam Garden)
E-city
Guangzhou Luogang M • Cube
KWG Center
Guangzhou Science City Hotel A Project (formerly known as Guangzhou Science City Hotel Project)
Guangzhou Science City Hotel B Project
Guangzhou New Financial City Project
Fragrant Seasons (formerly known as Guangzhou Huadu Shiling Project)
Guangzhou Zengcheng Luogang Project
Guangzhou Southern Medical Industrial Park
IFP
Four Points by Sheraton Guangzhou, Dongpu
The Mulian Huadu
W Hotel/W Serviced Apartments
The Mulian Guangzhou

Foshan — 5 projects
Total Attributable GFA
approximately 1,359,000 sqm
Oriental Bund
The Riviera
One Palace
Foshan Apex
China Image

Huizhou — 3 projects
Total Attributable GFA
approximately 442,000 sqm
Life in Yueshan County
Huizhou Longmen Project-Educational#[2019]011
Huizhou Longmen Project-Educational#[2019]014

Shenzhen — 4 projects
Total Attributable GFA
approximately 323,000 sqm
Shenzhen Bantian Project
KWG Topchain City Center
Shenzhen Nanshan Project
Shenzhen Longhua Project

Zhaoqing — 2 projects
Total Attributable GFA
approximately 206,000 sqm
Vision of World
River View Mansion

Jiangmen — 2 projects
Total Attributable GFA
approximately 167,000 sqm
The Horizon
Jiangmen Apex

Dongguan — 2 projects
Total Attributable GFA
approximately 76,000 sqm
Art Wanderland
Dongguan Hengli Project

Zhongshan — 1 project
Total Attributable GFA
approximately 65,000 sqm
The Moon Mansion

Hong Kong — 2 projects
Total Attributable GFA
approximately 62,000 sqm
Hong Kong Ap Lei Chau Project
Upper RiverBank

Shanghai — 7 projects
Total Attributable GFA
approximately 472,000 sqm
International Metropolis Plaza
Shanghai Apex
Shanghai Sapphire
Amazing Bay
Vision of World
Glory Palace
Shanghai Qingpu Project

Hefei — 4 projects
Total Attributable GFA
approximately 387,000 sqm
Water Moon
City Moon
The One
Park Mansion

Suzhou — 9 projects
Total Attributable GFA
approximately 327,000 sqm
The Sapphire
Suzhou Apex
Suzhou Emerald
Leader Plaza
Fortune Building (formerly known as Wan Hui Plaza)
Suzhou Jade Garden
Orient Aesthetics
Orient Moon Bay
Swan Harbor Park (formerly known as Suzhou Taihu New Town Project)

Taizhou — 5 projects
Total Attributable GFA
approximately 301,000 sqm
Top of World Residence I
Top of World Residence II
Linhai Mansion
Star Mansion
Lead Peak Mansion (formerly known as Linhai CBD Project)

Hangzhou — 7 projects
Total Attributable GFA
approximately 237,000 sqm
The Mulian Hangzhou
The Moon Mansion
Sky Ville
Puli Oriental
Hangzhou Linping Project
Malus Moon (formerly known as Hangzhou Tangqi Project)
Oriental Dawn

Yangzhou — 1 project
Total Attributable GFA
approximately 196,000 sqm
Yangzhou Apex

Nantong — 2 projects
Total Attributable GFA
approximately 133,000 sqm
Serenity in Prosperity
Oriental Beauty

Ningbo — 2 projects
Total Attributable GFA
approximately 120,000 sqm
Parkview Place
Cloud Mansion (formerly known as Ningbo Yinzhou Project)

Taicang — 1 project
Total Attributable GFA
approximately 118,000 sqm
Jinzhu Tianyi Huayuan (formerly known as Jiangsu Taicang Project)

Xuzhou — 4 projects
Total Attributable GFA
approximately 112,000 sqm
Exquisite Bay
Fragrant Season
Xuzhou Tongshan Project I
Xuzhou Tongshan Project II

Wenzhou — 1 project
Total Attributable GFA
approximately 111,000 sqm
Cullinan Mansion

Jiaxing — 3 projects
Total Attributable GFA
approximately 98,000 sqm
Majestic Mansion
Star City
Noble Peak (formerly known as Jiashan Yaozhuang Project)

Wuxi — 3 projects
Total Attributable GFA
approximately 89,000 sqm
Oriental Mansion
Exquisite Palace
Star Mansion

Nanjing — 3 projects
Total Attributable GFA
approximately 43,000 sqm
Shine City
Nanjing Yuhuatai Project
Ruyi Palace (formerly known as Nanjing Lukou Project)

Changshu — 2 projects
Total Attributable GFA
approximately 31,000 sqm
Fragrant Season
Changshu Qinhu Project

Lishui — 1 project
Total Attributable GFA
approximately 8,000 sqm
Liu Xiang Mansion

Tianjin — 3 projects
Total Attributable GFA
approximately 790,000 sqm
Jinnan New Town
Tianjin The Cosmos
Tianjin Apex

Beijing — 11 projects
Total Attributable GFA
approximately 614,000 sqm
Fragrant Seasons
La Villa
Beijing Apex
M • Cube
Summer Terrace
KWG Center I
KWG Center II
Rose and Ginkgo Mansion
The Core of Center
Beijing Niulanshan 1107# Project
New Chang'an Mansion (formerly known as Link Chang'an)

Jinan — 3 projects
Total Attributable GFA
approximately 203,000 sqm
Jinan Zhangqiu Project
Jinan Zhang Ma Tun C6# Project
Jinan Zhang Ma Tun C8# Project

Liuzhou — 2 projects
Total Attributable GFA
approximately 1,278,000 sqm
The Moon Mansion
Fortunes Season

Nanning — 7 projects
Total Attributable GFA
approximately 1,255,000 sqm
The Core of Center
International Finance Place
Top of World
Fragrant Season
Impression Discovery Bay I
Impression Discovery Bay II
Emerald City (formerly known as The Horizon)

Chengdu — 4 projects
Total Attributable GFA
approximately 1,088,000 sqm
The Vision of the World
Chengdu Cosmos
Chengdu Sky Ville
Yunshang Retreat

Chongqing — 6 projects
Total Attributable GFA
approximately 607,000 sqm
The Riviera Chongqing
The Cosmos Chongqing
The Moon Mansion
Splendid City (formerly known as Chongqing Jiangzhou Jinyun Project)
Mansion of Jasper (formerly known as Chongqing Longjing Xuefu Project)
Jade Moon Villa (formerly known as Chongqing Jingyuetai Project)

Hainan — 3 projects
Total Attributable GFA
approximately 507,000 sqm
Pearl Coast
Villa Como
Hainan Lingao Project

Wuhan — 3 projects
Total Attributable GFA
approximately 306,000 sqm
Joyful Season
The Buttonwood Season I
The Buttonwood Season II

Wuzhou — 1 project
Total Attributable GFA
approximately 285,000 sqm
KWG TusWorld Ice Town (formerly known as KWG Qidi Ice Town)

Kunming — 1 project
Total Attributable GFA
approximately 260,000 sqm
Salar de Uyuni

Meishan — 2 projects
Total Attributable GFA
approximately 241,000 sqm
Meishan Apex
River State (formerly known as Meishan Nanhu Peninsula Project)

Chenzhou — 1 project
Total Attributable GFA
approximately 73,000 sqm
Chenzhou Wangxian Eco-tourism Project

Xi'an — 1 project
Total Attributable GFA
approximately 37,000 sqm
Xi'an Yanta Project

Directors and Senior Management's Profile

Director

Executive Directors

KONG Jianmin, aged 52, is the founder of the Group and an Executive Director and the Chairman of the Company. Mr. Kong is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. He has over 25 years of experience in property development and investment. Mr. Kong is a brother of Messrs. KONG Jiantao and KONG Jiannan. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the British Virgin Islands (the "BVI"), Hong Kong and the People's Republic of China (the "PRC").

KONG Jiantao, aged 49, is an Executive Director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 25 years of experience in property development and has been a Director of the Group since 1995. Mr. Kong is the younger brother of Messrs. KONG Jianmin and KONG Jiannan. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

KONG Jiannan, aged 54, is an Executive Director and Executive Vice President of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is the elder brother of Messrs. KONG Jianmin and KONG Jiantao. Mr. Kong is also a director of most of the Company's subsidiaries incorporated in the BVI, Hong Kong and the PRC.

CAI Fengjia, aged 50, is an Executive Director and the chief executive officer of the Company's real estate business. Mr. Cai graduated from Hunan University with a bachelor's degree in architecture and is a registered architect. Mr. Cai joined the Group in May 2007 and has served as the deputy general manager of its Suzhou's real estate sector, the general manager of its Hangzhou's real estate sector and the general manager of Eastern China District. He was appointed as chief executive officer of real estate business of the Company in December 2017. Prior to joining the Group, Mr. Cai worked in Guangdong Provincial Architectural Design Institute from 1992 to 2005.

Independent Non-Executive Directors

LEE Ka Sze, Carmelo JP, aged 59, is an Independent Non-executive Director and a member of the Audit Committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Esprit Holdings Limited and China Pacific Insurance (Group) Co., Ltd., and a non-executive director of CSPC Pharmaceutical Group Limited, Safety Godown Company Limited and Playmates Holdings Limited, all of which are listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lee was appointed as one of the four chairmen of Listing Review Committee of Stock Exchange on 5 July 2019. He is also a member of HKSAR InnoHK Steering Committee, a chairman of the Appeal Tribunal Panel (Buildings) (Section 45 of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong), a convenor cum member of Financial Reporting Review Panel of The Financial Reporting Council, a member of Campaign Committee of The Community Chest of Hong Kong and the co-chairman of The Community Chest Corporate Challenge Half Marathon. Mr. Lee was the chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003, respectively. Mr. Lee resigned as a non-executive director of three companies listed on the Stock Exchange, namely Planetree International Development Limited (formerly known as Yugang International Limited), Hopewell Holdings Limited (which has been withdrawn from listing in May 2019) and Termbray Industries International (Holdings) Limited respectively with effect from 30 April 2019, 3 May 2019 and 13 September 2019. On 5 November 2019, Mr. Lee has been appointed as a non-executive director of Playmates Holdings Limited, which is listed on the Stock Exchange.

TAM Chun Fai, aged 57, is an Independent Non-executive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and Chartered Financial Analyst. Mr. Tam has almost 35 years of experience in auditing, corporate advisory services and financial management, as well as compliance work. He is an executive director, the chief financial officer and the company secretary of Beijing Enterprises Holdings Limited and is an independent non-executive director of Hi Sun Technology (China) Limited, companies both listed on the Main Board of the Stock Exchange.

LI Binhai, aged 70, is an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was the former chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 20 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, a director and the deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

LI Ning, aged 55, is the general manager of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master's degree in business administration. Mr. Li has over 30 years of experience in designing large-scaled integrated architecture and operational management.

CHEN Guangchuan, aged 51, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of its Hainan's real estate sector. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

JIN Yanlong, aged 40, is the general manager of the Group's Northern China District. Mr. Jin obtained a bachelor's degree in electrical engineering and automation from Nanjing Tech University. Mr. Jin joined the Group in June 2008 and was the engineering manager, the deputy general manager of its Hangzhou's real estate sector and the general manager of its Suzhou's real estate sector. Currently, Mr. Jin is mainly responsible for the overall management and operation of Northern China District of the Group.

HUANG Yanping, aged 45, is the vice president of the finance and treasury department of the Group. Ms. Huang graduated from the University of Maryland in the US with a master's degree in business administration. Ms. Huang joined the Group in September 2008 and was the director of finance and treasury and the general manager of finance and treasury of the Group. Currently, Ms. Huang is responsible for the management of finance and treasury of the Group. She has 23 years of extensive experience in financial management.

LUO Qing, aged 55, is the general manager of construction sector of the Group. Mr. Luo graduated from South China University of Technology, majoring in construction engineering. Mr. Luo joined the Group in August 2001 and was the general manager of its Chengdu's real estate sector, the general manager of its Beijing's real estate sector and the general manager of its Wuhan's real estate sector. Before joining the Group, Mr. Luo worked in a sound first-tier main construction contractor in Guangzhou. He has 35 years of extensive experience in the management of construction work.

YAO Zhimin, aged 58, vice president of the finance and treasury department of the Group. Mr. Yao graduated from the Shenzhen University with a bachelor's degree in finance. Mr. Yao joined the Group in March 2018 as a vice president of the finance and treasury department, and is responsible for the management of treasury activities. Prior to joining the Group, Mr. Yao has worked as a president and general manager at the Guangzhou Xiajiu Lu sub-branch, Guangzhou Dezhengzhong Lu sub-branch, settlement and electronic banking department of Guangzhou branch, Guangzhou Baiyun Lu sub-branch of the Industrial and Commercial Bank of China. Mr. Yao has 30 years of experience in the management of treasury activities.

Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success. Key practices adopted by the Company on corporate governance are as follows:

- Develop and review the Company's policies and practices on corporate governance
- Review and monitor the training and continuous professional development of directors and senior management
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements

The Group strives to attain and maintain effective corporate governance practices and procedures. Throughout the year, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), save and except for code provisions A.1.7 and F.1.2.

Code provision A.1.7 stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the year ended 31 December 2019, the Board approved the continuing connected transaction in relation to the lease of properties to Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) ("Guangzhou Kai Chuang") and its wholly-owned subsidiaries, by way of passing a written resolution. Mr. KONG Jiantao, being the Executive Director and Chief Executive Officer and a director and the ultimate beneficial owner of Guangzhou Kai Chuang, was regarded as having material interests therein. Prior to the formal execution of such written resolution, all Directors had discussed the matters via electronic means and the Directors (including the Independent Non-executive Directors) are of the view that such property lease and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms or better and are in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole. In addition, Mr. KONG Jiantao had abstained from voting on the relevant resolution pursuant to the Articles of Association of the Company (the "Articles of Association") and the Listing Rules. The Board considered that the adoption of written resolutions would facilitate and maximize the effectiveness of its operation. The Board shall nevertheless review its Board meeting arrangement from time to time to ensure the appropriate arrangement is being taken to comply with the requirements under the CG Code.

Code provision F.1.2 stipulates that the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current Company Secretary of the Company was approved by a written resolution of all Directors instead of a physical Board meeting. Prior to such appointment, all Directors were individually consulted without any dissenting opinion. It was considered that there was not necessary to hold a physical Board meeting for approving the said appointment.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the Executive Directors and management of the Company.

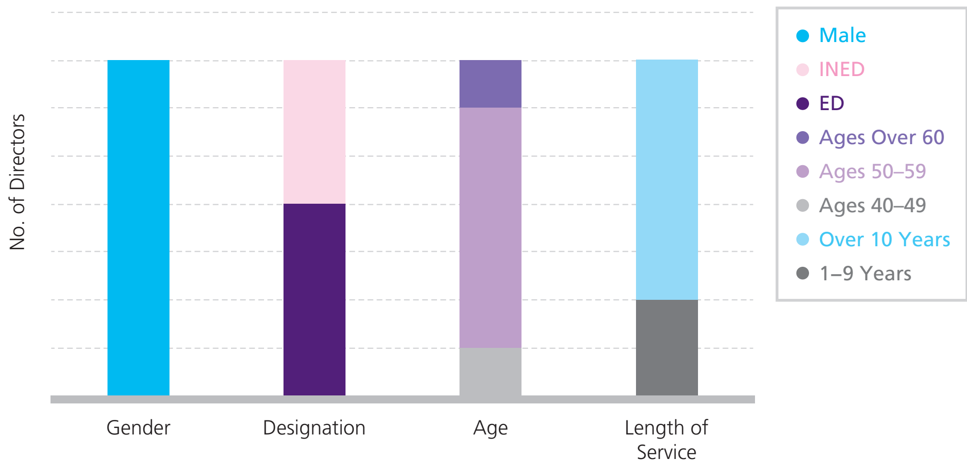
* *for identification purpose only*

All Directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

Board composition

During the year ended 31 December 2019 and up to the date of this report, the Board consists of four Executive Directors, Messrs. KONG Jianmin (Chairman), KONG Jiantao (Chief Executive Officer), KONG Jiannan and CAI Fengjia and three Independent Non-executive Directors, Messrs. LEE Ka Sze, Carmelo *JP*, TAM Chun Fai and LI Binhai. Mr. TSUI Kam Tim has resigned as the Executive Director on 12 August 2019. Messrs. KONG Jianmin, KONG Jiantao and KONG Jiannan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

An analysis of the Board's current composition is set out in the following chart:



The biographical details of the Directors, including relationships among members of the Board, are set out on pages 32 and 33 of this Annual Report and available on the Company's website.

Board Diversity

The Company has adopted a board diversity policy (the "Diversity Policy"). Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, length of service, or professional experience. Other than the above factors, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Company currently has three Independent Non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. They have provided the Board with their diversified expertise, experience and professional advice.

The Board has a balanced composition of Executive Directors and Independent Non-executive Directors, which is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group. The Board believes that the views and participation of the Independent Non-executive Directors in the Board and Committee meetings provides independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all Shareholders are considered and safeguarded. All Directors (including Independent Non-executive Directors) come from diverse background with varied expertise in finance, legal and business field and have given sufficient time and effort to the affairs of the Group.

Chairman and Chief Executive Officer

Mr. KONG Jianmin is the Chairman of the Board and Mr. KONG Jiantao is the Chief Executive Officer. As disclosed, Messrs. KONG Jianmin and KONG Jiantao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. KONG Jianmin, being the Chairman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues arising at Board meetings. The Chairman also encourages Directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. KONG Jiantao, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Appointments and re-election of Directors

Each Director has entered into a service contract or a letter of appointment with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association. Messrs. KONG Jiannan, TAM Chun Fai and LI Binhai will retire by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election, in accordance with Article 87 of the Articles of Association.

Independent Non-executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Confirmations have been received from the three Independent Non-executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

During the year, the Independent Non-executive Directors provided the Company with a diverse range of expertise and a balance of skills, and brought independent judgments in issues pertinent to strategic direction, development, performance and risk management through their contribution at the Board meetings and Committee meetings.

Messrs. LEE Ka Sze, Carmelo *JP* and TAM Chun Fai served as Independent Non-executive Directors for more than nine years. The Board is of the opinion that they remain independent, notwithstanding the length of their tenure. They continue to demonstrate the attributes of Independent Non-executive Directors and there is no evidence that their tenure has any impact on their independence. The Board believes that their profound knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs.

Directors' insurance

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities arising out of corporate activities.

Board process

During the year of 2019, the Board held four regular meetings. At these Board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, monitored its financial and operational performance, and approved the annual and interim results of the Group. It also reviewed the Group's risk management and internal control systems, board diversity and remuneration policy etc.

Between regular meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of certain matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Whenever warranted, additional Board meetings are held.

In addition to Board meetings, the Chairman holds one meeting with Independent Non-executive Directors annually without the presence of Executive Directors.

Attendances of the Directors at the Board meetings and the annual general meeting in 2019 are set out as follows:

Directors	Board Meetings Attended/ Eligible to attend	Attendance at 2019 annual general meeting
Executive Directors		
KONG Jianmin *(Chairman)*	4/4	√
KONG Jiantao *(Chief Executive Officer)*	3/4	✗
KONG Jiannan	4/4	✗
CAI Fengjia	4/4	✗
TSUI Kam Tim (resigned on 12 August 2019)	1/1	√
Independent Non-executive Directors		
LEE Ka Sze, Carmelo *JP*	4/4	✗
TAM Chun Fai	3/4	√
LI Binhai	4/4	✗

Regular Board meetings in each year are scheduled well in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a regular Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least 3 days before the intended date of a Board meeting. Directors may participate in meetings in person, by phone or by other communication means. Draft minutes of each Board meeting are circulated to Directors for their comments before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at reasonable time on reasonable notice by any Director.

Directors are required to declare their interests (if any) in the matters to be considered at the Board meetings in accordance with the Articles of Association, and a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

Compliance With Model Code

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

Training and support for Directors

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his responsibilities under relevant laws, rules and regulations, all Directors are regularly provided materials regarding the Company's most recent performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time. The Company has also organized a seminar for all Directors in December 2019.

According to the records kept by the Company, the Directors attended the following trainings during the year ended 31 December 2019:

Directors	Attending trainings, seminars, conferences, or briefings etc.	Reading materials in respect of updates on the Company's business, duties and responsibilities of Directors and regulatory requirements
Executive Directors		
KONG Jianmin	√	√
KONG Jiantao	√	√
KONG Jiannan	√	√
CAI Fengjia	√	√
TSUI Kam Tim (resigned on 12 August 2019)	√	√
Independent Non-executive Directors		
LEE Ka Sze, Carmelo *JP*	√	√
TAM Chun Fai	√	√
LI Binhai	√	√

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2019 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	2
1,000,001–2,000,000	2
2,000,001–3,000,000	3
3,000,001–4,000,000	0
4,000,001–5,000,000	0
5,000,001–6,000,000	1
6,000,001–7,000,000	0
7,000,001–8,000,000	0
8,000,001–9,000,000	0

Board Committees

The Board has established three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established in 2007. As at 31 December 2019, the Audit Committee comprises three members who are Independent Non-executive Directors, namely Messrs. TAM Chun Fai (Chairman), LEE Ka Sze, Carmelo *JP*, and LI Binhai. The terms of reference of the Audit Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the websites of the Company and the Stock Exchange respectively. The duties include the followings:

- reviewing and monitoring the integrity of the Groups' financial statements, as well as interim and annual reports;
- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;

- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;

- reviewing and monitoring the Group's corporate governance functions under D.3.1 of the CG Code.

During the year, the Audit Committee held two meetings to review, among other matters, the 2018 annual results and the 2019 interim results of the Group before submission to the Board as well as to monitor the integrity of such financial statements. The Audit Committee oversees matters concerning the external auditor including making recommendations to the Board regarding the appointment of the external auditor, reviewing the nature and scope of their audit work and approving their fees. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the CG Code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of Directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function. In addition, the Audit Committee reviewed the Group's internal control and risk management system.

The Audit Committee also had a private meeting with the external auditor without the presence of the management to discuss any area of concern.

Attendance of the members at the Audit Committee meetings for the year ended 31 December 2019 is set out as follows:

Committee Members	Meetings attended/held
TAM Chun Fai	2/2
LEE Ka Sze, Carmelo *JP*	2/2
LI Binhai	2/2

Remuneration Committee

The Remuneration Committee was established in 2007. As at 31 December 2019, the Remuneration Committee comprises an Executive Director, namely Mr. KONG Jianmin, and two Independent Non-executive Directors, namely Messrs. TAM Chun Fai (Chairman) and LI Binhai.

The principal responsibilities of the Remuneration Committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the Directors and members of senior management to the Board. The terms of reference of the Remuneration Committee adopted by the Company was posted on the websites of the Company and the Stock Exchange respectively.

During the year ended 31 December 2019, one Remuneration Committee meeting was held to review the remuneration policies and structure and packages of the Directors and senior management. Also, written resolutions have been passed by the Remuneration Committee to review the grant of awarded shares to certain eligible participants under the Share Award Scheme and recommended to the Board for approval.

Attendance of the members at the Remuneration Committee meeting for the year ended 31 December 2019 is set out as follows:

Committee Members	Meetings attended/held
KONG Jianmin	1/1
TAM Chun Fai	1/1
LI Binhai	1/1

Nomination Committee

The Nomination Committee was established in 2007. As at 31 December 2019, the Nomination Committee comprises an Executive Director, namely Mr. KONG Jianmin (Chairman), and two Independent Non-executive Directors, namely Messrs. TAM Chun Fai and LI Binhai.

The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. The terms of reference of the Nomination Committee adopted by the Company was posted on the websites of the Company and the Stock Exchange, respectively.

One Nomination Committee meeting was held in 2019. It has reviewed the structure, size and composition (including skills, knowledge and experience) of the Board, assessed the independence of Independent Non-executive Directors, reviewed the retired Directors for re-election and reviewed whether every Director gives sufficient time and attention to the Company's affairs. Written resolutions have been passed by the Nomination Committee to accept the resignation of an Executive Director in August 2019.

The Nomination Committee has set the measurable objectives including but not limited to gender, age, cultural and educational background, length of service and professional experience for the implementation of board diversity of the Company. Details are set out in the paragraphs under "Board Composition" and "Board Diversity Policy" in this Report. The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. It is of the view that the Board comprises seven Directors who are drawn from a diverse background and professional experience, thereby ensuring critical review and control of the management process. The balanced composition of the Board brings effective performance by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographical details of the Directors set out in pages 32 and 33 of this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee considered that the requirements of the Board Diversity Policy had been met.

Attendance of members at the Nomination Committee meeting for the year ended 31 December 2019 is set out as follows:

Committee Members	Meetings attended/held
KONG Jianmin	1/1
TAM Chun Fai	1/1
LI Binhai	1/1

Nomination Policy

The Company's policy for the nomination of Directors (the "Nomination Policy") was adopted pursuant to resolutions of the Board. Pursuant to the Nomination Policy, the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings of the Company or to appoint as Directors to fill casual vacancies or as an addition to the existing Board. The non-exhaustive factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity;
- Accomplishment and experience;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee shall also assess the independence of Independent Non-executive Directors, and shall take into account factors for independence as prescribe by the Listing Rules in force as amended from time to time.

Audit and Accountability

Financial reporting

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2019 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

External Auditors

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

For the year ended 31 December 2019, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB5,150,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB4,144,000, being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Company's risk management and internal control system on a regular basis so as to ensure that internal control and risk management system in place are adequate. The Audit Committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis. The Board may be informed regularly of material risks that would affect the performance of the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

First line of defense: The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

Second line of defense: Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

Third line of defense: The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, and providing constructive advice to relevant management. The risk control audit department organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the audit committee.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2019. The assessment was discussed among the management of the Company, its external auditor and the Group's risk management centre and reviewed by the Audit Committee. The Board believes that the existing risk management and internal control system is adequate and effective.

Policy on Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations.

Company Secretary

The Company Secretary is responsible for assisting the Board by ensuring good information flow within the Board members and providing professional advice to the Board on corporate governance and other matters.

Mr. CHAN Kin Wai was appointed as the Company Secretary on 12 August 2019. During the year ended 31 December 2019, he undertook no less than 15 hours of relevant professional training.

Mr. TSUI Kam Tim resigned as the Company Secretary on 12 August 2019.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its Shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to Shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all Shareholders by post as requested. The Company has also complied with the Listing Rules by posting announcements, notices, annual reports, interim reports, shareholders' circulars and monthly updates on the websites of the Stock Exchange and the Company (www.kwggroupholdings.com) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between Shareholders and Directors. The Chairman of the Board personally chairs the annual general meeting to ensure Shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow Shareholders to stay informed of the Group's strategies and goals.

In addition to the Chairman of the Board, the chairman of the Committees, or in their absence, other members of the respective committees, the auditor of the Company and the Hong Kong legal advisor of the Company, are available to answer any queries that Shareholders may have. The chairman of the annual general meeting will propose separate resolutions for each issue to be considered at the meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and Shareholders' rights are preserved. Notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the chairman of the meeting. Vote results are released by way of publication of an announcement.

Shareholders' Rights

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong (the "Principal Office"), which is presently situated at Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the share registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law. However, Shareholders are requested to follow Article 58 of the Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at a meeting, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as Director is posted on the Company's website.

Investor Relations

Communication with Shareholders

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations department which contact details are as follows:

Investor Relations Department
KWG Group Holdings Limited
Units 8503–05A, Level 85, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Fax: (852) 2878 7091
Email: ir@kwggroupholdings.com

Constitutional documents

During the year, no changes have been made to the constitutional documents of the Company. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

Dividend Policy

The Company has adopted a dividend policy which aims to provide the Shareholders with a sustainable dividend out of the profit of the Group. Declaration of dividends is subject to the discretion of the Board, taking into consideration of factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restriction and any other factors that the Board may deem relevant. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

Environmental, Social and Governance Report

Preface

As a leading property developer in China, KWG Group takes into account the social responsibilities that an enterprise should shoulder in addition to business development. As such, the Group is pleased to publish the environmental, social and governance ("ESG") report, which discloses the Group's ESG policies and its effectiveness, so as to achieve its objective of sustainable development.

With the core philosophy of "build home with heart, create future with aspiration", the Group has been striving to enhance the living standard of the community and its customers by realising its philosophy in every detail of business operation. Through engaging in business activities that are conducive to the development of the society, it is committed to forging a better future. The Group applies sustainable development strategy consistently in its daily operation, where specific sustainable development policies are set up for different departments, in particular for property development and investment business which may cause greater impact on the environment and the community. Managerial responsibilities are delegated to each and every functional department, subsidiary and project to ensure proper monitoring of and control over the impact on the community and the environment by the management.

The Group understands that sustainable development is the foundation of long-term success of an enterprise. Therefore, it has implemented various specific measures in this regard, enabling all employees to share the same sustainable development concept. We also strive to promote the concept of green living among customers, seeking to offer comfortable green architectures featuring low energy consumption and the use of renewable energy. This not only brings a new way of life to customers, but also further optimises the Group's effort in sustainable development.

About this report

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It covers the Group's ESG policies, measures and performance, enabling each stakeholder to gain better understanding on the Group's sustainable operation and its outcome. This report encompasses Chinese and English version, which have been included in the annual report of the Company and uploaded onto the website of the Stock Exchange and the Company (www.kwggroupholdings.com). Please refer to the Group's ESG report of the current year and prior years.

The reporting scope of this report mainly covers property development, property investment, hotel operation and property management businesses operated by the Group during 1 January 2019 to 31 December 2019. Its performance mainly covers the headquarters of International Finance Place in Guangzhou, the Hong Kong headquarters of International Commerce Centre in Hong Kong, The Mulian Urban Resort Hotels Huadu, W Hotel in Guangzhou, Oriental Bund in Foshan, Guangzhou, International Metropolis Plaza in Shanghai and the Cosmos in Chongqing, most of which are newly added projects as compared to the previous year. The Group will continue to enhance the transparency of this report.

Sustainability governance

The Group includes sustainable development strategy in various scope of work, while the management of the Group organises meetings on a regular basis to review relevant policies, ensuring appropriate and effective ESG risk management and internal control are in place.

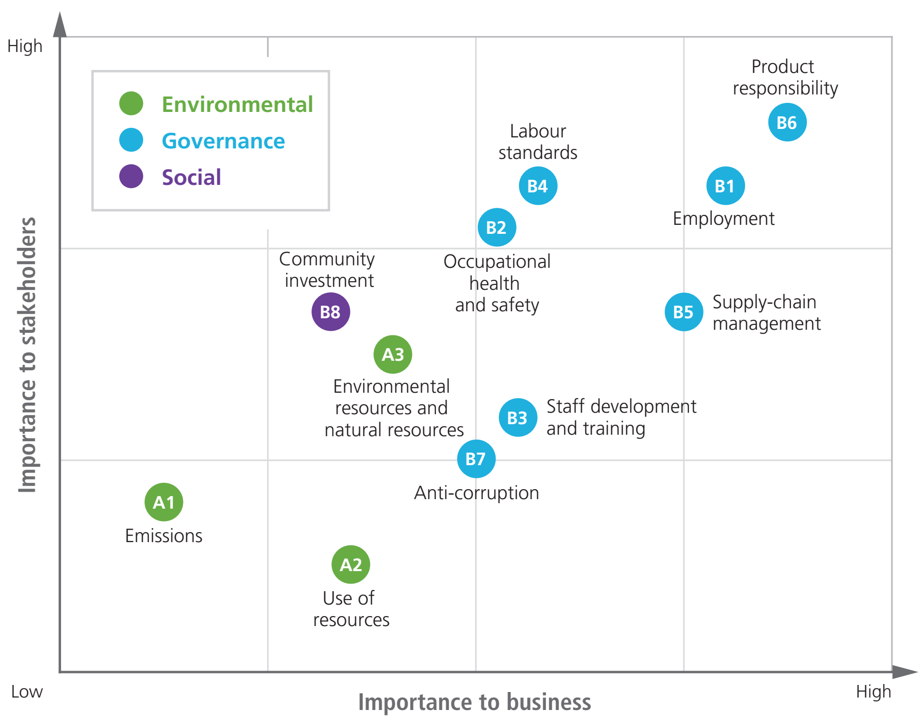
The Group values the opinion and advice from stakeholders and seeks to understand the views of each stakeholder through different channels. We actively maintain close communication with stakeholders to learn about their expectation and comment on the Group, and to identify crucial sustainable development issues concerned by them.

Stakeholder	Concerned issue	Communication channel and response
Suppliers	• fair and competitive tender process • corporate image and reputation	• conducting technology and quality assessment to tenders • setting up engagement criteria and practices • plants inspection
Employees	• employees' rights and benefits • occupational health and safety • career development and promotion path	• providing safe and healthy workplace • trainings and workshops on safety knowledge • encouraging employees to participate in internal and external trainings • offering clear promotion ladder and necessary criteria
Customers and property owners	• product quality and services • satisfying customers' needs in time	• customers' satisfaction survey • daily communication through phone calls, emails and the "KWG Future Home app" • offering professional after-sales services
Community	• public welfare • environmental protection	• actively participating in community services and charitable events • forming volunteer groups
Shareholders and investors	• return and growth • profitability • disclosure on corporate operation information	• general meetings • regular disclosure on operation information • announcements/circulars, annual reports and financial statements available on the Company's website

	Stakeholder	Concerned issue	Communication channel and response
	Government authorities	• compliance with laws and regulations • paying tax in accordance with the law	• setting up policies for green office, construction and architecture • executing and complying with national policies
	Partners	• transparent, fair and unbiased procurement process • observing and performing contracts	• regular working meetings • plants inspection
	Media	• environmental protection • transparency on operation	• regular disclosures of information • maintaining close relationship

An external evaluation is arrived at through the aforesaid communication with stakeholders. Meanwhile, the Group also conducts an internal evaluation in management meeting to reassess the importance of each of such issues to the Group, hence deriving the following matrix of materiality. The Group will give consideration to this matrix of materiality when making decisions.

ESG Issues Materiality Matrix

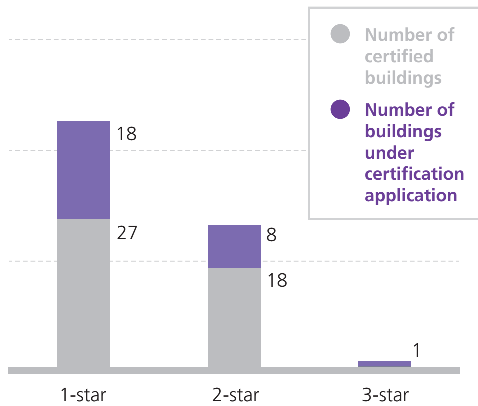


Environmental governance and policies

- **Green certification**

  As the Group continues to promote low-carbon green buildings, a total of 45 projects of the Group have obtained green building certification, of which 27 are 1-star certified and 18 are 2-star certified, with another 27 projects currently under certification application. In order to cut carbon emissions and increase the number of green buildings in future, the Group plans to replace current project equipment upon the expiry of its useful life with low energy consuming equipment leveraging on technological advancement. Such equipment includes central air conditioner mainframes, water pumps, indoor lightings, selective control of building automation (BA) system, indoor blinds with improved shading coefficient, etc. Moreover, the Group will also strive to introduce new energy projects such as the provision of charging equipment for new-energy automobile.

Number of Green Buildings of the Group



Showcase green developments : KWG Huangpu Avenue Project

Situated at 646 Huangpu Avenue, Tianhe District, Guangzhou, the project enjoys exquisite geographical location adorned by the waterfront of the Pearl River, with a planned total site area of 30,946 sq.m. and a total gross area of approximately 98,939 sq.m. The project employs pre-fabricated design and construction, which satisfy the requirement of 3-star green building certification. The project has been built according to the concept of sponge city with a design of low elevation greenbelt. More than 50% of the greenbelt is designated as low elevation greenbelt, tree pool and rain garden to retain rainwater, while over 70% of the hard-paved area in the site including roads, square, yard and outdoor parking spaces are covered by porous pavement. Measures are taken to reduce surface runoff by directing rainwater from roofs and roads to ecological facilities on the ground such as low elevation greenbelt and rain garden, and the rainwater is then discharged to municipal pipe networks through the overflow port of the low elevation greenbelt.

With optimised architectural design, the project has made reasonable deployment for above ground car parking spaces, while the number of underground car parking spaces and the area of underground parking garage are reduced. Following the philosophy of energy conservation and emission reduction of green buildings, over 35% of the windows of buildings are openable for the ease of ventilation; exterior walls of residential units are painted with light colour or covered with exterior wall tiles; the use of curtain wall structure is avoided in public area to reduce the heat absorption from sunlight by exterior walls of buildings.

- **Green office**

The Group has formulated various office management systems specific to different aspects at office and required strict compliance by employees of the Group. The followings are some of the environmental policies and measures implemented by the Group.

Environmental policies	Environmental measures
Reduce electricity consumption	• Ensure the lightings are turned off in respective office areas after work • Switch off the power of computer equipment after work • Give priority to green products • Lightings and water resources are centrally managed by the property department and regular patrol system is established in office areas to ensure all lightings and water taps are properly turned off after work • Motion sensor lighting is installed in office areas and corridors with only lighting for emergency and monitoring and control permanently turned on • For offices with air-conditioning, the temperature of the air-conditioners should not be lower than 26°C in summer and should not be higher than 18°C in winter • LED light is used in facade lighting of buildings instead of traditional high pressure floodlight
Reduce water usage	• Put up labels for water conservation near the sink in the pantry to remind employees to reduce water use • Examine water valves, water taps and flush toilets on a regular basis to get rid of water dripping and water leakage • Install water-saving devices such as sensor faucets in water facilities
Reduce paper usage	• Encourage employees to make duplex copies • Promote paperless meetings by transforming paper agenda to online agenda • Implement paperless office enabling all documents to be signed online
Reduce wastage	• Provide waste separation and recycling bins
Reduce carbon emissions	• Use online telephone conference to substitute some of the business trips so as to reduce greenhouse gas emissions caused by travel

Office management in response to climate change

Due to global warming, temperature has been oscillating in a more frequent manner with temperature difference showing an increasing trend every year. While we have to take measures to mitigate global warming, we also need to ensure appropriate temperature is maintained in the indoor environment in which our employees work. In a bid to strike a balance between these two aspects, the Group has established different administrative systems in relation to indoor temperature, including the setting up of standard temperature.

Showcase developments: International Metropolis Plaza in Shanghai

Located at Shanghai, where a relative lower temperature is recorded in winter, the project runs central heating in accordance with the Group's requirement that boilers can only be turned on with a temperature below 15°C. Given greater amount of pollutants discharged by boilers, we examine them every year and make modifications when necessary. The boilers, as modified, shall conform to the pollutant-emission rate stipulated by the Shanghai Government, which maintains the pollutants discharged at 30 mg. As for architectural design, double-glazed windows are used for heat isolation purpose. The temperature of indoor air-conditioning is adjusted according to the outdoor temperature and tenants have no access to air-conditioning adjustment themselves. Indoor temperature shall be kept constant within an appropriate range in all seasons.

- **Green living**

  The Group capitalises on technology to provide customers with a convenient and environmentally friendly way of life, striving to offer better quality of life without compromising the interest of customers.

Smart Home

The Group has launched the app "KWG Future Home" in 2018, which targets all property owners and customers and covers comprehensive property services, establishing a one-stop smart service platform attending to extensive basic necessities. Utilising the app, property owners may pay bills to reduce the use of paper, while app users may also report property issues such as water leak so that property management staff can conduct inspection and maintenance swiftly to reduce the waste of water due to engineering problem.

Promotion of recycling

With a view to strengthening residents' motivation for recycling, leaflets are posted up in each building to promote recycling and eco-friendly living. Recycling bins for waste and used clothes are also set up in the buildings. To facilitate residents, we conduct waste recycling on a centralised basis and the waste separation process will be handled by trained staff to ensure accurate separation of waste.

Use of transportation

The Group offers various transportation options to tenants with the aim of reducing private cars usage and encouraging the use of public transportation without prejudice to transportation efficiency and speed.

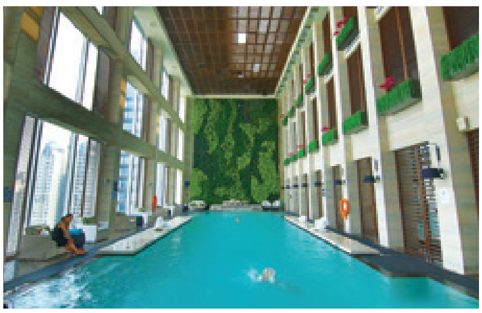
Showcase developments: The Summit in Guangzhou

Shuttle buses are provided to tenants and property owners during rush hours to commute between the site and four different metro stations connecting four different metro lines. Meanwhile, there are four to five different bus stations in the neighbourhood. The Group also encourages and assists residents in the community with similar destination to form groups and hitch a ride together, so as to lessen the demand for taxis and private cars for the benefit of environmental protection. Our meticulous community planning allows tenants to satisfy their daily necessities conveniently in their respective community. If they want to visit the supermarket and shopping mall within the site, they may make good use of our shuttle buses.

Conservation of resources

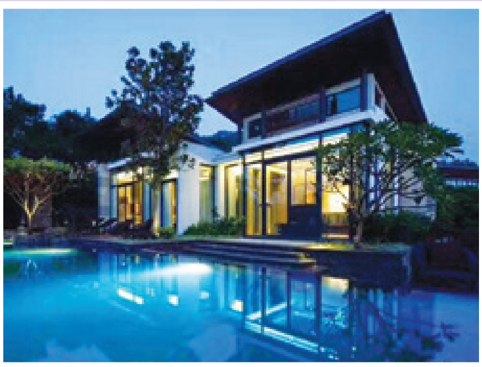
The Group believes that the consumption of resources, though, is inevitable, unnecessary wastage can be kept to minimal if all resources are utilised properly. This is rather crucial for green way of life.

Showcase developments (I): W Hotel in Guangzhou



Plastic straws are replaced by paper straws in catering service, while paper beverage coasters provided in rooms are replaced by plastic ones, which can be reused after cleaning, to reduce the wastage of disposable goods. Furthermore, disposable goods such as comb and toothbrush will only be provided to customers upon request. Water in the hotel's swimming pool will be recycled after sterilisation to reduce water usage.

Showcase developments (II): The Mulian Urban Resort Hotels Huadu in Guangzhou



The Mulian Urban Resort Hotels Huadu in Guangzhou is a proprietary hotel brand under KWG Group, with five restaurants and a lounge offering buffet, Chinese cuisine as well as western delicacy. The food ingredients are afforded by designated suppliers in Guangzhou, which are not distant from the hotel, so that the carbon emissions caused during logistics and the amount of food ingredients spoiled during transportation can be reduced. The amount of food offered in buffet will be adjusted based on the occupancy rate every day to avoid wastage. Clean buffet leftovers will first be delivered to staff canteen for consumption and the remaining will be recycled as food waste.

- **Green construction**
  The Group pays close attention to the environmental impact in the course of project construction. It is in strict compliance with the "Construction Law of the People's Republic of China", the "Regulation on the Administration of Construction Project Environmental Protection", the "Environmental Protection Law of the People's Republic of China" and other laws and regulations to ensure the quality and safety of construction work. It is also committed to reducing the negative impact on the environment and the ecosystem during construction work by employing advanced equipment, technology and environmentally friendly construction materials in accordance with the management standards for construction sites formulated by the Group.

  Dust
  In order to minimise dust pollution, prefabricated concrete is used in the construction sites, where dust suppression devices such as sprinklers and fog guns are in place and measures like soil covering and solidification are adopted.

  Noise
  The Group is in strict compliance with the "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution", with rigid control over working hours at the construction sites and the use of low-noise equipment. Ambient noise in the construction sites conforms to the requirements of the National Standards for Noise Control GB3096-2008.

  Sewage
  The Group has not encountered difficulties in securing water source and has adopted vigorous measures to control the sewage produced during the construction process in accordance with the "Law of the People's Republic of China on Prevention and Control of Water Pollution". Separate drainage systems are set up for domestic sewage and industrial sewage respectively, where industrial sewage will be handled in sewage treatment plant while domestic sewage will be discharged to the municipal sewage pipe networks to protect ecological water resources.

  Waste
  The Group has endeavoured to minimize waste generated during project development. The measures adopted and the outcome attained are set out below:

  (1) Formulate material supply plan:
  Types and amount of materials required during construction is considered and procurement is carried out in accordance with the plan to avoid wastage resulted from excessive procurement and unreasonable usage. Materials applied in all projects meet the national environmental standards.

  (2) Promote new construction technology:
  Unnecessary construction refuse generated due to the destruction and damage incurred during the transportation, storage and installation of construction materials is avoided. The precision of installation and construction has also been heightened to avoid garbage produced from demolition and revamp. Unnecessary packaging of construction products has been avoided.

Showcase developments for new construction technology: The Apex Jiangmen

Located at the northern side of Wuyi Road, Jianghai District, The Apex Jiangmen covers a GFA of 170,030 sq.m. The project employs all cast in-situ technique in the design of exterior walls with a construction system using aluminum alloy molds and attached intelligent lifting scaffolds, which can save nearly one-fourth of the construction time as compared to traditional construction using wood molds. As the exterior walls are formed all at once, it is high-quality in term of water-proofing and enables the prevention of common quality issues such as hollow or cracked exterior walls. Moreover, such construction system diminishes the construction waste and garbage produced on site. In particular, the aluminum alloy molds in substitution of wood moods are reusable, which reduces the use of wood significantly.

(3) *Make greater effort in the planning and management of construction work:*
Efforts have been made to constantly improve management standards enhance the environmental awareness of construction workers as well as reduce waste of construction materials and avoid production of massive refuse from rework due to poor construction quality.

(4) *Recycle waste materials:*
Different types of construction refuse have been recycled and processed, and those unrecyclable materials are commissioned to professional collectors for further treatment. Currently, the volume of waste generated by our projects is below the industry average, while the recycling rate of construction refuse is over 70%.

Types of waste	Method of waste treatment
Mud	Used in road building, as fills for pile foundation and as foundation
Wood	Wood without apparent damage is used directly in building and construction; wood components with severe damage are sold as raw materials for recycled wood plates or used in papermaking
Steel, steel bars and other metal materials	Directly recycled and reused or undergo processing
Concrete and bricks	For the production of concrete of the respective strength, mortar, or construction materials such as building blocks, wallboards and floor tiles. Aggregates made from bricks can be used as base course of highway after the addition of solidifying materials

Precautions against extreme weather conditions

The construction project department further strengthens its ties with local authorities including the meteorological administration, the hydrology bureau and the ministry of land and resources while monitoring weather forecasts closely to gather timely information about rain, flood, geological disasters, drought, high temperature, etc. Early warnings will be received and issued in time to allow proper deployment and precautions to be done in advance.

In preliminary stage of work, safe construction technology and measures for flood season and high temperature should be formulated and implemented properly to step up defense against accidents in construction sites and ensure safety. The project team should implement effective precautionary measures to monitor and prevent accidents including the collapse of retaining walls as a result of flood, instability of side slopes, collapse of earthworks, and collapse of scaffolds and lifting machines, not least the occurrence of geological disasters such as landslide due to construction work. Therefore, attention should be drawn to scaffolds, deep foundation pits, high side slopes, construction enclosures and pile-up of materials outside construction sites.

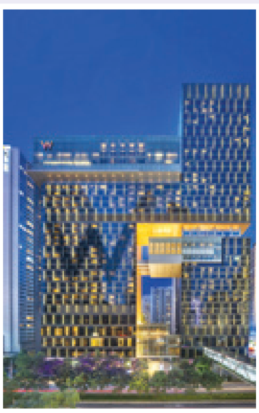
Safety is especially of high regard for construction in winter. Policies in relation to safe construction and production in winter as promulgated by the construction department and local government of the corresponding project are implemented consistently to prevent the occurrence of material safety incidents. Flexible arrangements are made for different work types in accordance with climate change. For instance, outdoor work will be suspended in case of strong wind, heavy rain and snow until accumulated water and snow in construction sites are cleared up and effective anti-freezing and anti-skid measures are taken to prevent falls from height. In addition, stronger management will be exercised in the living areas of employees. Residing in basements of uncompleted construction works is strictly prohibited, while heating facilities are managed by specific personnel. In particular, open flame and improper connection of electric appliances are strictly forbidden, so as to avoid smoking poisoning, fire or electric shock.

- **Green project**

  Instead of solely focusing on property development and hotel management, the Group aims at creating one-stop service from property design, project construction to property management that engages the participation of stakeholders on the basis of green building, a predominant trend in the industry that incorporates and encourages green living concepts. The Group is in strict compliance with the "Energy Conservation Law of the People's Republic of China" by using construction materials and energy saving equipment as well as integrating environmental elements into every aspect of business operation to produce high quality green products.

Showcase developments (I): W Hotel in Guangzhou

Situated at a landmark building in the downtown of Guangzhou, W Hotel in Guangzhou serves youthful and international travellers with forward-looking service concept. Under the hotel's relatively progressive management style, it has taken various green measures and control over energy consumption as follows, achieving the target of control over total energy consumption as required by the competent authority for energy conservation of Tianhe District.



Energy conservation modification	• Implement air water heating energy conservation modification plan by supplying hot water using air water heating system to partly reduce the use of natural gas • Replace over 90% of the traditional T8 tube lights with LED energy efficient tubes • Use Trimline T8 energy efficient fluorescent lights
Reinforce recycling	• Engage approved recycling company to handle waste separation and recycling as well as food waste recycling
Green management	• Stop providing disposable goods unless upon request • Employees are responsible for closing the curtains after room cleaning to lower room temperature • Change bed sheet every other day unless specifically requested by customer • Conduct maintenance check to temperature control system annually

Showcase developments (II): Oriental Bund in Foshan, Guangzhou

Close to the inclusion into the Jianxin Cluster District under the blueprint of the Greater Bay Area, the whole project in Foshan aims at forging a cosy living circle that integrates elements of environment, work and transportation. The project is consisted of 24 land parcels, covering complex developments of diversified types such as resorts, high-rise apartments, offices, hotels and shopping malls. The Group has established the "Fun Home" living system for the project, which includes the construction of transportation network, family theme park, giant shopping mall, 1.5m wide fluorescent jogging track, as well as creating a user-friendly smart community featuring the use of technology.

Project design	• Buildings mainly facing southward, which allows ventilation to the greatest extent and reduces the reliance on air-conditioning
Ancillary transportation	• Adjacent to Guangzhou metro line 1 and line 2 • 15 minutes away from the Foshan Airport
Environmental afforestation	• Greening rate of over 30% • A municipal park of 5.3 sq.m. • A coastal park at the government level of 260,000 sq.m. • The renovation and construction of a waterfront promenade of approximately 3 km are completed for use by residents
Construction materials	• The design of double-glazed windows can reduce heat loss and improve heat isolation in rooms
Energy-saving design	• Rainwater collection system is built in Phase II and the collected rainwater is used for irrigation and car park cleaning • Motion sensor lights that will be turned off automatically after the passage of people are installed on public corridors • Grade A kitchen wares that satisfy the energy efficiency standard in China are used in offices, such as gas stove
Community care	• Ensure that all kindergartens and primary schools will be rebuilt in the same district when formulating the redevelopment plan of the whole district • Universities in Foshan Xincheng may supply well-paid talents and attract more large enterprises to set up branch company in the district, hence boosting the economic development of the region • Provide comprehensive education and medical ancillary facilities

Showcase developments (III): The Summit in Guangzhou

The Summit of KWG, located at Yongning District in Zengcheng, Guangzhou with a site area of approximately 3,000 mu, enjoys exquisite natural scenery afforded by mountain resources of approximately 800,000 sq.m. in the neighbourhood. This project is one of the key focuses of the Group in eastern Guangzhou, offering sophisticated all-round ancillary facilities with an emphasis on the integration of comfortable ecological environment and domestic life. Therefore, great efforts have been made to protect the environment during the course of project development, ensuring that the natural scenery will not be destroyed. Despite urban facilities such as supermarket, wet market, swimming pool and club house, the project is also surrounded by natural landscapes including Nanxiangshan, Tianpingshan, Lizhishan and Yayao River.

Project design	• Ample space between each building to ensure air circulation and ventilation, so as to maintain quality living environment • Buildings mainly facing northeast with better natural lighting • Buildings sequentially arranged from townhouses, mid-rise to high-rise apartment buildings, with ample space in between to ensure unobstructed scenery
Environment afforestation	• Greeneries are planted everywhere with a greening rate of over 40%
Construction materials	• Bathtubs in the room are made of ceramoplastics • Double-glazed windows to reduce heat loss
Ancillary transportation	• Near the metro station of Zengcheng Development District • Bus terminal • Free shuttle buses connecting metro stations

- **Environmental Performance**

	Types of emissions	Emissions during the reporting period (kg)
Exhaust gas	Sulphur oxides Nitrogen oxides Particulate matter	26,537 5,333,918 39
Scope		**Carbon dioxide equivalent emissions during the reporting period (kg)**
(I) Direct greenhouse gas ("GHG") Emissions and reduction (II) Energy Indirect GHG Emissions (III) Other Indirect GHG Emissions GHG emissions in total Intensity of GHG (carbon dioxide equivalent (kg)/employee)		1,910,212 16,623,902 435,752 18,969,866 1,695
Types of waste	**Total (in tonne)**	**Intensity (tonne/employee)**
Hazardous waste Non-hazardous waste	1.3 485.2	0.001 0.05
	Types	**Energy consumption during the reporting period (KWh in '000s)**
Use of energy	Petrol Diesel Electricity Towngas Energy consumption in total Intensity of energy consumption (KWh in '000s/employee)	1,445 211 28,977 30,231 60,864 5.4
Use of resources	Water consumption in total (cubic metre) Intensity of water consumption (cubic metre/employee) Total packaging material used (in tonne) Intensity of packaging material used (tonne/employee)	544,487 48.7 0.23 0.00002

Care For Our Employees

The Group values our employees and sees them not only as the Group's invaluable assets but also the foundation of our success. The Group abides by the laws and regulations such as "Labour Law of the People's Republic of China" and "Labour Contract Law of the People's Republic of China" for our recruitment practices and management. Our employees may refer to the Group's internal staff handbook for information about employee recruitment and remuneration package. The Group treats our employees with heart, and strives to broaden their horizon and create a better future for the Company and our employees.

With regard to staff recruitment, the Group always follows its established practices and standards which are also clearly set out in its internal staff handbook to prevent child labour or forced labour. The Group will perform regular review and improvement. All new employees are required to produce their employment letters and relevant proofs of identity for inspection upon induction and orientation to ensure all staff employed have reached the statutory age for employment. If an employee fails to produce or submit in time the aforesaid documents, resulting in the Group's inability to go through the employment procedures, the Group has the right to postpone or terminate the employment. In addition, misrepresentation of personal particulars, use of false identification document or use of identification document belonging to another person shall be deemed as fraud and the employment of the offender shall be forthwith terminated, regardless of the length of his/her service with the Company. At the same time, the Company reserves all rights in relation to economic and legal liabilities, depending on the consequences and loss resulting from such fraud. During the reporting period, the Group has not identified any non-compliance in relation to child labour and forced labour.

- **Employment rights**

  The Group also upholds a fair and equal working environment and encourages healthy competition. The Group adheres to the principles of equality and anti-discrimination in staff recruitment, regardless of their age, nationality, race, gender, marital status, disability or religion. Job applicants have equal opportunity for employment and will be employed based on their merits. An employment contract will be signed by a new recruit with the human resources department within one week upon employment, clearly setting out their remuneration package and fringe benefits in order to protect both parties.

  The Group offers competitive remuneration packages which are adjusted in the first half of a year based on market surveys and the employees' own performances. Salary adjustments due to position transfer, change of rank, etc. will be processed immediately, and the human resources department will pay salaries on time every month. The Group also offers promotion opportunities to the employees on an annual basis based on their ability, experience and level of involvement in the Company's business, while employees may also be granted internal transfers, to the extent reasonable, according to their preference so that they can bring their personal strengths into full play. Employees take part in an annual performance appraisal and those with outstanding performance are favourably considered for salary increment, bonus pay-out and promotion. If an employee has any objection to the result of performance appraisal, he/she may submit his/her written objection through designated channels within three days upon receipt of the appraisal results, and the department in charge of such issue of the Group will take the follow- up action and conduct a re-appraisal.

  In rigorous implementation of its employment policy, the Group makes payments for five types of insurance and the housing provident fund on behalf of its staff at such time and in such amount as required, and provide to the employees with statutory annual leaves and holidays, paid benefit leaves, marriage leaves, paternity leaves, consolation leave, sick leaves and work injury leave. The Group also offers birthday and festive rewards, including Spring Festive rewards and Mid-Autumn Festive Rewards. Female staff members are also entitled to have March 8th allowances.

To ensure work-life balance and protect the health of our employees, the Group provides our employees with free annual body check-up. Working hours are also specified and a 40-hour work week applies to all office staff, while the working hours of other staff are determined based on actual conditions and job nature. Meanwhile, as the Group developed rapidly, in order to facilitate its business growth, our employees may be required to perform their duties outside of their regular work locations. The Group will also offer special fringe benefits to those dispatched employees. An employee deployed aboard for three months or more will enjoy expatriate allowances, one-time settlement subsidies, home leaves, housing arrangements, family visits and meal allowances so that the employee may work aboard with comfort and no worry. For other employee's fringe benefits, please refer to the table below.

Types of fringe benefits	Fringe benefit coverage
Social Insurance	Five types of insurance premiums and provident fund contributions (pension, medical, unemployment, injury, maternity, housing provident fund) paid on behalf of staff according to statutory rates
Business add-on insurance	Business add-on insurance amounting to RMB360 per year per person for management and RMB180 per year per person for junior staff
Annual body check-up	Body check-up arrangements amounting to RMB400 per year per person for management and RMB200 per year per person for junior staff
Meal allowances	Most regional companies provide a cafeteria service, in the absence of which a meal allowance of RMB200–400 per month or RMB5 per meal is provided
Transportation allowances	RMB400–1,200 per month depending on company and staff ranking, or rural allowance equivalent to 10% or 15% of monthly salary for staff working at remote project sites according to the distance between the site and the office
Phone call allowance	RMB50–300 per month depending on staff ranking
Festival allowance	Festive allowance of RMB700 per year per employee; female staff are further entitled to March 8th allowance of RMB100–200 per person
Other allowances	Birthday award of RMB100 and entertainment fees of RMB600 per year per employee

- **Development and Training**

The Group always bears in mind its value of "people-oriented", and places emphasis on cultivation and development of its human resources. The Group appreciates the importance of personal growth and professional development of our employees and encourages them to keep growing and excelling. The Group provides our employees with competence development training programs customized for their current positions to create more room for growth for them.

The Group provides different types of training to our employees, including in-house training, external training, open courses and online learning. Companies in various regions may choose different training methods based on their operational needs, such as lectures, workshops, sandbox modelling exercises, etc. Diversification of training methods mainly aims to provide our employees with learning experience with most customized know-how and skills. For example, arrangements were made for senior management personnel to enroll in the EMBA courses hosted by Cheung Kong Graduate School of Business or China Europe International Business School ("CEIBS"), to upgrade our management staff's knowledge in management and their duties. The Group has also organized a team of outstanding training staff from various channels. On one hand, the Group has established its in-house lecturer teams in accordance with its "Management System for In-house Training Lecturer" in various regional companies. On the other hand, the Group engaged a team of outstanding training staff from home and abroad to teach advanced technology and management knowledge newly developed at home and abroad. In addition, the Group makes good use of its KWG Online Business School to provide its employees with training on such topics as strategic management, business management, leadership, business etiquette so that they may learn anytime and anywhere.

During the reporting year, the Group provided the following customized training programs to our employees:

Types of training	Examples of training events	Aims of training
New recruit orientation	Standard new recruit orientation, advanced new recruit orientation	Understanding the development path of the Company, corporate culture, management system, administration and personnel to strengthen the employees' sense of belonging and identity, and help them quickly blend into the team
Comprehensive training	2019 training camp for management staff, training programs on integrity and anti-corruption	Understanding the entire real estate industry chain to improve project management capabilities and lay a solid foundation for corporate governance, strengthen team cohesion, and the Group's talent pool
Professional skills	Training program on income tax reform, training camps on practical recruitment skills, KWG seminar	Assisting various department in grasping professional knowledge and market trend
Management skills	2019 training camp for general manager candidates, EMBA course hosted by CEIBS	Improving the ability of the management staff in terms of overall operation, management and decision-making, strengthen their self-awareness, build a high-performance team and grasp the industry trend

- **Occupational health and safety**

  Staff occupational safety and health represents an important concern for the Group, which implements national rules and standards for occupational safety and health in strict accordance with the "Labour Law of the People's Republic of China" and other pertinent laws and require our employees to seriously follow our operating procedures for safe production. The Group arranges annual body check-up for staff and has also taken out business accident and critical illness insurance policies for all employees. All employees must learn the necessary first aid knowledge, receive relevant education and training to improve their knowledge and skills on safe production, and ensure that they have capabilities to handle any emergency situations.

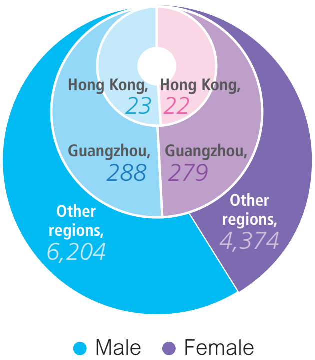
  To ensure that employees at various locations are working in safe construction sites, the Group strives to improve the effectiveness of its project management. Rules and regulations, including but not limited to the "Quality and Safety Administrative Measures" have been formulated and quality and safety officers of regional branch companies nationwide have been arranged to participate in quality and safety training on a regular basis to enhance safety awareness of construction workers. In addition, regular construction inspections are conducted, which covers safety and protection, safe use of electricity, machinery and equipment, on-site fire prevention, and material stacking and storage. During the reporting year, the Group did not record any case of work-related injuries or deaths.

  In order to promote physical and mental health of our employees, enhance communication and interaction, and strengthen team spirit, the Group holds staff activities from time to time, such as seminars, sports days and interest classes, and also regular festival celebrations and birthday parties. The total turnout of the staff activities held by the Group amounted to more than 30,000 every year in order to establish a healthy and pleasant working environment with our employees.

KWG Ningjun Property's National Running Day

Information on Group employees

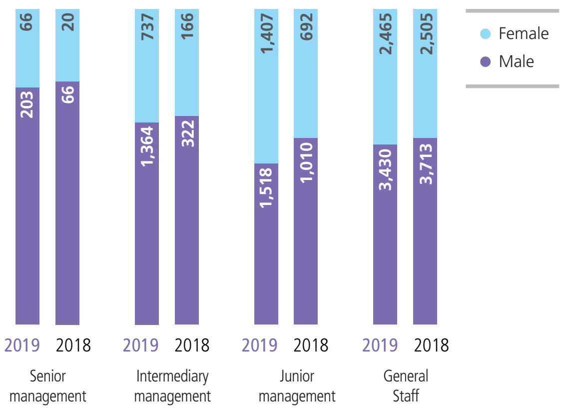
Number of male and female employees of the Group by region



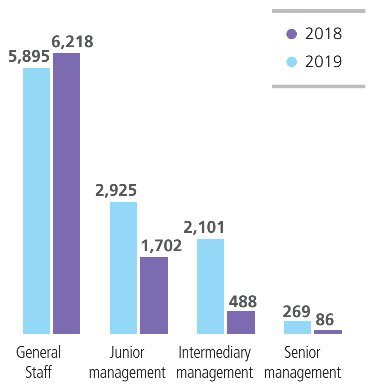
Number of male and female employees of the Group by sectors

* Other sectors include Real Estate Construction, City Renovation, Health and Education

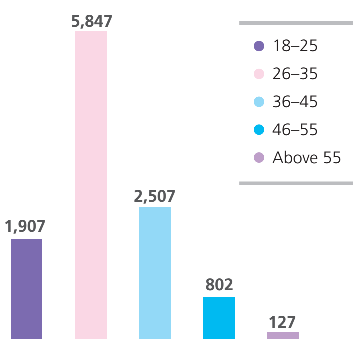
Number of male and female employees of the Group by employment type



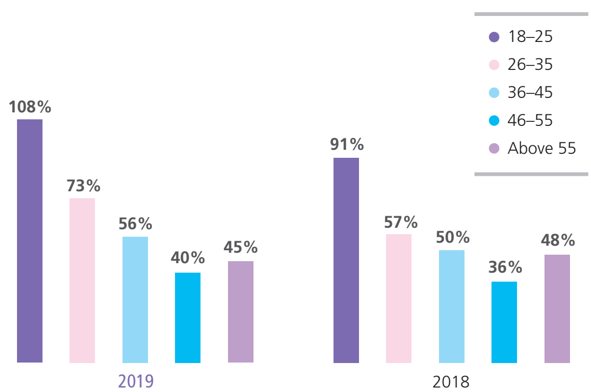
Number of employees of the Group by employment type



Number of employees of the Group by age group



Staff turnover rate by age group



The Group's employee turnover rates in 2019 for male and female were 76% and 67% respectively. Analysed by region, the employee turnover rates in the Guangzhou Headquarters and the Hong Kong Office were 16% and 15% respectively.

	Rank	Average training hours for male staff (hours)	Percentage of male staff receiving training	Average training hours for female staff (hours)	Percentage of female staff receiving training
Average training hours and percentage of staff receiving training	General staff	49	70%	24	65%
	Junior management	35	68%	24	63%
	Intermediary management	30	68%	29	62%
	Senior management	175	65%	164	62%

Operational Management Of The Group

Supply-chain Management

The Group has always aimed to offer high quality project and supporting facilities by following its mission of "Build Home with Heart", the Group, as such, has placed great emphasis on cooperation with and management of suppliers. The Group selects its suppliers by way of tender in accordance with the "Bidding Law of the People's Republic of China". Only suppliers who meet our stringent standards can participate in the bidding to guarantee their strengths in the industry and corporate social responsibility.

In selecting its suppliers, the Group is obliged to inspect corporate profile of the suppliers and their qualification and certificates, their business performance and relevant information for sustainable development, if any, such as frequent use of eco-friendly raw materials, green production and strict management of wastes, shall also be taken into consideration. Upon initial assessment and prior to being named on the Group's suppliers' list, the Group's representatives shall conduct on-site inspection of suppliers' plants and their supplies shall be assessed and inspected repeatedly. The suppliers list will also be reviewed regularly. The Group monitors suppliers in the master database on a regular basis. Suppliers who are found to have involved in the following will be blacklisted and permanently banned.

I) Non-compliant and illegal acts such as bid rigging, fraud and bribery during the bidding or contract period;

II) Grave negligence in connection with important stages of work such as marketing shows, deliveries to owners and title registration, among others, resulting in substantial loss for or adverse impact on the Group;

III) Suppliers whose quality issues have been announced by the government or industry associations or exposed by the media.

Each regional company is allowed to place orders from the suppliers on the list as required under actual circumstances. As at 31 December 2019, there are 185 suppliers on the list within the reporting scope which would sufficiently fulfil the requirements of all sort of professional engineering services.

Region of supplier	Number
Shanghai	30
Guangzhou	135
Beijing	4
Hunan	1
Chongqing	1
Fujian	1
Zhejiang	1
Dongguan	1
Foshan	1
Qingdao	1
Qingyuan	1
Shenzhen	5
Zhuhai	1

Anti-corruption

The Group eliminates dishonest acts such as bribery, corruption and extortion and adopts a zero tolerance stance against any corruptive practices in economic activities. In compliance with the "Prevention of Bribery Ordinance" (Laws of Hong Kong Chapter 201) and the "Anti-corruption Law of the People's Republic of China", the Group implement the "Monitoring and Managing System", the "Rules for Implementation of Disciplinary Actions", the "Rules for Implementation of Inspection", the "Rules for Implementation of Project Management", "Regulation on Conflict of Interest for Staff Members of KWG Group" and a integrity agreement for cooperation. The fifth chapter of the internal staff handbook expressly sets out a code of conduct of the Group's employees. A risk control department and a comprehensive and effective internal control and management system have been in place, and an intranet webpage designated for audit and monitoring will contain articles about integrity and anti-corruption for perusal. The Group has been the member of Enterprise Anti-Fraud Alliance and Trust and Integrity Enterprise Alliance with the aim to put coordinated effort to anti-corruption and anti-fraud. During the reporting year, the Group prepared anti-corruption posters for its training department, appointed 11 integrity ambassadors as good role models and included "Integrity System of KWG" into its induction programme. 32 sessions of anti-corruption training were conducted this year, including induction for new employees, training on different sectors and departments, such as senior management of the Group real estate sector, tenders and bidding centre, marketing staff, and treasury department.

The Group has set up an independent monitoring centre for anti-corruption which is solely accountable to and directly reporting to Chairman of the Board. The monitoring centre of the Group is responsible for handling complaints and reports on illegal, unethical and non-compliance behaviour and breach of duty, as well as initiating, investigating and handling corrupt conduct and financial fraud during ordinary course of business. For illegal, unethical and non-compliance behaviour and breach of duty in relation to the Company, monitoring department has the right to know, supervise, investigate, suggest, take disciplinary actions and carry out corruption inquiry. There are a few sub-teams under the monitoring centre, namely case management team, investigation team, administration team and regional team.

Case management team	principally responsible for investigating corrupt conduct and financial fraud during ordinary course of business.
Investigation team	principally responsible for inspecting and collecting evidence of illegal and non-compliance behaviour spanning across all business segments of the Group.
Administration team	principally responsible for report drafting, receipt and registration of evidence, training and promotion of integrity and document management.
Regional team	principally responsible for daily supervision, investigation and evidence collection on illegal and non-compliance behaviour by designating group members to each region/subsidiary/branch.

In the event of any illegal, unethical and non-compliance behaviour and breach of duty found, complaints and whistleblowing should be made via email, telephone or WeChat official account which permits complete anonymity.

Product Liability

To ensure product quality, the Group has established a comprehensive regime of the supervision of project work quality for governing management of construction projects and procedures of internal control. All of its construction projects are strictly complied with the quality management requirements of the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council (國務院) regarding to the project planning, construction works, supervision, inspection and acceptance, and defects liability. In the process of construction, the Group facilitates telephone communication or conducts meetings with supervisors and material suppliers on a regular basis to obtain the latest development of key issues, such as project progress, quality and safety, for the purpose of following up and supervision. In addition, the Group conducts on-site inspection at regular intervals on project quality and safety risks. Prior to delivery to purchasers, final products of the Group shall be subject to the quality authentication process set out in the "Contents of Supervisory Briefing relating to Construction Work Quality", an internal document of the Group. Furthermore, the Group has also established a comprehensive system for the management of maintenance under warranty, with a view to enhancing the efficiency and quality of maintenance work by standardising the process for handling customers' requests for maintenance.

The Group is aware of the importance of its customers, and collecting their opinions by frequent communication with them in the construction process allow us to fulfil their needs, including project design, marketing, simulated inspection and acceptance as well as pre-delivery, delivery and post-delivery management. The data collected from customers is stored and handled properly by the Group, as it involves personal data and privacy of a large number of customers which is protected by the "General Principles of the Civil Law of the People's Republic of China" and the laws and regulations in relation to protecting use of personal data and privacy. The Group also provides complete privacy protection in the interest of its customers under the "Basic Requirements for the Administration of Confidentiality for Documents and Files", an internal policy of the Group, to ensure the data of all property owners be managed collectively by project services centres and made available solely to relevant data managers, data transfer and disclosure is not permitted without the consent from property owners. In addition, our employees are provided education and training on confidentiality on a regular basis to enhance their awareness of confidentiality and corresponding measures in the era of high prevalence of modern technology use.

Apart from privacy, the Group holds the protection of intellectual properties in high regard. When using intellectual properties of third parties, such as technologies, software, literature and images, the Group is obliged to follow the procedures of inspection, enquiry and purchase in compliance with management system of intellectual properties. In addition, the Group's design department has a great number of specialists from different disciplines, and the Group's architecture is authentic design with application of numerous advanced domestic and international techniques. We will properly apply intellectual properties to protect intangible assets of the Company and identify any design infringement in the market on a regular basis.

Each project of the Group shall go through a quality authentication process prior to delivery, and an on-site quality inspection will then be carried out by the Group and property owner at the time of delivery. In the event of no quality issues raised, both parties will enter into the "Commodity Housing Quality Assurance". In case of any complaints received from customers on quality of our projects or our services, we will earnestly and properly handle it. The Group has an effective mechanism in place to handle complaints and receive customer feedback. The mechanism definitely describes the duties of the relevant departments, such as the customer relationship department, legal department and branding department, as well as complaints handling measures. The Group will review customer satisfaction and the mechanism of handling complaints annually to offer better services and products and enhance corporate image.

Charity and Community Involvement

Over the years, KWG Group has always been mindful of sharing a heart-warming, positive energy with the community. We have been actively involved in community welfare, as we have supported the development of social charity through solid actions, organising numerous community welfare campaigns. During the year, the Group was focused on issues relating to impoverished rural areas, with a special emphasis on the development of general education for children. Through physical donations and the organisation of community welfare initiatives for all, we have been deeply involved in various regions including Beijing, Liuzhou, Nanning, Hangzhou, Huizhou, Yunfu and others in the areas of education, health, sports and culture. More than 300 staff members have spent months in active preparation for and participation in such initiatives, committing funds and donations in excess of RMB600,000. In the future, KWG Group will continue to honour its corporate social responsibility in a proactive manner and devote efforts to community welfare in a genuine move to give back to the society and contribute to social development in the new era.

- **"KWG Excursion to Sanjiang for Community Welfare": donation of learning kits in support of education for children in impoverished areas**
  In active response to the call of the government to engage in defined poverty, KWG Group subsidiary Liuzhou Company organised visits to children living in the impoverished mountain areas of Sanjiang County, Liuzhou, Guangxi in April 2019 in collaboration with the Poverty Aid Office of Sanjiang, Liuzhou. Donations of school bags, books and computers were made to enable the children to enrich their knowledge and learn more about the world through books and the Internet, in a bid to support general education for children living in mountain areas.

- **KWG "RUN FOR LOVE — Charity Begins with Community Welfare": care for autistic children and support for the healthy growth of groups with special needs**
  From May to June 2019, the Commercial Business Department of KWG Group and KWG U Fun Shopping Centre in Beijing launched a series of community welfare activities under the theme of "Run for Love — Charity Begins with Community Welfare" in association with Beijing Municipal Sports Foundation. This included the hosting of a painting exhibition, the building of art houses and the "5.12 km Run", all aiming to help children with autism build self-confidence and encourage them to express themselves, while raising public awareness of the needs of autism groups.

- **"KWG Art Lab": a long-term community welfare programme to facilitate general education for the children of mountain areas**
  Launched in 2013, the "KWG Art Lab" programme aims to broaden the horizons of school children and enhance their artistic acumen in general by building art libraries for rural primary schools and making available a wide range of extracurricular reading resources and art education. Since its commencement over six years ago, 20 "KWG Art Labs" have been built with the donation of tens of thousands of books in Guangdong, Sichuan, Jiangsu, Beijing and Hainan. In June 2019, "KWG Art Lab" carried on its venture of realising dreams at Longmen County, Huizhou, Guangdong by donating teaching materials and libraries to local primary schools. Music and art education sessions were also arranged for the kids, with the hope of giving them a genuine taste of the joy of reading and the manifold splendour of art and broadening their vision for knowledge and art.

- **The "Running Shoes" welfare donation campaign: care for the deaf through the donation of sporting kits to help enhance their healthy growth**
  In June 2019, KWG Group companies in Zhejiang hosted a "Running Shoes" donation campaign, under which 200 students of Hangzhou School for the Deaf were donated running shoes as a token to wish for their healthy growth and encourage them to aspire for a prosperous future. The campaign also aimed to raise public awareness of and support for special education needs.

- **KWG Wuzhou Community Welfare Initiative: paying tribute to city builders and sharing patriotism**
  In September 2019, KWG Nanning Company launched a city-wide campaign in association with the traffic police department, environmental health department, banks and other relevant entities/authorities of Wuzhou to give out 10,000 bottles of coca cola to front-line workers such as street cleaners, traffic police and taxi and bus drivers. Moreover, a flash-mob chorus comprising nearly one thousand singers was assembled to lead a crowd of ten thousand in the singing of patriotic songs in a moving tribute to front-line city workers.

- **KWG Community Welfare Rainbow Campaign: focused on art education for children as part of the development of quality education in rural areas**

  In October 2019, KWG Group subsidiaries KWG Future Home, Ningjun Property Management, KWG Education Group joined forces in the launch of the 2019 KWG Community Welfare Rainbow Campaign entitled "The KWG Rainbow — Inspirations for the Future" (合築彩虹益啟創未來). "Internet + community welfare" was introduced as an innovative approach to community welfare involvement, whereby members nationwide were encouraged to participate via online theme H5 and by way of rural children's painting exhibition, art lessons and charity visits. More than ten thousand members were mobilised to assist in the "Rainbow Pocket" initiative through participation in online theme H5 under the "KWG Rainbow Art Journey." KWG Future Home made a RMB20,000 donation to Guangdong Maitian Education Foundation which will enable more rural kids to receive professional art education.

- **Celebration of the 70th anniversary of the PRC and the Community Harmony Festival hosted by KWG • Ningjun Property Management**

  From September to October 2019, KWG Group subsidiary Ningjun Property Management launched celebrations for the 70th anniversary of the PRC in association with the Community Harmony Festival entitled "The KWG Venture of Dreams — the Artistic Neighbourhood" (合夢同行 • 藝述鄰里). The Community Harmony Festival was held in nine cities including Guangzhou, Chengdu, Shanghai, Suzhou, Hangzhou, Nanning, Hainan, Beijing and Tianjin, with more than 30,000 property owners of over 60 developments across the nation participating. A range of cultural activities in different forms were organised under the theme of the sixth edition of the Community Harmony Festival, aiming to foster community values in a joint effort with property owners and be the partner in the pursuit of good life.

- **KWG College for Seniors: cultural life for the aged**
  The KWG College for Seniors was set up during the year in an effort to enrich the cultural life of senior citizens in the community, providing a platform for knowledge and health tips on topics such as health, art, sharing, Nature and others. The Group has worked diligently to help build pleasant KWG communities, in order to be of service to people of different backgrounds.

Charitable Events After the Reporting Period

- **Solidarity in the midst of adversity: gearing up on all fronts to enhance community health and fight the epidemic**
  In response to the spread of COVID-19 across the country, KWG Group has been closely monitoring the developments of the epidemic. Measures have been taken to actively re-assign its resources to support the fight against the epidemic, while flexible work arrangements have also been adopted. In January 2020, the Group donated 400,000 pieces of N95 masks, 50,000 pairs of protective gloves and other medical supplies through Guangzhou Charity Association. This was followed by the establishment of a RMB10 million Anti-epidemic "Solidarity" Fund devoted exclusively to the fight against COVID-19.

  Moreover, the Group has introduced rental concessions at KWG's U Fun or M • Cube shopping centres in an act of solidarity to support tenants during this difficult time. Meanwhile, the Group's subsidiary Ningjun Property Management has continued to report real-time news on the epidemic and other relevant information on health protection through its official public WeChat account, owners' WeChat groups, community bulletin boards and in association with anti-epidemic units under street authorities.

  To support the prevention and containment of the epidemic, the Group has placed alcohol disinfectant or hand sanitiser at the counters, entrances of service centres and sales centres for the protection of staff and property owners. Our property service centres have also set up conveniently located outlets for the distribution of anti-epidemic supplies to residents in need. Rubbish bins for the disposal of used masks have been placed at our community centres so that used protective items could be handled centrally in a more convenient and hygienic manner.

  KWG Group has also launched an online sales centre — KWG Cloud for Home Purchase — in February 2020, in swift response to the epidemic. The application enables customers to view and buy properties online without having to travel, in a bid to assure health protection for potential buyers while meeting their demands for property purchase.

Related Laws and Regulations

ESG subject area	Related laws and regulations which the Group has been in compliance with in 2019
The environment	The Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Regulations on the Administration of Construction Project Environmental Protection, the National Hazardous Waste Inventory, the Law on the Management of the Environmental Inspection of Completed Construction Projects, the Water Pollution Control Ordinance of Hong Kong and the Waste Disposal Ordinance of Hong Kong, etc.
Employment	The Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Disabled Persons, the Social Insurance Law of the People's Republic of China, the Employment Ordinance, the Employees' Compensation Ordinance, the Provisions on Minimum Wages, the Employment Ordinance of Hong Kong, the Employees' Compensation Ordinance of Hong Kong, the Disability Discrimination Ordinance, etc.
Health and safety	The Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Fire Control Law of the People's Republic of China, the Emergency Response Law of the People's Republic of China, the Regulation on Work-Related Injury Insurances of the People's Republic of China, the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents, the Provisions on the Supervision and Administration of Occupational Health at Work Sites, the Categories and Catalogue of Occupational Diseases, etc.
Product liability	The Product Quality Law of the People's Republic of China, the Construction Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Trademark Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Urban Real Estate Administration Law of the People's Republic of China, the Regulation on the Administration of Development and Operation of Urban Real Estate, the Regulation on the Quality Management of Construction Projects, the Regulation on Realty Management, etc.
Anti-corruption	The Anti-Money Laundering Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Bidding Law of the People's Republic of China, the Regulation on the Implementation of the Bidding Law of the People's Republic of China, the Provisions on Engineering Projects Which Must Be Subject to Bidding, etc.

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

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

A fair review of the Group's business during the year, including an analysis of the Group's performance using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2019 (if any) can be found in the "Financial Highlights", the "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 4 to 30 of this Annual Report. The financial risk management objectives and policies of the Group can be found in note 42 to the financial statements. In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are included in the "Environmental, Social and Governance Report" contained in this Annual Report.

These discussions form part of this Report.

Results and Dividends

The Group's results for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss on page 99.

The Board resolved to recommend the payment of a final dividend of RMB42 cents per share (2018: RMB31 cents per share) for the year ended 31 December 2019. Including the interim dividend of RMB32 cents per share (2018: RMB25 cents per share) paid, the total dividend for the year amounts to RMB74 cents per share (2018: RMB56 cents per share). The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2020 AGM"), will be payable on or around Friday, 7 August 2020 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 16 June 2020.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China.

The proposed final dividend will be offered with a scrip alternative for the Shareholders to elect to receive such final dividend wholly or partly in the form of new fully paid shares instead of in cash. The new shares to be issued pursuant to the scrip dividend arrangement are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

A circular containing details of the scrip dividend arrangement together with the relevant form of election will be published on the Company's website (www.kwggroupholdings.com) and the HKEXnews website (www.hkexnews.hk) and despatched to the Shareholders on or before Tuesday, 30 June 2020.

Financial Summary

A financial summary of the Group for the last five financial years is set out on page 220.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Investment Properties, Properties under Development and Completed Properties Held for Sale

Details of investment properties of the Group during the year are set out in note 14 to the financial statements; and details of the properties under development of the Group and completed properties held for sale by the Group during the year are set out in notes 18 and 19 respectively. Further details of the Group's major properties are set out on page 219.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 29 to the financial statements.

Debentures Issued

During the year, the Company issued the following senior notes:

(1) On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 due 2023.

(2) On 22 March 2019, the Company issued additional 7.875% senior notes with an aggregate principal amount of US$350,000,000 (consolidated and form a single series with the US$350,000,000 7.875% senior notes due 2023 issued on 1 March 2019).

(3) On 3 July 2019, the Company issued additional 5.875% senior notes with an aggregate principal amount of US$225,000,000 (consolidated and form a single series with the US$400,000,000 5.875% senior notes due 2024 issued on 10 November 2017).

(4) On 29 July 2019, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 due 2024.

Further details are set out in note 26 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles of Association") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 44 and 31 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

Total distributable reserves of the Company as at 31 December 2019, calculated in accordance with Article 146 of the Articles of Association, amounted to approximately RMB1,049,219,000.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB2,056,000.

Major Customers and Suppliers

For the year ended 31 December 2019, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payments attributable to the Group's largest contractor and five largest contractors amounted to approximately 6.0% and 26.2% respectively, of the total payments under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 12.1% and 21.2% respectively, of the total purchases for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest contractors and suppliers.

Directors

The Directors during the year and up to the date of this Report were:

Executive Directors

KONG Jianmin *(Chairman)*
KONG Jiantao *(Chief Executive Officer)*
KONG Jiannan
CAI Fengjia
TSUI Kam Tim (resigned on 12 August 2019)

Independent Non-executive Directors

LEE Ka Sze, Carmelo *JP*
TAM Chun Fai
LI Binhai

Biographical details of the Directors are set out on pages 32 and 33 of this Annual Report.

Pursuant to Article 87 of the Articles of Association, Messrs. KONG Jiannan, TAM Chun Fai and LI Binhai will retire from office by rotation and being eligible, offer themselves for re-election at the 2020 AGM.

Mr. TAM Chun Fai, an Independent Non-executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), his re-election will be subject to a separate resolution to be approved at the 2020 AGM.

The Company has received annual confirmations of independence from Messrs. LEE Ka Sze, Carmelo *JP*, TAM Chun Fai and LI Binhai, and as at the date of this Report still considers them to be independent.

Directors' Service Contracts

Executive Directors and Independent Non-executive Directors have entered into service contracts and letters of appointment with the Company for a term of three years respectively.

Apart from the above, no Director proposed for re-election at the 2020 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

The Directors' remunerations are subject to the recommendations of the Remuneration Committee and the Board's approval. The remunerations are determined by the Board with reference to Directors' duties, responsibilities, performances and the results of the Group.

Directors' Interests in a Competing Business

During the year and up to the date of this Report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Director's Interests in Transactions, Arrangements and Contract

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangement to Acquire Shares or Debentures

Mr. CAI Fengjia, Executive Director, was awarded shares of the Company pursuant to the Share Award Scheme. Details are set out in the section headed "Share Award Scheme" in this Report.

Save for the above, at no time during the year or at the end of 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed in this Report, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Interests of the Directors and Chief Executive in Securities

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Long positions in shares and underlying shares of the Company

	Number of Shares held					
Name of Director	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests	Total	Approximate% of the issued share capital[1]
KONG Jianmin	–	–	1,592,317,652[3]	399,053,500[2] [3]	1,991,371,152	62.686%
KONG Jiantao	–	–	256,804,687[4]	1,443,385,000[2] [4]	1,700,189,687	53.520%
KONG Jiannan	–	–	144,338,500[5]	1,553,761,500[2] [5]	1,698,100,000	53.454%
CAI Fengjia	59,610[6]	112,000[7]	–	323,000[8]	494,610	0.016%
LEE Ka Sze, Carmelo *JP*	30,000	–	–	–	30,000	0.001%
TAM Chun Fai	30,000	–	–	–	30,000	0.001%

Notes:

(1) The approximate percentages were calculated based on 3,176,749,463 ordinary shares in issue as at 31 December 2019.

(2) On 30 December 2018, Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan, Plus Earn Consultants Limited ("Plus Earn"), Right Rich Consultants Limited ("Right Rich") and Peace Kind Investments Limited ("Peace Kind") entered into an equity reorganization agreement (the "Equity Reorganization Agreement"), pursuant to which (i) Plus Earn agreed to transfer 179,715,000 shares of the Company to Right Rich and 144,338,500 shares of the Company to Peace Kind; (ii) Mr. KONG Jiantao agreed to transfer 15% equity interest in Plus Earn to Mr. KONG Jianmin and Mr. KONG Jiannan agreed to transfer 8.5% equity interest in Plus Earn to Mr. KONG Jianmin; and (iii) Mr. KONG Jianmin agreed to transfer 76.5% equity interest in Right Rich to Mr. KONG Jiantao and Mr. KONG Jiannan agreed to transfer 8.5% equity interest in Right Rich to Mr. KONG Jiantao (the "Equity Reorganization"). The Equity Reorganization was completed on 30 December 2018. Upon completion of the Equity Reorganization, (i) Plus Earn is wholly-owned by Mr. KONG Jianmin and directly holds 1,299,046,500 shares of the Company; (ii) Right Rich is wholly-owned by Mr. KONG Jiantao and directly holds 254,715,000 shares of the Company; and (iii) Peace Kind is wholly-owned by Mr. KONG Jiannan and directly holds 144,338,500 shares of the Company.

On 30 December 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement (the "Shareholders' Agreement") to regulate their dealings in the shares of the Company. As such, each party to the Shareholders' Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.

(3) Mr. KONG Jianmin is deemed to be interested in a total of 1,991,371,152 shares of the Company including (i) 1,299,046,500 shares held by Plus Earn which is wholly-owned by Mr. KONG Jianmin; (ii) 293,271,152 shares held by Hero Fine Group Limited ("Hero Fine") which is wholly-owned by Mr. KONG Jianmin; and (iii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement. Mr. KONG Jianmin is the sole director of Plus Earn and Hero Fine.

(4) Mr. KONG Jiantao is deemed to be interested in a total of 1,700,189,687 shares of the Company including (i) 254,715,000 shares held by Right Rich which is wholly-owned by Mr. KONG Jiantao; (ii) 1,109,587 shares held by Excel Wave Investments Limited ("Excel Wave") which is wholly-owned by Mr. KONG Jiantao; (iii) 980,100 shares held by Wealth Express Investments Limited ("Wealth Express") which is wholly-owned by Mr. KONG Jiantao; and (iv) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement. Mr. KONG Jiantao is the sole director of Right Rich, Excel Wave and Wealth Express.

(5) Mr. KONG Jiannan is deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares held by Peace Kind which is wholly-owned by Mr. KONG Jiannan; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders' Agreement. Mr. KONG Jiannan is the sole director of Peace Kind.

(6) Pursuant to the Share Award Scheme, out of the 92,500 awarded shares granted to Mr. CAI Fengjia and vested on 19 January 2019, 32,890 awarded shares were sold by the trustee at an average price of HK$7.4952 for the purpose of covering the PRC withholding tax. Further details of awarded shares are set out in the section headed "Share Award Scheme" in this Report.

(7) 112,000 shares were held by Mr. CAI Fengjia's spouse.

(8) 323,000 shares represented the interests in awarded shares granted to Mr. CAI Fengjia by the Company and remained unvested.

(ii) Interests in debentures of the Company

Name of Director	Capacity/Nature of Interests	Amount of debentures interested
KONG Jiantao	Interest of a controlled corporation(1)	US$2,000,000
	Interest of spouse(1)	US$3,000,000

Note (1): Excel Wave, a company wholly-owned by Mr. KONG Jiantao, and the spouse of Mr. KONG Jiantao, held US$2,000,000 and US$3,000,000 of US$300 million 7.40% senior notes of the Company due 2024 (the "Senior Notes"), respectively. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the Senior Notes held by Excel Wave and his spouse under the SFO.

(iii) Long positions in securities of associated corporations

Name of Director	Associated Corporations	Number of shares held in associated corporations	Percentage of shareholding in the associated corporations
KONG Jianmin	Plus Earn	1,000	100.00%

Save as disclosed above or under the section headed "Share Option Scheme" on page 84, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2019, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name	Capacity	Number of shares held	Approximate Percentage of the issued share capital[1]
Plus Earn[2]	Beneficial owner	1,299,046,500	40.89%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	399,053,500	12.56%
Hero Fine[3]	Beneficial owner	293,271,152	9.23%
Right Rich[4]	Beneficial owner	254,715,000	8.02%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,443,385,000	45.44%
Peace Kind[5]	Beneficial owner	144,338,500	4.54%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,553,761,500	48.91%

Notes:

(1) The approximate percentages were calculated based on 3,176,749,463 ordinary shares in issue as at 31 December 2019.

(2) Plus Earn is legally and beneficially owned as to 100% by Mr. KONG Jianmin. For the purpose of the SFO, Plus Earn is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 1,299,046,500 shares directly held by it; (ii) 254,715,000 shares held by Right Rich; and (iii) 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

(3) Hero Fine is legally and beneficially owned as to 100% by Mr. KONG Jianmin.

(4) Right Rich is legally and beneficially owned as to 100% by Mr. KONG Jiantao. For the purpose of the SFO, Right Rich is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 254,715,000 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

(5) Peace Kind is legally and beneficially owned as to 100% by Mr. KONG Jiannan. For the purpose of the SFO, Peace Kind is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders' Agreement.

Save as disclosed above, as at 31 December 2019, no other person (other than the Directors or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a new share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participant(s)") who will contribute and had contributed to the success of the Group's operations.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the Eligible Participants to subscribe for such number of new shares as the Board may determine at an exercise price as the Board may determine.

An "Eligible Participant" means:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including Non-executive Directors and Independent Non-executive Directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 315,515,505 shares, being 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme, and 9.93% as at the date of this Annual Report.

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting.

5. The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant before the prescribed acceptance date (being a date not later than 30 days after the date of the offer). To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

8. Basis of determining the exercise price

Subject to adjustments made, the subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

9. Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years, commencing from 13 February 2018.

A summary of the principal terms and conditions of the Share Option Scheme is set out in the Appendix to the circular of the Company dated 24 January 2018.

As at 31 December 2019, details of the options under the Share Option Scheme are as follows:

			Number of share options						
Grantees	Date of grant	Exercise period	as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	as at 31 December 2019	Exercise price per share (HK$)	Closing price per share immediately before the date of grant (HK$)
Employees[2]	13.02.2018	[1]	1,569,000	–	–	(75,000)	1,494,000	11.12	10.70
		Total	1,569,000	–	–	(75,000)	1,494,000		

Notes:

(1) (i) One-third of the respective options granted are exercisable from the first anniversary of the date of grant (i.e. 13 February 2019); (ii) one-third of the respective options granted are exercisable from the second anniversary of the date of grant (i.e. 13 February 2020); and (iii) the respective remaining options granted are exercisable from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

(2) During the year, all of the options were granted to certain employees of the Group. None of the grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).

Valuation of Share Options

The Company has been using the binomial option pricing model (the "Model") to value the share options granted. The fair value of the share options determined at the date of grant using the Model was approximately RMB3,282,000. The fair value of options was estimated on the date of grant using the following assumptions:

Dividend Yield	7.18%
Expected Volatility	43.35%
Risk-free Interest Rate	0.841%
Expected Life of Share Options (years)	4 years
Weighted Average Share Price	HK$11.12

For the year ended 31 December 2019, the Group has recognised approximately RMB1,008,000 in share-based payment expenses in the statement of profit or loss (2018: approximately RMB1,438,000).

Further details of the Share Option Scheme are set out in note 30 of this Annual Report.

Share Award Scheme

The share award scheme (the "Share Award Scheme") was adopted by the Board on 19 January 2018 (the "Adoption Date") in order to recognize and motivate the contributions by certain employees of the Company and/or member of the Group (the "Eligible Participant(s)") and to give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide certain employees with a direct economic interest in attaining a long-term relationship between the Group and certain employees. Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorized representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of Shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. Details of the Scheme Rules are set out in the announcement of the Company dated 19 January 2018.

Since the Adoption Date and up to 31 December 2019, a total of 6,645,000 awarded shares had been awarded under the Share Award Scheme. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board.

During the year, details of the awarded shares under the Share Award Scheme are set out below:

			Number of awarded shares				
Awardees	**Date of grant**	**Vesting date**	**As at 1 January 2019**	**Awarded during the year**	**Vested during the year**	**Lapsed during the year**	**As at 31 December 2019**
TSUI Kam Tim (resigned as an Executive Director on 12 August 2019)	19.01.2018	(1)	298,500	–	(99,500)	–	199,000
	08.04.2019	(2)	–	148,500	–	–	148,500
CAI Fengjia (Executive Director)	19.01.2018	(1)	277,500	–	(92,500)(3)	–	185,000
	08.04.2019	(2)	–	138,000	–	–	138,000
Directors of certain subsidiaries of the Company	19.01.2018	(1)	1,852,500	–	(617,500)(4)	(75,000)(5)	1,160,000
	08.04.2019	(2)	–	636,000	–	–	636,000
Others independent Eligible Participants	19.01.2018 & 18.10.2018	(1)	1,831,500	–	(610,500)(4)	(184,000)(5)	1,037,000
	08.04.2019	(2)	–	1,137,000	–	(69,000)(5)	1,068,000
		TOTAL	4,260,000	2,059,500	(1,420,000)	(328,000)	4,571,500

Notes:

(1) The awarded shares granted on 19 January 2018 and 18 October 2018 shall be vested in three tranches with the vesting date on 19 January of each year from 2019 to 2021, or an earlier date as approved by the Board, pursuant to the Scheme Rules.

(2) The awarded shares granted on 8 April 2019 shall be vested in three tranches with the vesting date on 8 April of each year from 2020 to 2022, or an earlier date as approved by the Board, pursuant to the Scheme Rules.

(3) Out of these 92,500 awarded shares vested during the year, 32,890 awarded shares were sold by the trustee at an average price of HK$7.4952 for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

(4) Out of these 1,228,000 awarded shares vested during the year, a total of 295,935 awarded shares were sold by the trustee at an average price of HK$7.4952 for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

(5) These awarded shares were lapsed upon the resignation of certain awardees during the year.

Further details of the Share Award Scheme are set out in note 30 of this Annual Report.

Connected Transactions and Continuing Connected Transactions

During the year, the Group conducted the following transactions:

Connected Transaction

Connected transaction involving issue of new shares to connected persons under the Share Award Scheme pursuant to specific mandate

On 8 April 2019, the Board resolved that 922,500 awarded shares granted to certain Directors and directors of certain subsidiaries of the Company (the "Connected Grantees") under the Share Award Scheme shall be satisfied by allotment and issue of new shares of the Company at par to the trustee of the Share Award Scheme pursuant to a specific mandate, which was approved by independent Shareholders at the annual general meeting of the Company held on 6 June 2019.

As the Connected Grantees were connected persons of the Company and the allotment and issue of the awarded shares to the Connected Grantees under the Share Award Scheme constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Further details were disclosed in the announcement of the Company dated 8 April 2019 and the circular of the Company dated 7 May 2019.

Continuing connected transactions

Continuing connected transactions in relation to lease of properties

On 30 November 2018 and on 6 December 2018, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements I and Property Lease and Management Agreements II") with Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) and its wholly owned subsidiaries (the "Lessees"), pursuant to which the Group agreed to lease properties located at Guangzhou, Shanghai, Shenzhen and Chengdu to the Lessees at an agreed aggregate rental and management fee of approximately RMB2,400,000 per month.

On 1 July 2019, the Group entered into property lease and management agreements (the "Property Lease and Management Agreements III") with the Lessees, pursuant to which the Group agreed to lease properties located at Guangzhou and Xian in the PRC to the Lessees at an agreed aggregate rental and management fee of approximately RMB540,000 per month.

The annual cap for the transactions contemplated under the Property Lease and Management Agreements III should be aggregated with the annual caps for the transactions contemplated under the Property Lease and Management Agreements I and Property Lease and Management Agreements II pursuant to Chapter 14A of the Listing Rules. As such, the revised annual caps for the year ended 31 December 2019, and each of the years ending 31 December 2020 and 2021 are set out below:

	For the year ended 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)
Annual Cap	29,694,000	31,606,000	6,480,000

Mr. KONG Jiantao, Executive Director and Chief Executive Officer, is the ultimate beneficial owner of the Lessees, and therefore the Lessees are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the abovementioned Property Lease and Management Agreements constitutes continuing connected transactions of the Company.

* *for identification purpose only*

Further details were disclosed in the announcements of the Company dated 6 December 2018 and 2 July 2019.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transaction as set out above during the year have been reviewed by the Independent Non-executive Directors who have confirmed that the transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the above continuing connected transactions of the Company in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board;
- for transactions involving the provision of goods or services by the Group were not in accordance with the pricing policies of the Group in all material aspects;
- were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and
- have exceeded the annual cap as set by the Company for the year ended 31 December 2019.

Related party transactions

The related party transactions during the year are disclosed in note 39 to the financial statements, which include the above connected transaction and continuing connected transactions. The Company has complied with the disclosure requirements for the these continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duty or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged and maintained appropriate directors' and officers' liability insurance coverage for the Directors during the year.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient public float as required by the Listing Rules as at the date of this Annual Report.

Auditor

Ernst & Young retire and a resolution for the re-appointment as auditor of the Company will be proposed at the 2020 AGM.

Disclosures Pursuant to Rule 13.18 of the Listing Rules

Facility Agreement dated 27 January 2017

On 27 January 2017, the Company as borrower, and certain of the subsidiaries of the Company, as original guarantors, entered into a facility agreement (the "Facility Agreement I") with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited and Chong Hing Bank Limited as original lenders, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and The Bank of East Asia, Limited, as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable dual currency term loan facility in the amount of HK$1,485,000,000 and US$150,000,000 respectively with a greenshoe option of US$250,000,000 to the Company for a term of 48 months commencing from the date of the Facility Agreement I.

Pursuant to the terms of the Facility Agreement I, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement I. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017.

Facility Agreement dated 5 June 2018

On 5 June 2018, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement II") with, among others, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as the original lenders, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited, as the agent, in relation to a transferrable HK$ and US$ dual currency term loan facility with a greenshoe option of US$500 million to the Company for a term of 48 months commencing from the date of the Facility Agreement II.

Pursuant to the terms of the Facility Agreement II, among others, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with the above undertakings will constitute an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 5 June 2018.

ON BEHALF OF THE BOARD

KONG Jianmin
Chairman

Hong Kong
25 March 2020

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of KWG Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 218, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
Investment properties of the Group are stated at fair value at the end of each reporting period, which comprise completed investment properties, investment properties under construction and right-of-use assets. Changes in fair values of investment properties are recorded in profit or loss for the year in which they arise. As at 31 December 2019, the carrying amount of investment properties of the Group was approximately RMB27,263,329,000. The Group's investment properties are revalued individually at the end of each reporting period by independent professional valuers which involves significant estimations and assumptions, including market rent and capitalisation rates, and the fair values of the investment properties are sensitive to these management's estimates and assumptions. Relevant disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.	The audit procedures we performed on the revaluation of investment properties, among others, include the following: • we obtained an understanding of the work of the independent professional valuers engaged by the Company, considered the objectivity, independence and expertise of the valuer; • we involved our valuation specialists to evaluate the valuation techniques used and tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information; and • we assessed the adequacy of disclosures in relation to the revaluation of investment properties, including fair value hierarchy and the valuation techniques used and the key inputs to the valuation of investment properties.

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

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was approximately RMB22,761,946,000, of which approximately RMB3,244,213,000 was recognised over time. For the revenue from sales of properties recognised over time, the Group considers whether it has the enforceable right to payment, which depends on the terms of the sales contracts and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment to assist making these decisions. Significant judgements were involved in determining whether the Group has the right to payment for performance completed to date or not. In addition, the Group recognises revenue from sales of properties by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs. Significant judgements and estimations are required in determining the accuracy of the estimated total costs and the contract costs incurred up to the end of reporting period and the progress towards complete satisfaction of the performance obligation at the reporting date.	We performed the following audit procedures on the recognition of revenue from sales of properties over time, among others: • we reviewed, on a sampling basis, the key terms of the sales contracts to assess the Group's rights to payment; • we obtained and reviewed the legal counsel opinion, in particular, the interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; • we assessed the competence, experience and objectivity of the legal counsel; • we checked, on a sampling basis, the revenue from sales of properties recognised over time during the year to the supporting documents including sales contracts and proceeds received; • we evaluated management's basis for cost allocation by checking to the underlying contracts and saleable floor areas; • we checked the estimated total contract costs by comparing the estimated total contract costs to the budget approved by management;

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

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time (continued)	
Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter. Relevant disclosures are included in notes 2.4, 3 and 5 to the consolidated financial statements.	• we checked the accuracy of the contract costs incurred up to the end of the reporting period by tracing, on a sampling basis, the costs incurred to the supporting documents; • we checked the mathematical accuracy of the computation of cost allocation and completion progress among properties; and • we assessed the adequacy of disclosures in the notes to the consolidated financial statements in relation to the accounting policies and significant accounting judgements and estimates on recognition of revenue from sales of properties over time.

Other information included in the Annual Report

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

EY 安永

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

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

EY安永

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

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

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

25 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**24,956,261**	7,477,471
Cost of sales		**(17,090,481)**	(5,026,202)
Gross profit		**7,865,780**	2,451,269
Other income and gains, net	5	**2,858,916**	2,703,427
Selling and marketing expenses		**(1,007,351)**	(532,080)
Administrative expenses		**(1,726,064)**	(1,313,835)
Other operating expenses, net		**(4,456)**	(1,727)
Fair value gains on investment properties, net	14	**3,716,461**	1,714,657
Finance costs	7	**(1,531,336)**	(1,070,059)
Share of profits and losses of:			
Associates		**513,706**	(279)
Joint ventures		**2,933,397**	1,439,857
PROFIT BEFORE TAX	6	**13,619,053**	5,391,230
Income tax expenses	10	**(3,562,969)**	(1,236,396)
PROFIT FOR THE YEAR		**10,056,084**	4,154,834
Attributable to:			
Owners of the Company		**9,805,813**	4,035,415
Non-controlling interests		**250,271**	119,419
		10,056,084	4,154,834
Earnings per share attributable to owners of the Company	12		
– Basic		**RMB309 cents**	RMB128 cents
– Diluted		**RMB309 cents**	RMB127 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**10,056,084**	4,154,834
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(373,071)**	(792,154)
Share of exchange differences on translation of joint ventures	**(72,871)**	(183,622)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(445,942)**	(975,776)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(182,383)**	(277,393)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(182,383)**	(277,393)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(628,325)**	(1,253,169)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,427,759**	2,901,665
Attributable to:		
Owners of the Company	**9,177,488**	2,782,246
Non-controlling interests	**250,271**	119,419
	9,427,759	2,901,665

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,411,151**	5,351,448
Investment properties	14	**27,263,329**	17,490,590
Land use rights	15	**1,152,384**	1,109,471
Interests in associates	16	**4,670,441**	3,452,270
Interests in joint ventures	17	**42,996,460**	34,715,581
Deferred tax assets	27	**1,872,238**	1,642,044
Other non-current assets		**211,928**	–
Total non-current assets		**84,577,931**	63,761,404
CURRENT ASSETS			
Properties under development	18	**51,760,690**	47,302,324
Completed properties held for sale	19	**10,928,887**	8,919,658
Trade receivables	20	**2,166,759**	957,665
Prepayments, other receivables and other assets	21	**7,401,565**	6,406,463
Due from a joint venture	17	**30,062**	30,069
Tax recoverables	22(a)	**722,780**	482,606
Restricted cash	23	**5,356,141**	4,099,329
Cash and cash equivalents	23	**51,377,864**	52,577,643
Total current assets		**129,744,748**	120,775,757
CURRENT LIABILITIES			
Trade and bills payables	24	**9,072,301**	4,077,063
Lease liabilities	2.2	**230,445**	–
Other payables and accruals	25	**27,627,042**	22,517,471
Due to joint ventures	17	**37,742,306**	39,294,914
Due to associates	16	**1,345,495**	592,204
Interest-bearing bank and other borrowings	26	**23,728,043**	17,363,932
Tax payables	22(b)	**9,926,137**	6,851,772
Total current liabilities		**109,671,769**	90,697,356
NET CURRENT ASSETS		**20,072,979**	30,078,401
TOTAL ASSETS LESS CURRENT LIABILITIES		**104,650,910**	93,839,805
NON-CURRENT LIABILITIES			
Lease liabilities	2.2	**1,895,326**	–
Interest-bearing bank and other borrowings	26	**61,849,507**	60,418,315
Deferred tax liabilities	27	**2,661,444**	1,647,439
Deferred revenue	28	**2,042**	2,042
Total non-current liabilities		**66,408,319**	62,067,796
NET ASSETS		**38,242,591**	31,772,009

	Note	**2019 RMB'000**	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	**303,972**	303,784
Reserves		**35,490,786**	28,474,780
		35,794,758	28,778,564
Non-controlling interests		**2,447,833**	2,993,445
TOTAL EQUITY		**38,242,591**	31,772,009

KONG Jianmin
Director

KONG Jiantao
Director

	Notes	Attributable to owners of the Company											
		Issued capital	Treasury shares	Share premium account	Reserve funds	Exchange fluctuation reserve	Employee share-based compensation reserve	Asset revaluation reserve#	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018		302,355	–	5,295,047	1,410,265	(271,606)	–	29,175	(57,546)	20,899,594	27,607,284	638,409	28,245,693
Profit for the year		–	–	–	–	–	–	–	–	4,035,415	4,035,415	119,419	4,154,834
Other comprehensive income for the year:													
Exchange differences on translation into presentation currency		–	–	–	–	(1,069,547)	–	–	–	–	(1,069,547)	–	(1,069,547)
Share of exchange differences on translation of joint ventures		–	–	–	–	(183,622)	–	–	–	–	(183,622)	–	(183,622)
Total comprehensive income for the year		–	–	–	–	(1,253,169)	–	–	–	4,035,415	2,782,246	119,419	2,901,665
Issue of treasury shares	29	125	(125)	–	–	–	–	–	–	–	–	–	–
Share-based compensation expenses		–	–	–	–	–	28,776	–	–	–	28,776	–	28,776
Contribution from the non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	1,545,723	1,545,723
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	1,227,281	1,227,281
Final 2017 dividend declared	29	–	–	(978,098)	–	–	–	–	–	–	(978,098)	–	(978,098)
Interim 2018 dividend	29	–	–	(788,789)	–	–	–	–	–	–	(788,789)	–	(788,789)
Shares issued as scrip dividend during the year	29	1,429	–	125,716	–	–	–	–	–	–	127,145	–	127,145
Transfer to reserves	31	–	–	–	187,639	–	–	–	–	(187,639)	–	–	–
Derecognition of a subsidiary	35(a)	–	–	–	–	–	–	–	–	–	–	(537,387)	(537,387)
At 31 December 2018		303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,747,370	28,778,564	2,993,445	31,772,009

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to owners of the Company											
	Notes	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve# RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,747,370	28,778,564	2,993,445	31,772,009
Effect of adoption of HKFRS 16	2.2	-	-	-	-	-	-	-	-	38,877	38,877	-	38,877
At 1 January 2019 (restated)		303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,786,247	28,817,441	2,993,445	31,810,886
Profit for the year		-	-	-	-	-	-	-	-	9,805,813	9,805,813	250,271	10,056,084
Other comprehensive loss for the year:													
Exchange differences on translation into presentation currency		-	-	-	-	(555,454)	-	-	-	-	(555,454)	-	(555,454)
Share of exchange differences on translation of joint ventures		-	-	-	-	(72,871)	-	-	-	-	(72,871)	-	(72,871)
Total comprehensive income for the year		-	-	-	-	(628,325)	-	-	-	9,805,813	9,177,488	250,271	9,427,759
Share-based compensation expenses		-	-	-	-	-	21,234	-	-	-	21,234	-	21,234
Contribution from the non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	76,000	76,000
Acquisition of a subsidiary	33	-	-	-	-	-	-	-	-	-	-	4,195	4,195
Shares issued as scrip dividend during the year	29	63	-	5,263	-	-	-	-	-	-	5,326	-	5,326
Issue of treasury shares	29	176	(176)	-	-	-	-	-	-	-	-	-	-
Vested awarded shares transferred to employees	29	-	125	15,310	-	-	(15,435)	-	-	-	-	-	-
Transfer to reserves	31	-	-	-	388,329	-	-	-	-	(388,329)	-	-	-
Final 2018 dividend declared	29	-	-	(983,962)	-	-	-	-	-	-	(983,962)	-	(983,962)
Interim 2019 dividend	29	-	-	(1,020,309)	-	-	-	-	-	-	(1,020,309)	-	(1,020,309)
Derecognition of subsidiaries	35(a)	-	-	-	-	-	-	-	-	-	-	(1,175,330)	(1,175,330)
Net gains on property revaluation		-	-	-	-	-	-	63,403	-	-	63,403	-	63,403
Acquisition of non-controlling interests		-	-	-	-	-	-	-	45,136	-	45,136	(278,402)	(233,266)
Partial disposal of interest of subsidiaries		-	-	-	-	-	-	-	(330,999)	-	(330,999)	577,654	246,655
At 31 December 2019		304,148	(176)	1,670,178*	1,986,233*	(2,153,100)*	34,575*	92,578*	(343,409)*	34,203,731*	35,794,758	2,447,833	38,242,591

The asset revaluation reserve arose from the gains on properties revaluation as a result of the change in use from owner-occupied properties to investment properties.

* These reserve accounts comprise the consolidated reserves of approximately RMB35,490,786,000 (2018: approximately RMB28,474,780,000) in the consolidated statement of financial position.

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**13,619,053**	5,391,230
Adjustments for:			
Finance costs	7	**1,531,336**	1,070,059
Foreign exchange gains	5	**(96,405)**	(683,693)
Share of profits and losses of associates		**(513,706)**	279
Share of profits and losses of joint ventures		**(2,933,397)**	(1,439,857)
Interest income	5	**(949,330)**	(482,259)
Share-based compensation expenses		**21,234**	28,776
Loss on disposal of items of property, plant and equipment	6	**314**	112
Depreciation	6	**252,059**	148,916
Amortisation of land use rights	6	**11,038**	8,761
Fair value gains on investment properties, net	14	**(3,716,461)**	(1,714,657)
Gain on disposal of a subsidiary	5	**-**	(1,167,368)
Gains on derecognition of subsidiaries	5	**(691,361)**	–
Gain on acquisition of a joint venture	5	**(129,350)**	–
Gain on disposal of a joint venture	5	**(134,095)**	–
Gains on acquisition of subsidiaries	33	**(791,218)**	–
		5,479,711	1,160,299
Increase in properties under development		**(28,669,391)**	(18,286,770)
Decrease/(increase) in completed properties held for sale		**15,142,940**	(2,170,498)
Increase in trade receivables		**(1,195,530)**	(421,812)
Increase in investment properties		**(1,818,657)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**4,830,168**	(1,568,675)
Decrease/(increase) in an amount due from a joint venture		**7**	(4)
Increase in restricted cash		**(1,256,812)**	(2,830,965)
Increase/(decrease) in trade and bills payables		**3,248,855**	(313,432)
Increase in other payables and accruals		**5,797,926**	15,018,760
Increase in amounts due to associates		**753,291**	592,204
Increase in amounts due to joint ventures		**-**	11,365,905
Cash generated from operations		**2,312,508**	2,545,012
Interest received		**835,236**	472,178
Interest paid	35(c)	**(6,251,802)**	(4,186,027)
Corporate income tax paid		**(427,781)**	(741,244)
Land appreciation tax paid		**(743,729)**	(361,616)
Net cash flows used in operating activities		**(4,275,568)**	(2,271,697)

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows used in operating activities		**(4,275,568)**	(2,271,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(780,809)**	(660,076)
Acquisitions of subsidiaries	33	**81,443**	(84,675)
Investments in joint ventures		**(1,009,058)**	(545,848)
Acquisitions of joint ventures		**(1,970,065)**	–
Investments in associates		**(781,280)**	(1,130,725)
Disposal of a subsidiary	34	**-**	1,872,881
Derecognition of subsidiaries		**(1,180,585)**	(84,567)
Disposals of joint ventures		**598,485**	–
Proceeds from disposal of investment properties		**-**	6,718
Proceeds from disposal of items of property, plant and equipment		**11,018**	227
Repayment from/(advance to) associates		**96,567**	(1,559,630)
Advance to joint ventures		**(642,820)**	(1,757,112)
Dividend received from joint ventures		**893,351**	–
Net cash flows used in investing activities		**(4,683,753)**	(3,942,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		**10,152,399**	6,111,495
Proceeds from sales of domestic corporate bonds		**3,670,000**	–
Acquisitions of non-controlling interests		**(43,171)**	–
Partial disposals of interest of subsidiaries		**246,655**	–
Domestic corporate bonds repurchased		**(5,537,000)**	(2,025,239)
New bank loans		**22,076,517**	18,519,875
Repayment of senior notes		**(4,067,039)**	–
Redemption of domestic corporate bond		**(530,000)**	–
Repayment of bank loans		**(10,620,168)**	(3,404,338)
Repayment of finance lease payables		**(118,490)**	(35,610)
Contribution from the non-controlling shareholders of subsidiaries		**76,000**	1,545,723
Decrease in amounts due to joint ventures		**(5,851,391)**	–
Dividend paid	35(c)	**(1,767,425)**	(1,156,333)
Net cash flows from financing activities		**7,686,887**	19,555,573
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,272,434)**	13,341,069
Cash and cash equivalents at beginning of year		**52,577,643**	39,198,957
Effect of foreign exchange rate changes, net		**72,655**	37,617
CASH AND CASH EQUIVALENTS AT END OF YEAR		**51,377,864**	52,577,643
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**24,047,048**	18,053,986
Non-pledged time deposits with original maturity of less than three months when acquired	23	**27,330,816**	34,523,657
Cash and cash equivalents	23	**51,377,864**	52,577,643

1. Corporate and Group Information

KWG Group Holdings Limited (the "Company") was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- Property development
- Property investment
- Property management
- Hotel operation

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which was incorporated in the British Virgin Islands.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Guangzhou Hejing Holdings Limited ("Guangzhou Hejing")*#	PRC/Mainland China	US$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#	PRC/Mainland China	US$12,930,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Hejing Yingfu Real Estate Development Limited#	PRC/Mainland China	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#	PRC/Mainland China	RMB792,000,000	–	100	Property investment
Guangzhou Zhongtianying Real Estate Development Limited*#	PRC/Mainland China	US$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian")*#	PRC/Mainland China	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited*#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#	PRC/Mainland China	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited*#	PRC/Mainland China	HK$772,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited*#	PRC/Mainland China	US$99,000,000	–	100	Property development
Beijing Hejing Real Estate Development Limited#	PRC/Mainland China	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#	PRC/Mainland China	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#	PRC/Mainland China	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#	PRC/Mainland China	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited#	PRC/Mainland China	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#	PRC/Mainland China	RMB300,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu")#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Jinyi Property Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Guangzhou Chuangjing Real Estate Development Limited*#	PRC/Mainland China	US$41,500,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#	PRC/Mainland China	RMB185,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited#	PRC/Mainland China	RMB887,000,000	–	100	Property development
Shanghai Jingdong Real Estate Development Limited#	PRC/Mainland China	RMB1,350,000,000	–	75.5	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Hejing Lingfengyuan Hotel Management Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Suzhou Shengjing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	80	Property development
Suzhou Kaiwei Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited#	PRC/Mainland China	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited#	PRC/Mainland China	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited#	PRC/Mainland China	RMB1,300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited#	PRC/Mainland China	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development
Beijing Hongtai Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hengcheng Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Hongjun Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development
Sichuan Longyuan Property Limited#	PRC/Mainland China	RMB325,016,300	–	55	Property development
Hangzhou Tianjing Real Estate Development Limited#	PRC/Mainland China	RMB240,000,000	–	100	Property development
Suzhou Yujing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hefei Rongze Real Estate Development Limited#	PRC/Mainland China	RMB450,000,000	–	100	Property development
Linhai Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB850,000,000	–	100	Property development
Suzhou Kaijun Real Estate Development Limited#	PRC/Mainland China	RMB430,000,000	–	100	Property development
Hubei Jinkaida Property Limited#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Suzhou Dongshanshu Real Estate Development Limited*#	PRC/Mainland China	US$12,000,000	–	100	Property development
Taicang Hongtao Real Estate Development Limited#	PRC/Mainland China	RMB500,000,000	–	100	Property development
Guangxi Kairui Property Limited#	PRC/Mainland China	RMB350,000,000	–	100	Property development
Hangzhou Hongsheng Real Estate Development Limited#	PRC/Mainland China	RMB950,000,000	–	100	Property development
Jiangmen Zhan'gao Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Qidong Tianhui Real Estate Development Limited#	PRC/Mainland China	RMB500,000,000	–	70	Property development
Longmen Dongjun Huafu Education Industry Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Meishan Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB380,000,000	–	100	Property development
Guangzhou Yufa Plastic Limited#	PRC/Mainland China	RMB5,000,000	–	65	Property development
Linhai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiangmen Tianjing Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiashan Xujing Property Development Limited#	PRC/Mainland China	RMB10,000,000	–	100	Property development
Yangzhou Hejing Songyu Real Estate Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Suzhou Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB400,000,000	–	100	Property development
Beijing Yujing Real Estate Development Limited#	PRC/Mainland China	RMB10,000,000	–	51	Property development
Guangzhou Hongtao Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Tianhui Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	62.5	Property development
Guangzhou Xiangjing Property Development Limited#	PRC/Mainland China	RMB60,000,000	–	60	Property development
Guangzhou Yuanjing Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Hongli Real Estate Development Limited#	PRC/Mainland China	RMB300,000,000	–	100	Property development
Linhai Hejing Real Estate Development Limited#	PRC/Mainland China	RMB273,600,000	–	100	Property development
Tianjin Guangying Real Estate Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuzhou Qidi Hongxing Hejing Investment Limited#	PRC/Mainland China	RMB10,000,000	–	75	Property development
Xian Junjing Property Development Limited#	PRC/Mainland China	RMB20,000,000	–	100	Property development
Beijing Yijing Real Estate Development Limited#	PRC/Mainland China	RMB10,000,000	–	80	Property development
Guangzhou Guanda Property Development Limited#	PRC/Mainland China	RMB74,990,000	–	60	Property development
Guangzhou Zhangao Property Development Limited#	PRC/Mainland China	RMB700,000,000	–	100	Property development
Huanan Yigu Technological Development (Guangzhou) Limited#	PRC/Mainland China	RMB200,000,000	–	80	Property development
Shanghai Yaojing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	90	Property development
Guangxi Hejing Real Estate Development Limited#	PRC/Mainland China	RMB10,000,000	–	100	Property development
Guangxi Hejing Hengfu Investment Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Guangxi Hejing Shengyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hefei Hongtao Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

\# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

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

2.1 Basis of Preparation

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

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

The Company has set up a trust (the "Trust") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme (the "Share Award Scheme") adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the Share Award Scheme.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

2.2 Changes in Accounting Policies and Disclosures *(continued)*

HKFRS 16 *(continued)*

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments and initial direct costs relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in property, plant and equipment, investment properties, land use rights, properties under development and completed properties held for sale in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously identified as operating leases, the Group included them as investment properties at 1 January 2019. They are measured at fair value applying HKAS 40.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

HKFRS 16 *(continued)*

As a lessee — Leases previously classified as operating leases *(continued)*

Impacts on transition (continued)

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

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

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

	Notes	Increase/ (decrease) RMB'000
Assets		
Increase in property, plant and equipment	13	437,847
Increase in investment properties	14	1,406,000
Increase in land use rights		31,465
Decrease in prepayments, other receivables and other assets		(44,542)
Increase in total assets		1,830,770
Liabilities		
Increase in lease liabilities		2,097,472
Increase in deferred tax liabilities	27	12,959
Decrease in other borrowings		(318,538)
Increase in total liabilities		1,791,893
Increase in retained earnings		38,877

2.2 Changes in Accounting Policies and Disclosures *(continued)*

HKFRS 16 *(continued)*

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

Impacts on transition (continued)

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

	RMB'000
Operating lease commitments as at 31 December 2018	2,206,028
Weighted average incremental borrowing rate as at 1 January 2019	5.00%
Discounted operating lease commitments as at 1 January 2019	1,781,603
Add: Other lease commitments	315,869
Lease liabilities as at 1 January 2019	2,097,472

Amounts recognised in the consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets (excluded land use rights, properties under development and completed properties held for sale) and lease liabilities and the movement during the year are as follow:

	Right-of-use assets				
	Buildings RMB'000	Vehicle RMB'000	Property, plant and equipment sub-total RMB'000	Investment properties RMB'000	Lease liabilities RMB'000
As at 1 January 2019	**437,847**	**474,336**	**912,183**	**1,406,000**	**2,097,472**
Additions	**131,673**	**-**	**131,673**	**75,692**	**146,789**
Depreciation charge	**(58,752)**	**(30,525)**	**(89,277)**	**-**	**-**
Interest expense	**-**	**-**	**-**	**-**	**128,262**
Decrease in fair value	**-**	**-**	**-**	**(35,692)**	**-**
Payments	**-**	**-**	**-**	**-**	**(246,752)**
As at 31 December 2019	**510,768**	**443,811**	**954,579**	**1,446,000**	**2,125,771**

The lease liabilities as at 31 December 2019 included current portion of lease liabilities of RMB230,445,000 and non-current portion of lease liabilities of RMB1,895,326,000.

The Group recognised rental expenses from short-term leases and leases of low-value assets of approximately RMB8,271,000, no variable lease payments and rental income from subleasing right-of-use assets, which were subsequently transferred to investment properties, of approximately RMB37,074,000 for the year ended 31 December 2019.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

Amendments to HKAS 28

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

HK(IFRIC)-Int 23

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet Effective HKFRSs

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated OCI, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Buildings (excluding the right-of-use assets)	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Vehicles (excluding the right-of-use assets)	7% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill)

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

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the land use rights and property, plant and equipment) are measured at cost, less any accumulated depreciation and amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	17 to 40 years
Buildings	2 to 19 years
Vehicle	15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets (continued)

When the right-of-use assets relate to interests in leasehold land held as properties under development and completed properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "property under development" and "completed properties held for sale". When a right-of-use asset meets the definition of investment property (e.g., long-term rental apartments), it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Finance Lease

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

2.4 Summary of Significant Accounting Policies *(continued)*

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

For debt investments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the statement of profit or loss.

Financial assets designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through OCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

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

The Group's financial liabilities include trade and bills payables, lease liabilities, other payables and accruals, due to joint ventures, due to associates and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost
After initial recognition, lease liabilities and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares
Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 Summary of Significant Accounting Policies *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of properties

Revenue is recognised when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(b) Operation of hotels
Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.

(c) Property management services
Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms.

Other income
Management fee income is recognised when the related management services have been provided.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities
A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 Summary of Significant Accounting Policies *(continued)*

Contract costs

Other than the costs which are capitalised as properties under development, completed properties held for sale, investment properties, property, plant and equipment and land use rights, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value was determined by an external valuer using the binomial model (the "Model"), further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award, and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

2.4 Summary of Significant Accounting Policies *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in Mainland China, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures not operating in Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and its overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Revenue from contracts with customers

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with the right to payment and those without the right.

The lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Classification between investment properties and owner-occupied properties

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

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Transfer from properties under development, completed properties held for sale, property, plant and equipment and land use rights to investment properties and transfer from investment properties to completed properties held for sale

Properties under development, completed properties held for sale, property, plant and equipment and land use rights are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss or the consolidated statement of financial position. During the year ended 31 December 2019, properties under development and completed properties held for sale with total carrying amounts approximately RMB2,096,993,000 (2018: approximately RMB1,511,432,000) and approximately RMB516,282,000 (2018: approximately RMB17,148,000), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB1,378,007,000 (2018: approximately RMB1,231,521,000) and approximately RMB284,991,000 (2018: approximately RMB80,592,000), respectively, in the consolidated statement of profit or loss. During the year ended 31 December 2019, property, plant and equipment and land use rights with total carrying amounts of approximately RMB131,806,000 (2018: nil) and approximately RMB10,848,000 (2018: nil), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB78,112,000 (2018: nil) and approximately RMB6,426,000 (2018: nil), respectively, in the consolidated statement of financial position. During the year ended 31 December 2019, no investment properties (2018: approximately RMB225,893,000) were transferred to completed properties held for sale due to a change in use.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties for rental purposes, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event that the investment properties are disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax ("CIT") and land appreciation tax ("LAT").

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty

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

Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for the property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can affect the Group's revenue recognised.

Revaluation of investment properties

Investment properties including completed investment properties, investment properties under construction and right-of-use assets are revalued at the end of each reporting period based on the market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information about market rent and capitalisation rates is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2019 was approximately RMB27,263,329,000 (31 December 2018: approximately RMB17,490,590,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Estimation of net realisable value of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing at the end of each reporting period. As at 31 December 2019, the carrying amounts of properties under development and completed properties held for sale were approximately RMB51,760,690,000 (2018: approximately RMB47,302,324,000) and approximately RMB10,928,887,000 (2018: approximately RMB8,919,658,000), respectively.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

CIT

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

Provision for ECLs on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 21 to the financial statements, respectively.

PRC LAT

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was approximately RMB361,932,000 (2018: approximately RMB538,954,000). The amount of unrecognised tax losses at 31 December 2019 was approximately RMB1,144,911,000 (31 December 2018: approximately RMB716,319,000). Further details are contained in note 27 to the financial statements.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

4. Operating Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

(a)	Property development:	Sale of properties
(b)	Property investment:	Leasing of properties
(c)	Hotel operation:	Operation of hotels
(d)	Property management:	Provision of property management services

The property development projects undertaken by the Group during the year were mainly located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Other than the segment information disclosed below, the directors considered that other segment information is not reportable segment information used by the chief operating decision makers of the Group.

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical information is provided.

During 2019 and 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. Operating Segment Information *(continued)*

Year ended 31 December 2019

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	22,761,946	626,909	553,098	1,014,308	24,956,261
Segment results	9,189,911	4,174,760	188,160	406,129	13,958,960
Reconciliation:					
Interest income and unallocated income					2,858,916
Unallocated expenses					(1,667,487)
Finance costs					(1,531,336)
Profit before tax					13,619,053
Income tax expenses					(3,562,969)
Profit for the year					10,056,084
Assets and liabilities:					
Segment assets	114,809,168	27,377,879	6,755,802	461,788	149,404,637
Reconciliation:					
Corporate and other unallocated assets					64,918,042
Total assets					214,322,679
Segment liabilities	127,475,598	57,318	20,021	6,599	127,559,536
Reconciliation:					
Corporate and other unallocated liabilities					48,520,552
Total liabilities					176,080,088
Other segment information:					
Depreciation and amortisation	91,491	13,922	149,145	8,539	263,097
Fair value gains on investment properties, net	–	3,716,461	–	–	3,716,461
Share of profits and losses of:					
Associates	513,706	–	–	–	513,706
Joint ventures	2,933,397	–	–	–	2,933,397
Interests in associates	4,670,441	–	–	–	4,670,441
Interests in joint ventures	42,996,460	–	–	–	42,996,460

4. Operating Segment Information *(continued)*

Year ended 31 December 2018

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	6,064,248	379,321	468,181	565,721	7,477,471
Segment results	2,688,619	1,993,513	204,017	116,635	5,002,784
Reconciliation:					
Interest income and unallocated income					2,703,427
Unallocated expenses					(1,244,922)
Finance costs					(1,070,059)
Profit before tax					5,391,230
Income tax expenses					(1,236,396)
Profit for the year					4,154,834
Assets and liabilities:					
Segment assets	99,229,996	17,545,941	5,693,993	118,838	122,588,768
Reconciliation:					
Corporate and other unallocated assets					61,948,393
Total assets					184,537,161
Segment liabilities	114,770,698	48,250	46,515	13,504	114,878,967
Reconciliation:					
Corporate and other unallocated liabilities					37,886,185
Total liabilities					152,765,152
Other segment information:					
Depreciation and amortisation	50,073	2,585	103,329	1,690	157,677
Fair value gains on investment properties, net	–	1,714,657	–	–	1,714,657
Share of profits and losses of:					
Associates	(279)	–	–	–	(279)
Joint ventures	1,439,857	–	–	–	1,439,857
Interests in associates	3,452,270	–	–	–	3,452,270
Interests in joint ventures	34,715,581	–	–	–	34,715,581

5. Revenue, Other Income and Gains, Net

An analysis of revenue, other income and gains, net is as follows:

	Note	2019 RMB'000	2018 RMB'000
Revenue:			
Revenue from contracts with customers			
Sale of properties		**22,761,946**	6,064,248
Hotel operation income		**553,098**	468,181
Property management fee income		**1,014,308**	565,721
Revenue from other sources			
Gross rental income		**626,909**	379,321
		24,956,261	7,477,471
Other income and gains, net:			
Interest income		**949,330**	482,259
Foreign exchange differences, net		**96,405**	683,693
Management fee income		**366,105**	213,520
Gains on derecognition of subsidiaries		**691,361**	–
Gain on acquisition of a joint venture		**129,350**	–
Gain on disposal of a joint venture		**134,095**	–
Gain on disposal of a subsidiary	34	**–**	1,167,368
Others		**492,270**	156,587
		2,858,916	2,703,427

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

	Property development RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Type of revenue recognition:				
Sales of properties	**22,761,946**	**-**	**-**	**22,761,946**
Provision of services	**-**	**553,098**	**1,014,308**	**1,567,406**
Total revenue from contracts with customers	**22,761,946**	**553,098**	**1,014,308**	**24,329,352**
Timing of revenue recognition:				
Recognised at a point in time	**19,517,733**	**-**	**-**	**19,517,733**
Recognised over time	**3,244,213**	**553,098**	**1,014,308**	**4,811,619**
Total revenue from contracts with customers	**22,761,946**	**553,098**	**1,014,308**	**24,329,352**

For the year ended 31 December 2018

	Property development RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Type of revenue recognition:				
Sale of properties	6,064,248	–	–	6,064,248
Provision of services	–	468,181	565,721	1,033,902
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150
Timing of revenue recognition:				
Recognised at a point in time	3,932,535	–	–	3,932,535
Recognised over time	2,131,713	468,181	565,721	3,165,615
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**7,576,826**	438,450

(ii) Performance obligations

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

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required; or over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Hotel operation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of hotel operation services and customer acceptance.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**16,613,703**	12,088,377
More than one year	**3,762,822**	2,511,439
	20,376,525	14,599,816

The remaining performance obligations expected to be recognised in more than one year relate to sales of properties that are to be satisfied within 18 months. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. Profit Before Tax

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

	Notes	**2019 RMB'000**	2018 RMB'000
Cost of properties sold		**16,101,134**	4,419,555
Less: Government grant released*	25(a)	**(261)**	(336)
		16,100,873	4,419,219
Cost of services provided		**989,608**	606,983
Depreciation	13	**252,059**	148,916
Amortisation of land use rights	15	**34,018**	31,464
Less: Amount capitalised in assets under construction		**(22,980)**	(22,703)
		11,038	8,761
Minimum lease payments under operating leases of land and buildings		**-**	47,236
Lease payments not included in the measurement of lease liabilities	2.2	**8,271**	–
Auditor's remuneration		**5,150**	4,700
Employee benefit expenses** (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,489,282**	1,036,599
Share-based compensation expenses		**18,858**	24,905
Pension scheme contributions (defined benefit plans)		**133,748**	99,028
		1,641,888	1,160,532
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		**(492,318)**	(255,208)
		1,149,570	905,324
Foreign exchange differences, net	5	**(96,405)**	(683,693)
Loss on disposal of items of property, plant and equipment***		**314**	112
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)		**43,765**	30,708

* There are no unfulfilled conditions or contingencies relating to this government grant.

** Employee benefit expenses are included in "Cost of sales", "Selling and marketing expenses" and "Administrative expenses" in the consolidated statements of profit or loss.

*** These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of the Group's finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	**6,209,762**	4,424,211
Interest on lease liabilities	**128,262**	–
Less: Interest capitalised	**(4,806,688)**	(3,354,152)
	1,531,336	1,070,059

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**6,006**	5,982
Other emoluments:		
Salaries, allowances and benefits in kind	**14,478**	17,624
Share-based compensation expenses	**2,376**	3,872
Pension scheme contributions	**245**	249
	17,099	21,745
	23,105	27,727

There were no directors and chief executive being granted share options during the year (2018: Nil).

During the year, certain directors were granted awarded shares, in respect of their services to the Group, under the Share Award Scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000
2019	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	**466**
Mr. Tam Chun Fai	**466**
Mr. Li Bin Hai	**466**
	1,398
2018	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	456
Mr. Tam Chun Fai	456
Mr. Li Bin Hai	456
	1,368

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

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019					
Executive directors:					
Mr. Kong Jianmin	**1,344**	**3,502**	**-**	**56**	**4,902**
Mr. Kong Jiantao (note (i))	**1,344**	**3,551**	**-**	**56**	**4,951**
Mr. Kong Jiannan	**1,344**	**3,642**	**-**	**56**	**5,042**
Mr. Tsui Kam Tim (note (iv))	**219**	**2,788**	**939**	**21**	**3,967**
Mr. Cai Fengjia	**357**	**995**	**1,437**	**56**	**2,845**
	4,608	**14,478**	**2,376**	**245**	**21,707**
2018					
Executive directors:					
Mr. Kong Jianmin	1,314	3,501	–	57	4,872
Mr. Kong Jiantao (note (i))	1,314	3,539	–	57	4,910
Mr. Kong Jiannan	1,314	3,501	–	57	4,872
Mr. Li Jianming (note (ii))	204	2,333	–	27	2,564
Mr. Tsui Kam Tim	351	4,482	2,007	31	6,871
Mr. Cai Fengjia (note (iii))	117	268	1,865	20	2,270
	4,614	17,624	3,872	249	26,359

Notes:

(i) Mr. Kong Jiantao is also the chief executive officer of the Company.

(ii) Resigned on 3 September 2018.

(iii) Appointed on 3 September 2018.

(iv) Resigned on 12 August 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2019 included three (2018: four) directors and the chief executive, details of whose remuneration are set out in note 8.

Details of the remuneration for the year ended 31 December 2019 of the remaining two (2018: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Fees	**219**	–
Salaries, allowances and benefits in kind	**8,731**	3,111
Share-based compensation expenses	**2,542**	927
Pension scheme contributions	**92**	90
	11,584	4,128

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following bands are as follows:

	Number of employees	
	2019	2018
RMB4,000,001 to RMB4,500,000	**-**	1
RMB5,000,000 to RMB5,500,000	**1**	–
RMB6,000,000 to RMB6,500,000	**1**	–

During the year, awarded shares were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

There were no non-director and non-chief executive highest paid employees being granted share options during the year (2018: Nil).

10. Income Tax Expenses

	2019 RMB'000	2018 RMB'000
Current – PRC		
CIT	**1,802,280**	732,340
LAT	**1,008,773**	322,156
	2,811,053	1,054,496
Deferred (note 27)	**751,916**	181,900
Total tax charge for the year	**3,562,969**	1,236,396

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	**13,619,053**	5,391,230
Tax at the statutory tax rate of 25.0% (2018: 25.0%)	**3,404,763**	1,347,808
Income not subject to tax	**(61,770)**	(232,651)
Expenses not deductible for tax	**372,497**	557,381
Tax losses not recognised/(utilised from previous periods)	**131,309**	(12,455)
Profits and losses attributable to associates	**(128,427)**	70
Profits and losses attributable to joint ventures	**(733,349)**	(359,964)
LAT	**1,008,773**	322,156
Effect of LAT	**(252,193)**	(80,539)
Tax effect of verification collection	**(25,817)**	(15,076)
Disposal of a subsidiary	**-**	(140,915)
Others	**(152,817)**	(149,419)
Tax charge at the Group's effective rate of 26.2% (2018: 22.9%)	**3,562,969**	1,236,396

For the year ended 31 December 2019, the share of CIT expenses and LAT expenses attributable to the joint ventures amounting to approximately RMB1,022,127,000 (2018: approximately RMB521,101,000) and approximately RMB737,889,000 (2018: approximately RMB782,374,000), respectively, is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

10. Income Tax Expenses *(continued)*

For the year ended 31 December 2019, the share of CIT expenses attributable to the associates amounting to approximately RMB171,235,000 (2018: approximately RMB189,000), and the share of LAT expenses attributable to the associates amounting to approximately RMB68,507,000 (the share of LAT credits for 2018: approximately RMB5,792,000) are included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2019 and 2018, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

11. Dividends

	Notes	**2019 RMB'000**	2018 RMB'000
Proposed final dividend (with scrip option) – RMB42 cents (2018: final dividend (with scrip option) of RMB31 cents) per ordinary share	29, 35(c)	**1,334,235**	983,962
Interim dividend declared – RMB32 cents (2018: RMB25 cents) per ordinary share	29, 35(c)	**1,020,309**	788,789
		2,354,544	1,772,751

On 28 August 2019, the Board declared the payment of the 2019 interim dividend of RMB32 cents per share (30 June 2018: RMB25 cents per share), totalling approximately RMB1,020,309,000. The interim dividend for the year is made out of the share premium of the Company.

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,174,303,108 (2018: 3,162,393,416) in issue during the year.

For the year ended 31 December 2019, the calculation of the diluted earnings per share amount was based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,174,303,108 (31 December 2018: 3,162,393,416) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 4,228,916 (31 December 2018: 4,049,519).

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

	2019 **RMB'000**	2018 RMB'000
Earnings		
Profit attributable to owners of the Company	**9,805,813**	4,035,415

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,174,303,108**	3,162,393,416
Effect of dilution – awarded shares	**4,228,916**	4,049,519
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation	**3,178,532,024**	3,166,442,935

13. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Right-of-use assets Buildings RMB'000	Right-of-use assets Vehicle RMB'000	Total RMB'000
31 December 2019									
At 1 January 2019 (restated):									
Cost	3,277,489	67,331	3,188	383,461	132,784	1,967,341	437,847	481,967	6,751,408
Accumulated depreciation	(519,913)	(34,672)	(3,173)	(305,913)	(90,811)	-	-	(7,631)	(962,113)
Net carrying amount	2,757,576	32,659	15	77,548	41,973	1,967,341	437,847	474,336	5,789,295
At 31 December 2018, net of accumulated depreciation	2,757,576	32,659	15	77,548	516,309	1,967,341	-	-	5,351,448
Effect of adoption of HKFRS 16 (note 2.2)	-	-	-	-	(474,336)	-	437,847	474,336	437,847
At 1 January 2019 (restated)	2,757,576	32,659	15	77,548	41,973	1,967,341	437,847	474,336	5,789,295
Additions	42,745	82,254	-	89,978	4,238	587,346	131,673	-	938,234
Disposals	(8,381)	(2,734)	-	(44)	(173)	-	-	-	(11,332)
Acquisition of subsidiaries (note 33)	-	-	-	431	436	-	-	-	867
Derecognition of subsidiaries (note 35)	-	-	-	(136)	(24)	-	-	-	(160)
Surplus on revaluation upon the transfer to investment properties	78,112	-	-	-	-	-	-	-	78,112
Transfers (note 14)	(131,806)	-	-	-	-	-	-	-	(131,806)
Depreciation provided during the year	(97,582)	(27,294)	-	(25,348)	(12,558)	-	(58,752)	(30,525)	(252,059)
At 31 December 2019, net of accumulated depreciation	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151
At 31 December 2019:									
Cost	3,258,159	146,849	3,188	473,489	136,790	2,554,687	569,520	481,967	7,624,649
Accumulated depreciation	(617,495)	(61,964)	(3,173)	(331,060)	(102,898)	-	(58,752)	(38,156)	(1,213,498)
Net carrying amount	2,640,664	84,885	15	142,429	33,892	2,554,687	510,768	443,811	6,411,151

13. Property, Plant and Equipment *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and 1 January 2018:							
Cost	2,870,063	45,913	3,188	344,540	114,820	1,610,888	4,989,412
Accumulated depreciation	(430,204)	(27,408)	(3,173)	(274,375)	(80,379)	–	(815,539)
Net carrying amount	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873
At 1 January 2018, net of accumulated depreciation	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873
Additions	117,742	21,418	–	40,162	501,152	356,453	1,036,927
Disposals	–	–	–	(260)	(79)	–	(339)
Acquisition of a subsidiary (note 33)	289,684	–	–	299	5	–	289,988
Derecognition of subsidiaries (note 35)	–	–	–	(85)	–	–	(85)
Depreciation provided during the year	(89,709)	(7,264)	–	(32,733)	(19,210)	–	(148,916)
At 31 December 2018, net of accumulated depreciation	2,757,576	32,659	15	77,548	516,309	1,967,341	5,351,448
At 31 December 2018:							
Cost	3,277,489	67,331	3,188	383,461	614,751	1,967,341	6,313,561
Accumulated depreciation	(519,913)	(34,672)	(3,173)	(305,913)	(98,442)	–	(962,113)
Net carrying amount	2,757,576	32,659	15	77,548	516,309	1,967,341	5,351,448

At 31 December 2019, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,743,081,000 (2018: approximately RMB2,796,547,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

14. Investment Properties

	2019 Completed investment properties RMB'000	2019 Investment properties under construction RMB'000	2019 Right-of-use assets RMB'000	2019 Total RMB'000	2018 Completed investment properties RMB'000	2018 Investment properties under construction RMB'000	2018 Total RMB'000
Carrying amount at 1 January	13,071,588	4,419,002	-	17,490,590	10,693,600	3,025,000	13,718,600
Effect of adoption of HKFRS 16 (note 2.2)	-	-	1,406,000	1,406,000	–	–	–
At 1 January 2019 (restated)	13,071,588	4,419,002	1,406,000	18,896,590	–	–	–
Transfers from properties under development (note 18)	-	2,096,993	-	2,096,993	–	1,511,432	1,511,432
Transfer from completed properties held for sale (note 19)	516,282	-	-	516,282	17,148	–	17,148
Transfer to completed properties held for sale (note 19)	-	-	-	-	(225,893)	–	(225,893)
Transfer from property, plant and equipment (note 13)	131,806	-	-	131,806	–	–	–
Transfer from land use rights (note 15)	10,848	-	-	10,848	–	–	–
Acquisition of a subsidiary (note 33)	-	-	-	-	1,686,000	–	1,686,000
Disposal of a subsidiary (note 34)	-	-	-	-	(1,397,000)	–	(1,397,000)
Additions	-	2,016,030	75,692	2,091,722	–	472,364	472,364
Transfers	931,712	(931,712)	-	-	1,870,738	(1,870,738)	–
Disposals	(197,373)	-	-	(197,373)	(6,718)	–	(6,718)
Net gain from a fair value adjustment	1,833,466	1,918,687	(35,692)	3,716,461	433,713	1,280,944	1,714,657
Carrying amount at 31 December	16,298,329	9,519,000	1,446,000	27,263,329	13,071,588	4,419,002	17,490,590

The Group's investment properties consist of commercial properties and right-of-use assets in the Mainland China. The directors of the Company have determined that the investment properties consist of two classes of assets, commercial properties and right-of-use assets, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Savills Valuation and Professional Services Limited and Cushman & Wakefield Limited, independent professionally qualified valuers, at approximately RMB27,263,329,000 (2018: approximately RMB17,490,590,000). Each year, the management of the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(b) to the financial statements.

At 31 December 2019, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB13,506,919,000 (2018: approximately RMB6,409,301,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2019, the Group has not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB6,115,546,000 (2018: approximately RMB10,607,800,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 219 of the annual report.

14. Investment Properties *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	25,817,329	25,817,329
Right-of-use assets	-	-	1,446,000	1,446,000
	-	-	27,263,329	27,263,329

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	17,490,590	17,490,590

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	Range or weighted average 2018
Commercial properties	Investment approach and direct comparison approach	Market rent (per sq.m. and per month)	**RMB29 to 980**	RMB30 to 1,005
		Capitalisation rates	**3.00% to 5.50%**	3.75% to 5.75%
Right-of-use assets	Investment approach	Capitalisation rates	**3.00% to 4.75%**	nil

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert the properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

14. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

All the properties are valued by the investment approach taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at appropriate rates.

The commercial properties are also valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. The two approaches are reconciled, if applicable.

A significant increase (decrease) in the capitalisation rates in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

15. Land Use Rights

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**1,140,936**	1,097,553
Surplus on revaluation upon the transfer to investment properties		**6,426**	–
Transfer to investment properties	14	**(10,848)**	–
Additions		**49,888**	–
Acquisition of a subsidiary	33	**-**	74,847
Amortisation recognised during the year		**(34,018)**	(31,464)
Carrying amount at 31 December		**1,152,384**	1,140,936
Current portion included in prepayments, other receivables and other assets	21	**-**	(31,465)
Non-current portion		**1,152,384**	1,109,471

At 31 December 2019, certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB432,122,000 (2018: approximately RMB311,310,000) were pledged to banks to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2019, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB24,357,000 (2018: approximately RMB27,450,000) from the relevant government authorities.

16. Interests in Associates

	2019 RMB'000	2018 RMB'000
Share of net assets	**2,469,167**	1,154,430
Advances to associates	**2,201,274**	2,297,840
	4,670,441	3,452,270

As at 31 December 2019, except for an aggregate amount of approximately RMB744,429,000 (2018: approximately RMB368,742,000), which are interest-bearing at 4.4% to 9.0% (2018: 4.4% to 9.0%) per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances are considered as part of the Group's net investments in the associates.

As at 31 December 2019, the amount due to associates included in the Group's current liabilities of approximately RMB1,345,495,000 (2018: approximately RMB592,204,000) are unsecured, interest-free and have no fixed term of repayment.

The Group's shareholdings in the associates all comprise equity shares held by the wholly-owned subsidiaries of the Company.

The associates of the Group are all not individually material.

The statutory financial statements of the associates are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

17. Interests in Joint Ventures

	2019 RMB'000	2018 RMB'000
Share of net assets	**23,410,894**	19,717,517
Advances to joint ventures	**19,585,566**	14,998,064
	42,996,460	34,715,581

As at 31 December 2019, except for an aggregate amount of approximately RMB3,671,374,000 (2018: approximately RMB2,908,391,000), which bears interest at 6.0% to 12.0% (2018: 6.0% to 12.0%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the joint ventures.

As at 31 December 2019, an amount due from a joint venture included in the Group's current assets of approximately RMB30,062,000 (2018: approximately RMB30,069,000) is unsecured, interest-free and has no fixed terms of repayment.

As at 31 December 2019, the amount due to joint ventures included in the Group's current liabilities of approximately RMB37,742,306,000 (2018: approximately RMB39,294,914,000) is unsecured, interest-free and has no fixed terms of repayment.

17. Interests in Joint Ventures *(continued)*

Particulars of the Group's material joint ventures as at the end of the reporting period are as follows:

2019

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu Real Estate Development Limited ("Chengdu Hongyu")#	US$699,980,000	PRC/ Mainland China	50	50	50	Property development
Guangzhou Jinjing Property Development Limited ("Guangzhou Jinjing")#	RMB50,000,000	PRC/ Mainland China	50	50	50	Property development
Foshan Xinfeng Real Estate Development Limited ("Foshan Xinfeng")#	US$194,000,000	PRC/ Mainland China	50	50	50	Property development
Unicorn Bay Limited ("Unicorn Bay")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding
Great Smart International Limited ("Great Smart")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding

2018

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu Real Estate Development Limited ("Chengdu Hongyu")#	US$699,980,000	PRC/ Mainland China	50	50	50	Property development
Hangzhou Jun'an Real Estate Development Limited ("Hangzhou Jun'an")#*	RMB50,000,000	PRC/ Mainland China	51	51	51	Property development
Hangzhou Hongxin Business Service Limited ("Hangzhou Hongxin")#	RMB2,000,000	PRC/ Mainland China	50	50	50	Investment holding
Unicorn Bay Limited ("Unicorn Bay")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding
Great Smart International Limited ("Great Smart")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding

* Hangzhou Jun'an is accounted for as a joint venture of the Group as all significant operating and financial activities need to be decided by all the joint venture partners.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those entities, as no English names have been registered.

The above investments are indirectly held through wholly-owned subsidiaries of the Company.

The statutory financial statements of the joint ventures are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

As at 31 December 2019, Chengdu Hongyu, Guangzhou Jinjing, Foshan Xinfeng, Unicorn Bay and Great Smart, which are considered the material joint ventures of the Group, engage in the property development business in Mainland China and Hong Kong and have been accounted for using the equity method.

17. Interests in Joint Ventures *(continued)*

The following table illustrates the summarised financial information in respect of Chengdu Hongyu, Guangzhou Jinjing, Foshan Xinfeng, Unicorn Bay and Great Smart adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019				
	Chengdu Hongyu RMB'000	**Guangzhou Jinjing RMB'000**	**Foshan Xinfeng RMB'000**	**Unicorn Bay RMB'000**	**Great Smart RMB'000**
Current assets	**10,200,121**	**6,109,624**	**5,940,315**	**17,852,968**	**7,713,828**
Non-current assets	**472,932**	**61,052**	**62,207**	**34,550**	**457**
Total assets	**10,673,053**	**6,170,676**	**6,002,522**	**17,887,518**	**7,714,285**
Current liabilities	**(2,309,351)**	**(2,989,297)**	**(3,724,296)**	**(674,373)**	**(3,370,158)**
Non-current liabilities	**(394,931)**	**(2,530,000)**	**–**	**(6,246,282)**	**–**
Total liabilities	**(2,704,282)**	**(5,519,297)**	**(3,724,296)**	**(6,920,655)**	**(3,370,158)**
Revenue	**1,854,824**	**2,157,752**	**2,061,667**	**–**	**–**
Profit/(loss) for the year	**1,120,156**	**633,988**	**605,583**	**(33,351)**	**(37,923)**
Other comprehensive loss	**–**	**–**	**–**	**(382)**	**(552)**
Total comprehensive income/(loss) for the year	**1,120,156**	**633,988**	**605,583**	**(33,733)**	**(38,475)**

The following table illustrates the summarised financial information in respect of Chengdu Hongyu, Hangzhou Jun'an, Hangzhou Hongxin, Unicorn Bay and Great Smart adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018				
	Chengdu Hongyu RMB'000	Hangzhou Jun'an RMB'000	Hangzhou Hongxin RMB'000	Unicorn Bay RMB'000	Great Smart RMB'000
Current assets	9,321,209	5,707,190	5,856,576	15,701,229	6,897,604
Non-current assets	452,103	74,123	162,989	161,688	1,066
Total assets	9,773,312	5,781,313	6,019,565	15,862,917	6,898,670
Current liabilities	(2,846,326)	(4,366,727)	(3,826,479)	(552,424)	(2,721,065)
Non-current liabilities	(78,371)	–	(1,499,000)	(6,228,659)	–
Total liabilities	(2,924,697)	(4,366,727)	(5,325,479)	(6,781,083)	(2,721,065)
Revenue	2,458,779	3,684,277	3,416,019	–	–
Profit/(loss) for the year	818,828	772,551	696,682	(7,877)	(9,332)
Other comprehensive loss	–	–	–	–	(336)
Total comprehensive income/(loss) for the year	818,828	772,551	696,682	(7,877)	(9,668)

17. Interests in Joint Ventures *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit for the year	**1,789,170**	296,705
Share of the joint ventures' other comprehensive loss	**(72,404)**	(183,454)
Share of the joint ventures' total comprehensive income	**1,716,766**	113,251
Aggregate carrying amount of the Group's investments in the joint ventures	**29,891,777**	23,593,072

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

18. Properties Under Development

	2019 RMB'000	2018 RMB'000
Properties under development expected to be recovered:		
Within one year	**29,765,773**	26,169,327
More than one year	**21,994,917**	21,132,997
	51,760,690	47,302,324

The Group's properties under development were mainly located in Mainland China and Hong Kong and are stated at cost.

During the year ended 31 December 2019, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB2,096,993,000 (2018: approximately RMB1,511,432,000) (note 14) were transferred to investment properties.

As at 31 December 2019, certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB13,514,324,000 (2018: approximately RMB17,689,861,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Included in the Group's properties under development as at 31 December 2019 were land costs with an aggregate net carrying amount of approximately RMB544,469,000 (2018: approximately RMB6,240,169,000) in which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of certain relevant land use right grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 219 of the annual report.

19. Completed Properties Held for Sale

The Group's completed properties held for sale are located in Mainland China. All completed properties held for sale are stated at the lower of cost and net realisable value.

During the year ended 31 December 2019, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB516,282,000 (2018: aggregate carrying amount of approximately RMB17,148,000) were transferred to investment properties (note 14).

During the year ended 31 December 2019, no investment property of the Group was transferred to completed properties held for sale (2018: aggregate carrying amount of approximately RMB225,893,000).

As at 31 December 2019, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB3,667,565,000 (2018: approximately RMB1,029,118,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 219 of the annual report.

20. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 3 months	**1,654,053**	800,653
4 to 6 months	**22,434**	32,356
7 to 12 months	**363,656**	87,605
Over 1 year	**126,616**	37,051
	2,166,759	957,665

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of properties, rentals under operating leases and provision of property management services and hotel operation businesses of the Group, management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2019 and 31 December 2018. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

21. Prepayments, Other Receivables and Other Assets

	Note	2019 RMB'000	2018 RMB'000
Prepayments		**1,347,559**	1,826,778
Contract assets		**381,935**	129,461
Prepaid other taxes		**1,680,375**	516,365
Prepaid land lease payments	15	**–**	31,465
Deposits and other receivables		**3,991,696**	3,902,394
		7,401,565	6,406,463

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. Tax Recoverables/Tax Payables

(a) Tax recoverables

	2019 RMB'000	2018 RMB'000
Prepaid CIT	**226,201**	172,696
Prepaid LAT	**496,579**	309,910
	722,780	482,606

(b) Tax payables

	2019 RMB'000	2018 RMB'000
CIT payable	**4,551,838**	2,764,972
LAT payable	**5,374,299**	4,086,800
	9,926,137	6,851,772

23. Cash and Cash Equivalents and Restricted Cash

	Notes	2019 RMB'000	2018 RMB'000
Cash and bank balances		**29,403,189**	22,153,315
Time deposits		**27,330,816**	34,523,657
		56,734,005	56,676,972
Less: Restricted cash	(a)	**(5,356,141)**	(4,099,329)
Cash and cash equivalents		**51,377,864**	52,577,643
Denominated in RMB	(b)	**51,451,431**	53,425,699
Denominated in other currencies		**5,282,574**	3,251,273
		56,734,005	56,676,972

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties.

Certain items of the Group's cash and bank balances and time deposits were restricted to be used in designated purposes or pledged to secure general banking facilities granted to the Group (note 37(a)).

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made at a maximum of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

24. Trade and Bills Payables

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

	2019 RMB'000	2018 RMB'000
Within one year	**9,072,301**	4,077,063

The trade and bills payables are non-interest-bearing and are normally settled on demand.

25. Other Payables and Accruals

	Note	2019 RMB'000	2018 RMB'000
Contract liabilities		**15,542,373**	11,943,271
Other payables and accruals		**11,308,048**	10,067,536
Other tax payables		**723,889**	483,124
Deferred income	(a)	**13,047**	13,308
Payroll payables		**39,685**	10,232
		27,627,042	22,517,471

Note:

(a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB261,000 (2018: approximately RMB336,000) has been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on demand.

26. Interest-bearing Bank and Other Borrowings

	2019			2018		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payable (c)	**-**	**-**	**-**	5.61	2019	64,057
Bank loans						
– secured	**4.75-10.70**	**2020**	**3,834,083**	4.35–11.16	2019	2,809,608
– denominated in HK$, secured	**-**	**-**	**-**	HIBOR+1.0–1.5	2019	808,119
– denominated in US$, secured	**2.92**	**2020**	**752,545**	–	–	–
Current portion of long-term bank loans						
– secured	**4.75-9.90**	**2020**	**1,535,027**	4.75–7.80	2019	890,361
– unsecured	**4.75-8.50**	**2020**	**1,197,093**	4.75–7.00	2019	312,318
– denominated in HK$, secured	**HIBOR+1.8-3.66**	**2020**	**582,311**	HIBOR+1.8–3.51	2019	255,395
– denominated in US$, secured	**LIBOR+3.51-3.66**	**2020**	**318,658**	LIBOR+3.51	2019	126,576
Senior notes						
– denominated in US$, secured (a)	**10.25**	**2020**	**3,811,567**	9.31	2019	4,067,039
Domestic corporate bonds – unsecured (b)	**5.61-8.19**	**2020**	**11,696,759**	4.01–7.79	2019	8,030,459
			23,728,043			17,363,932
Non-current						
Finance lease payable (c)	**-**	**-**	**-**	5.61	2020–2023	254,481
Bank loans						
– secured	**4.70-11.00**	**2021-2043**	**20,310,775**	4.75–10.70	2020–2043	18,444,235
– unsecured	**4.75-8.50**	**2021-2039**	**2,883,746**	4.75–7.00	2020–2023	1,787,700
– denominated in HK$, secured	**HIBOR+1.8-3.66**	**2021-2022**	**2,766,011**	HIBOR+1.8–3.66	2020–2022	2,674,025
– denominated in US$, secured	**LIBOR+3.51-3.66**	**2021-2022**	**1,393,665**	LIBOR+3.51–3.66	2020–2022	1,674,694
Senior notes						
– denominated in US$, secured (a)	**5.45-8.27**	**2021-2024**	**21,380,020**	5.45–10.06	2020–2024	16,434,662
Domestic corporate bonds – unsecured (b)	**4.88-7.09**	**2021-2022**	**13,115,290**	4.88–8.25	2020–2021	19,148,518
			61,849,507			60,418,315
			85,577,550			77,782,247

26. Interest-bearing Bank and Other Borrowings *(continued)*

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**8,219,717**	5,202,377
In the second year	**12,301,292**	8,230,792
In the third to fifth years, inclusive	**6,263,692**	9,562,862
Beyond five years	**8,789,213**	6,787,000
	35,573,914	29,783,031
Senior notes repayable:		
Within one year	**3,811,567**	4,067,039
In the second year	**2,415,501**	3,721,729
In the third to fifth years, inclusive	**18,964,519**	10,114,569
Beyond five years	**-**	2,598,364
	25,191,587	20,501,701
Domestic corporate bonds repayable:		
Within one year	**11,696,759**	8,030,459
In the second year	**12,955,280**	8,619,231
In the third to fifth years, inclusive	**160,010**	10,529,287
	24,812,049	27,178,977
Finance lease payable:		
Within one year	**-**	64,057
In the second year	**-**	67,724
In the third to fifth years, inclusive	**-**	186,757
	-	318,538
	85,577,550	77,782,247

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 37.

Except for the above-mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at the end of the reporting period.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes:

(a) On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB 672,638,000) (to be consolidated and form a single series with the US$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017 and 29 March 2017.

On 21 September 2017, the Company issued 5.20% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,646,675,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 21 September 2022. The senior notes carry interest at a rate of 5.20% per annum, which is payable semi-annually in arrears on 21 March and 21 September of each year, commencing on 21 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 18 September 2017, 19 September 2017 and 22 September 2017.

On 10 November 2017, the Company issued 5.875% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,651,280,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 May 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 7 November 2017, 8 November 2017 and 10 November 2017.

On 7 December 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB992,925,000) (to be consolidated and form a single series with the US$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017, and the US$100,000,000 6.00% senior notes due 2022 issued on 29 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

On 9 August 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,391,095,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 9 August 2021. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018 and 9 August 2018.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 26 November 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,778,120,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 14 November 2018, 15 November 2018 and 26 November 2018.

On 11 December 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB1,034,940,000) (to be consolidated and form a single series with the US$400,000,000 9.85% senior notes due 2020 issued on 26 November 2018). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 30 November 2018 and 11 December 2018.

On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,495,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 21 February 2019, 22 February 2019 and 1 March 2019.

On 22 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,040,000) (to be consolidated and form a single series with the US$350,000,000 7.875% senior notes due 2023 issued on 1 March 2019). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 20 March 2019 and 22 March 2019.

On 3 July 2019, the Company issued 5.875% senior notes with an aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,544,400,000) (to be consolidated and form a single series with the US$400,000,000 5.875% senior notes due 2024 issued on 10 November 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 November 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 25 June 2019 and 3 July 2019.

On 29 July 2019, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,064,630,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 March 2024. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 5 March and 5 September of each year commencing on 5 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 22 July 2019, 23 July 2019 and 29 July 2019.

(b)(i) On 17 December 2015, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000. The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(ii) On 28 March 2016, Guangzhou Tianjian, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

(b)(iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the forth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

(b)(iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

(b)(v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for the Type 7 Bonds issued was RMB2,500,000,000; the aggregate amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

(b)(vii) On 26 September 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 7.85% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 10 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 11 Bonds").

The aggregate principal amount for the Type 10 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 11 Bonds issued was RMB2,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 25 September 2017 and 26 September 2017.

(b)(viii) On 16 October 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 8.00% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 12 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 13 Bonds").

The aggregate principal amount for the Type 12 Bonds issued was RMB840,000,000 and the aggregate principal amount for the Type 13 Bonds issued was RMB2,160,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 16 October 2017.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(ix) From November to December 2018, the Group repurchased the Type 1 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB2,025,239,000. From January to March 2019, the Type 1 Bonds of Guangzhou Hejing mentioned above were sold to third-party investors.

(b)(x) From March to April 2019, the Group repurchased the Type 3 Bonds with an aggregate principal amount of RMB600,000,000. In May and September 2019, the Type 3 Bonds of Guangzhou Tianjian with total aggregate principal amounts of RMB100,000,000 and RMB60,000,000 were sold to third-party investors, respectively.

(b)(xi) From August to September 2019, a wholly-owned subsidiary of the Group repurchased the Type 11 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB1,450,000,000. From September to December 2019, the Type 11 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB1,160,000,000 were sold to the third-party investors.

(b)(xii) In October 2019, Guangzhou Hejing redeemed the Type 13 Bonds with an aggregate principal amount of RMB530,000,000. In September 2019, the Group repurchased the Type 13 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB575,000,000. From September to December 2019, the Type 13 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB325,000,000 were sold to third-party investors.

(b)(xiii) From June to August 2019, the Group repurchased the bonds of the Company issued in July 2016 with an aggregate principal amount of RMB2,912,000,000.

(c) Finance lease payable

In 2018, the Group entered into an aircraft rental agreement with an independent third party under a finance lease. Under the finance lease arrangement, the Group leased an aircraft for an agreed term of five years commencing from 15 September 2018. The lessor will transfer the ownership of the underlying asset to the Group at the maturity date of the lease or the early repayment date.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Note	Minimum lease payments 2018 RMB'000	Present value of minimum lease payments 2018 RMB'000
Amounts payable:			
Within one year		80,580	64,057
In the second year		80,580	67,724
In the third to fifth years, inclusive		201,450	186,757
Total minimum finance lease payments		362,610	318,538
Future finance charges		(44,072)	
Total net finance lease payable	35(c)	318,538	
Portion classified as current liabilities		(64,057)	
Non-current portion		254,481	

At 1 January 2019, the finance lease payable was transferred to lease liabilities upon the application of HKFRS 16.

27. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018	84,181	70,980	2,030,315	139,720	153,669	-	9,725	2,488,590
Effect of adoption of HKFRS 16 (note 2.2)	-	-	-	-	-	457,693	-	457,693
At 1 January 2019 (restated)	84,181	70,980	2,030,315	139,720	153,669	457,693	9,725	2,946,283
Movements during the year	8,007	268,297	959,173	-	41,476	11,845	9,275	1,298,073
Gross deferred tax liabilities at 31 December 2019	92,188	339,277	2,989,488	139,720	195,145	469,538	19,000	4,244,356

Deferred tax assets

	Depreciation allowance in excess of related depreciation RMB'000	Provision for LAT RMB'000	Losses available for offset against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2018	2,711	1,741,003	538,954	197,200	3,327	-	2,483,195
Effect of adoption of HKFRS 16 (note 2.2)	-	-	-	-	-	444,734	444,734
At 1 January 2019 (restated)	2,711	1,741,003	538,954	197,200	3,327	444,734	2,927,929
Movements during the year	249	304,095	(177,022)	376,875	(65)	23,089	527,221
Gross deferred tax assets at 31 December 2019	2,960	2,045,098	361,932	574,075	3,262	467,823	3,455,150
Net deferred tax liabilities at 31 December 2019							(789,206)

27. Deferred Tax *(continued)*

Deferred tax liabilities

	2018						
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	76,534	85,553	1,675,507	139,720	–	9,725	1,987,039
Movements during the year	7,647	(14,573)	354,808	–	153,669	–	501,551
Gross deferred tax liabilities at 31 December 2018	84,181	70,980	2,030,315	139,720	153,669	9,725	2,488,590

Deferred tax assets

	2018					
	Depreciation in excess of related depreciation allowance RMB'000	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2018	2,465	1,637,778	245,265	123,657	3,411	2,012,576
Movements during the year	246	103,225	293,689	73,543	(84)	470,619
Gross deferred tax assets at 31 December 2018	2,711	1,741,003	538,954	197,200	3,327	2,483,195
Net deferred tax liabilities at 31 December 2018						(5,395)

27. Deferred Tax *(continued)*

Deferred tax assets *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,872,238**	1,642,044
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,661,444)**	(1,647,439)
	(789,206)	(5,395)

The Group has unutilised tax losses arising in Mainland China of approximately RMB2,592,639,000 (2018: approximately RMB2,872,135,000) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB1,144,911,000 (2018: approximately RMB716,319,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2019, unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China of approximately RMB29,373,335,000 (2018: approximately RMB13,373,810,000) have not been recognised for withholding taxes.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the view that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Law of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

27. Deferred Tax *(continued)*

Deferred tax assets *(continued)*

In the opinion of the directors of the Company, the Company has sufficient distributable reserves, including the Company's share premium to meet its dividend policy in the foreseeable future, and it is not probable that dividends would be declared by the Group's subsidiaries and joint ventures established in Mainland China in the foreseeable future. Accordingly, the Group did not provide additional deferred tax related to the unremitted earnings of the Group's subsidiaries and joint ventures established in Mainland China that are subject to withholding taxes once distributed.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. Deferred Revenue

The Group entered into an agreement with a vendor (the "Vendor") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties") of RMB11,000,000 to the Vendor, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with the Vendor, pursuant to which the Group paid a cash consideration of RMB8,958,000 to the Vendor in place of transferring partial apartments and car parking spaces to the Vendor. As at 31 December 2019, the remaining apartments and car parking spaces had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of the Transfer Properties.

29. Share Capital

Shares

	2019		2018	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.10 each	**8,000,000,000**	**786,113**	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**3,176,749,463**	**304,148**	3,174,071,756	303,909

29. Share Capital *(continued)*

Shares *(continued)*

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2018	3,155,155,055	302,355	–	5,295,047	5,597,402
Final 2017 dividend declared	–	–	–	(978,098)	(978,098)
Shares issued as scrip dividend during the year	17,496,701	1,429	–	125,716	127,145
Issue of treasury shares (note)	1,420,000	125	(125)	–	–
Interim 2018 dividend	–	–	–	(788,789)	(788,789)
At 31 December 2018 and 1 January 2019	3,174,071,756	303,909	(125)	3,653,876	3,957,660
Final 2018 dividend declared	**-**	**-**	**-**	**(983,962)**	**(983,962)**
Shares issued as scrip dividend during the year	**723,707**	**63**	**-**	**5,263**	**5,326**
Issue of treasury shares (note)	**1,954,000**	**176**	**(176)**	**-**	**-**
Vested awarded shares transferred to employees	**-**	**-**	**125**	**15,310**	**15,435**
Interim 2019 dividend	**-**	**-**	**-**	**(1,020,309)**	**(1,020,309)**
At 31 December 2019	**3,176,749,463**	**304,148**	**(176)**	**1,670,178**	**1,974,150**

Note: During the year ended 31 December 2019, 1,954,000 (2018: 1,420,000) new shares of HK$0.10 each were issued to the trustee for the purpose of the Share Award Scheme as further disclosed in note 30 to the financial statements. These 1,954,000 (2018: 1,420,000) shares are held by the trustee and were recorded in treasury shares upon the issue of new shares.

30. Employee Share Schemes

(a) Share option scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and has contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme include any directors, full-time or part-time employees, executives or officers, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme. The aggregate number of shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme has not exceeded 30% of the shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 9 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$12.024 per share upon the acceptance of the grantees (the "Grantees") of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

30. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

On 12 February 2018, as approved by the board of the Company, and consented by each of the Grantees, share options granted on 9 February 2018 had been cancelled.

On 13 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$11.12 per share upon the acceptance of the Grantees of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Weighted average exercise price (HK$ per share)	**Number of options**	Weighted average exercise price (HK$ per share)	Number of options
At 1 January	**11.12**	**1,569,000**	–	–
Granted	**-**	**-**	11.572	3,438,000
Cancelled	**-**	**-**	12.024	(1,719,000)
Lapsed	**11.12**	**(75,000)**	11.12	(150,000)
At 31 December	**11.12**	**1,494,000**	11.12	1,569,000

None of the above share options were exercised in 2019 (2018: Nil).

The share options granted to the directors of the Company and employees of the Group are exercisable during the following periods:

Share options granted on 13 February 2018

(i) Each grantee may exercise not more than one-third of his respective options granted from the first anniversary of the date of grant (i.e. 13 February 2019);

(ii) Each grantee may exercise not more than one-third of his respective options granted from the second anniversary of the date of grant (i.e. 13 February 2020); and

(iii) Each grantee may exercise all his respective remaining options granted from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

And, in each case, not later than 12 February 2022.

HK$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted on 13 February 2018 determined at the date of grant using the Binomial Option Pricing Model was approximately HK$4,058,000. Approximately HK$1,121,000 (equivalent to approximately RMB1,008,000) was charged to the statement of profit or loss during the year ended 31 December 2019 (2018: HK$1,642,000 (equivalent to approximately RMB1,438,000)).

30. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 13 February 2018
Exercise price	HK$11.12
Expected life	4 years
Expected volatility	43.35%
Expected dividend yield (%)	7.18%
Risk-free interest rate (%)	0.84%

At 31 December 2019, the Company had 1,494,000 (31 December 2018: 1,569,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,494,000 (31 December 2018: 1,569,000) additional ordinary shares of the Company, additional share capital of HK$149,400 (equivalent to approximately RMB134,000) (31 December 2018: HK$156,900 (equivalent to approximately RMB137,000)) and share premium of approximately HK$16,464,000 (equivalent to approximately HK$14,748,000) (31 December 2018: HK$17,290,000 (equivalent to approximately RMB15,150,000)) (before issue expenses).

(b) Share award scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "Eligible Participant"). Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

30. Employee Share Schemes *(continued)*

(b) Share award scheme *(continued)*

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares to 28 eligible participants and on 18 October 2018, the Board resolved to grant 192,000 awarded shares to an eligible participant under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board.

On 8 April 2019, the Board resolved to grant a total of 2,059,500 awarded shares to 27 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 8 April 2020; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 8 April 2021; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 8 April 2022, or an earlier date as approved by the Board.

The fair value of these awarded shares at the grant date approximated to the market value of the shares which is calculated based on the closing price of the shares as at the date of grant of the awarded shares.

Movements in the number of awarded shares are as follows:

	2019 Number of shares awarded	2018 Number of shares awarded
At 1 January	**4,260,000**	–
Granted	**2,059,500**	4,585,500
Lapsed	**(328,000)**	(325,500)
Vested	**(1,420,000)**	–
At 31 December	**4,571,500**	4,260,000

Under the Share Award Scheme, the Group recognised share-based compensation expenses of RMB20,226,000 (2018: RMB27,338,000) during the year ended 31 December 2019.

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 103 to 104 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percent of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2019, the Group appropriated approximately RMB388,329,000 (2018: approximately RMB187,639,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

32. Investments in Joint Operations

The Group has entered into three (2018: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2018: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2019, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2019 **RMB'000**	2018 RMB'000
Assets	**4,321,776**	4,192,113
Liabilities	**(123,139)**	(146,500)

33. Business Combination

Acquisition of Subsidiaries

(i) During the year ended 31 December 2019, the Group acquired interests in two companies from third parties. These acquired companies' principal activities are education and property management.

The fair values of the identifiable assets and liabilities of these acquired companies as at the dates of acquisitions were summarised as follows:

	Note	Fair value recognised on acquisitions RMB'000
Total considerations		**205,507**
Total recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	13	**46**
Other non-current asset		**211,928**
Deferred tax assets		**73**
Properties under development		**474**
Prepayments, other receivables and other assets		**44,512**
Trade receivables		**11,011**
Cash and cash equivalents		**28,830**
Trade payables		**(4,459)**
Other payables and accruals		**(59,069)**
Tax payables		**(2,224)**
Deferred tax liabilities		**(21,420)**
Total identifiable net assets at fair value		**209,702**
Non-controlling interests		**(4,195)**
Satisfied by cash		**165,507**
Satisfied by other payables		**40,000**

An analysis of the cash flows in respect of the acquisitions of these two subsidiaries is as follows:

	RMB'000
Cash considerations	**(165,507)**
Cash and cash equivalents acquired	**28,830**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(136,677)**

Since the acquisitions, these two companies contributed revenue and profit of approximately RMB98,822,000 and RMB15,498,000, respectively to the Group.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 2019 would have been approximately RMB24,965,680,000 and RMB10,058,319,000, respectively.

33. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(ii) During the year ended 31 December 2019, the Group acquired interests in two companies from third parties. These acquired companies' principal activities are property development.

The fair values of the identifiable assets and liabilities of these acquired companies as at the dates of acquisitions were summarised as follows:

	Note	Fair value recognised on acquisitions RMB'000
Total considerations		**169,250**
Total recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	13	**821**
Deferred tax assets		**36,379**
Properties under development		**4,369,012**
Prepayments, other receivables and other assets		**3,058,607**
Trade receivables		**2,583**
Cash and cash equivalents		**387,370**
Trade payables		**(297,224)**
Other payables and accruals		**(4,573,040)**
Tax payables		**(745,644)**
Interest-bearing bank and other borrowings		**(651,340)**
Deferred tax liabilities		**(296,810)**
Total identifiable net assets at fair value		**1,290,714**
Equity interests in the companies held by the Group prior to the acquisitions		**(330,246)**
Satisfied by cash		**169,250**
Gains on acquisitions of subsidiaries		**791,218**

An analysis of the cash flows in respect of the acquisitions of these two subsidiaries is as follows:

	RMB'000
Cash considerations	**(169,250)**
Cash and cash equivalents acquired	**387,370**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**218,120**

Since the acquisitions, these two companies contributed revenue and profit of approximately RMB1,599,673,000 and RMB407,180,000, respectively to the Group.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 2019 would have been approximately RMB25,004,489,000 and RMB10,040,273,000, respectively.

33. Business Combination *(continued)*

Acquisition of Subsidiaries *(continued)*

(iii) During the year ended 31 December 2018, the Group previously held a 90% equity interest in Suzhou City Kaiyu Real Estate Development Limited ("Suzhou Kaiyu") and accounted for Suzhou Kaiyu as a joint venture of the Group. Suzhou Kaiyu is principally engaged in property development. On 3 May 2018, the Group acquired the remaining 10% equity interest in Suzhou Kaiyu from Suzhou City Jinzu Properties Co., Ltd#. The purchase consideration for the acquisition was in the form of cash, with RMB204,700,000.

The fair values of the identifiable assets and liabilities of Suzhou Kaiyu as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Investment properties	14	**1,686,000**
Property, plant and equipment	13	**289,988**
Land use rights	15	**74,847**
Properties under development		**192,528**
Prepayments, other receivables and other assets		**4,662,696**
Cash and cash equivalents		**120,025**
Trade receivables		**248**
Deferred tax assets		**27,283**
Tax payables		**(72,357)**
Trade payables		**(57,214)**
Other payables and accruals		**(4,267,044)**
Interest-bearing bank and other borrowings		**(610,000)**
Total identifiable net asset at fair value		**2,047,000**
90% equity interest in Suzhou Kaiyu held by the Group prior to the acquisition		**(1,842,300)**
Satisfied by cash		**204,700**

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

	RMB'000
Cash consideration	**(204,700)**
Cash and cash equivalents acquired	**120,025**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(84,675)**

Since the acquisition, Suzhou Kaiyu contributed revenue of approximately RMB75,012,000 to the Group and caused loss of approximately RMB161,489,000 to the Group's consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year 31 December 2018 would have been approximately RMB7,486,552,000 and RMB4,146,267,000, respectively.

The English name of this company referred to in these financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

34. Disposal of a Subsidiary

During the year ended 31 December 2018, the Group entered into a share transfer agreement for the disposal of its entire equity interest in a wholly-owned subsidiary for a consideration of RMB1,878,566,000.

Details of the assets disposed of as at the date of disposal under the share transfer agreements and the financial impacts are summarised below:

	Notes	RMB'000
Net asset disposed of:		
Trade receivables		60
Cash and cash equivalents		5,685
Properties under development		589,157
Investment properties	14	1,397,000
Prepayments, other receivables and other assets		85
Trade payables		(443)
Tax payables		(107)
Deferred tax liabilities		(125,421)
Other payables and accruals		(1,154,818)
		711,198
Gain on disposal of a subsidiary	5	1,167,368
Satisfied by cash		1,878,566

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	1,878,566
Cash and cash equivalents disposed	(5,685)
Net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,872,881

35. Notes to the Consolidated Statement of Cash Flows

(a) Derecognition of subsidiaries

(i) During the year ended 31 December 2019, the Group entered into the shareholder agreement with Guangzhou Zhenli Investment Development Limited ("Guangzhou Zhenli")#. According to the agreement, all significant resolutions of Hefei Mingyu Real Estate Development Limited ("Hefei Mingyu")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhenli unanimously, hence the Group has no control over Hefei Mingyu, and accordingly, Hefei Mingyu is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Notes	RMB'000
Net asset derecognised:		
Properties under development		**2,748,000**
Prepayments, deposits and other receivables		**661,741**
Tax recoverables		**1,564**
Cash and cash equivalents		**42,065**
Trade payables		**(13,734)**
Other payables and accruals		**(2,225,793)**
Deferred tax liabilities		**(39,717)**
Interest-bearing bank and other borrowings	35(c)	**(999,990)**
Net asset value derecognised		**174,136**
Equity interest in the company held by the Group prior to derecognition		**45,797**
Gain on derecognition of Hefei Mingyu	5	**128,339**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(42,065)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu	**(42,065)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(continued)*

(ii) During the year ended 31 December 2019, the Group entered into the shareholder agreement with Guangzhou Zhanyu Investment Development Limited ("Guangzhou Zhanyu")#. According to the agreement, all significant resolutions of Wenzhou Jinxuan Real Estate Development Limited ("Wenzhou Jinxuan")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhanyu unanimously, hence the Group has no control over Wenzhou Jinxuan, and accordingly, Wenzhou Jinxuan is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Notes	RMB'000
Net asset derecognised:		
Property, plant and equipment	13	**74**
Properties under development		**1,829,000**
Prepayments, deposits and other receivables		**697,058**
Tax recoverables		**4,812**
Cash and cash equivalents		**121,924**
Trade payables		**(48,912)**
Other payables and accruals		**(1,924,573)**
Deferred tax liabilities		**(27,009)**
Interest-bearing bank and other borrowings	35(c)	**(527,510)**
Net asset value derecognised		**124,864**
Equity interest in the company held by the Group prior to derecognition		**39,069**
Gain on derecognition of Wenzhou Jinxuan	5	**85,795**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Wenzhou Jinxuan is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(121,924)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Wenzhou Jinxuan	**(121,924)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(continued)*

(iii) During the year ended 31 December 2019, the Group entered into the shareholder agreement with Guangzhou Zhenli#. According to the agreement, all significant resolutions of Guangxi Junrong Properties Limited ("Guangxi Junrong")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Zhenli unanimously, hence the Group has no control over Guangxi Junrong, and accordingly, Guangxi Junrong is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Notes	RMB'000
Net asset derecognised:		
Property, plant and equipment	13	**80**
Properties under development		**2,760,000**
Prepayments, deposits and other receivables		**375,162**
Tax recoverables		**7,138**
Cash and cash equivalents		**244,431**
Trade payables		**(89,933)**
Other payables and accruals		**(1,561,385)**
Deferred tax liabilities		**(217,004)**
Interest-bearing bank and other borrowings	35(c)	**(1,051,382)**
Net asset value derecognised		**467,107**
Equity interest in the company held by the Group prior to derecognition		**(10,120)**
Gain on derecognition of Guangxi Junrong	5	**477,227**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangxi Junrong is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(244,431)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangxi Junrong	**(244,431)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(continued)*

(iv) During the year ended 31 December 2019, the Group entered into the shareholder agreement with Shenzhen Tongchuang Group Limited# ("Shenzhen Tongchuang") and Shenzhen Xiaoma Huanteng Investment Development Limited# ("Shenzhen Xiaoma Huanteng"). According to the agreement, all significant resolutions of Shenzhen Chuangshihe Industrial Limited# ("Shenzhen Chuangshihe"), a 51% owned subsidiary of the Company before entering into the agreement, shall be approved by the Group, Shenzhen Tongchuang and Shenzhen Xiaoma Huanteng unanimously, hence the Group has no control over Shenzhen Chuangshihe, and accordingly, Shenzhen Chuangshihe is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Notes	RMB'000
Net asset derecognised:		
Property, plant and equipment	13	**6**
Deferred tax assets		**2,054**
Properties under development		**3,431,676**
Trade receivables		**30**
Prepayments, deposits and other receivables		**758,868**
Cash and cash equivalents		**6,055**
Trade payables		**(31)**
Other payables and accruals		**(1,103,102)**
Interest-bearing bank and other borrowings	35(c)	**(1,000,000)**
Net asset value derecognised		**2,095,556**
Attributable to non-controlling interest		**1,026,822**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Shenzhen Chuangshihe is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(6,055)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Shenzhen Chuangshihe	**(6,055)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(continued)*

(v) During the year ended 31 December 2019, the Group derecognised of interests in a number of subsidiaries.

Details of the net assets derecognised as at the date of derecognitions and the financial impacts were summarised below:

	Note	RMB'000
Net assets derecognised:		
Deferred tax assets		**781**
Properties under development		**6,236,901**
Prepayments, other receivables and other assets		**181,980**
Cash and cash equivalents		**766,110**
Trade payables		**(701)**
Other payables and accruals		**(5,797,026)**
Tax payables		**(154)**
Interest-bearing bank and other borrowings	35(c)	**(1,180,000)**
Net assets value derecognised		**207,891**
Attributable to non-controlling interest		**148,508**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of these companies is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(766,110)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of these companies	**(766,110)**

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(continued)*

(vi) During the year ended 31 December 2018, the Group entered into the cooperation agreement with Shanghai Red Star Macalline Property Limited ("Shanghai Red Star Macalline")#. According to the agreement, all significant resolutions of Nantong Nanjing Real Estate Development Limited ("Nantong Nanjing")#, a non-wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Shanghai Red Star Macalline unanimously, and hence the Group has no unilateral control, but has joint control over Nantong Nanjing, and accordingly, Nantong Nanjing is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Note	RMB'000
Net asset derecognised:		
Deferred tax assets		**1,736**
Cash and cash equivalents		**26,058**
Properties under development		**1,114,493**
Prepayments, other receivables and other assets		**627,681**
Trade payables		**(29)**
Interest-bearing bank and other borrowings	35(c)	**(532,240)**
Other payables and accruals		**(140,990)**
Net asset value derecognised		**1,096,709**
Attributable to non-controlling interests		**537,387**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Nantong Nanjing is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(26,058)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Nantong Nanjing	**(26,058)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(vii) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Zhuhai Yiyun Property Limited ("Zhuhai Yiyun")#, pursuant to which, Zhuhai Yiyun injected a cash consideration of RMB1,000,000 to obtain 50% of a fully diluted equity interest in Guangzhou Hejing Longtai Real Estate Development Limited ("Guangzhou Hejing Longtai")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Zhuhai Yiyun, all significant resolutions of Guangzhou Hejing Longtai shall be approved by Zhuhai Yiyun, hence the Group has no control, but has significant influence over Guangzhou Hejing Longtai, and accordingly, Guangzhou Hejing Longtai is accounted for as an associate of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Note	RMB'000
Net asset derecognised:		
Property, plant and equipment	13	**76**
Properties under development		**939,229**
Prepayments, other receivables and other assets		**664**
Cash and cash equivalents		**55,630**
Trade payables		**(9)**
Other payables and accruals		**(996,496)**
Net asset value derecognised		**(906)**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Longtai is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(55,630)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Longtai	**(55,630)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(viii) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Hainan Jingye Real Estate Development Limited ("Hainan Jingye")#, pursuant to which, Hainan Jingye injected a cash consideration of RMB4,000,000 to obtain 80% of a fully diluted equity interest in Guangzhou City Pusheng Real Estate Development Limited ("Guangzhou Pusheng")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Hainan Jingye, all significant resolutions of Guangzhou Pusheng, shall be approved by Hainan Jingye, hence the Group has no control, but has significant influence over Guangzhou Pusheng, and accordingly, Guangzhou Pusheng is accounted for as an associate of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	RMB'000
Net asset derecognised:	
Properties under development	**81,497**
Prepayments, other receivables and other assets	**50,043**
Cash and cash equivalents	**451**
Trade payables	**(1)**
Other payables and accruals	**(130,311)**
Net asset value derecognised	**1,679**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Pusheng is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(451)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Pusheng	**(451)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(ix) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Guangzhou Fangyuan Real Estate Development Limited ("Guangzhou Fangyuan")#. According to the agreement, all significant resolutions of Beijing Zunli Business Service Limited ("Beijing Zunli")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Fangyuan unanimously, hence the Group has no control over Beijing Zunli, and accordingly, Beijing Zunli is accounted for as a joint venture of the Group thereafter.

Details of the net asset derecognised as at the date of derecognition and the financial impacts were summarised below:

	Notes	RMB'000
Net asset derecognised:		
Property, plant and equipment	13	**9**
Properties under development		**4,548,563**
Prepayments, other receivables and other assets		**2,492,266**
Cash and cash equivalents		**2,428**
Trade payables		**(22)**
Other payables and accruals		**(4,761,159)**
Tax payables		**(270)**
Interest-bearing bank and other borrowings	35(c)	**(2,280,000)**
Net asset value derecognised		**1,815**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Beijing Zunli is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(2,428)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Beijing Zunli	**(2,428)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English names have been registered.

(b) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB146,789,000 and approximately RMB146,789,000, respectively, in respect of lease arrangements for buildings and investment properties (2018: Nil).

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(c) Changes in liabilities arising from financing activities

	Notes	**Interest-bearing bank and other borrowings RMB'000**	**Lease liabilities RMB'000**	**Other payables and accruals RMB'000**
At 31 December 2018		**77,782,247**	**–**	**2,019,701**
Effect of adoption of HKFRS 16		**(318,538)**	**2,097,472**	**–**
At 1 Januray 2019 (restated)		**77,463,709**	**2,097,472**	**2,019,701**
Changes from financing cash flows		**15,144,709**	**(118,490)**	**(1,767,425)**
New leases		**–**	**146,789**	**–**
2018 final dividends payable	11, 29	**–**	**–**	**983,962**
2019 interim dividends payable	11, 29	**–**	**–**	**1,020,309**
Shares issued as scrip dividend	29	**–**	**–**	**(5,326)**
Interest expense	7	**26,120**	**128,262**	**6,183,642**
Interest paid classified as operating cash flows		**–**	**(128,262)**	**(6,123,540)**
Foreign exchange movement		**763,143**	**–**	**–**
Acquisition of subsidiaries	33	**651,340**	**–**	**–**
Due to joint ventures		**(3,712,589)**	**–**	**–**
Derecognition of subsidiaries	35(a)	**(4,758,882)**	**–**	**–**
At 31 December 2019		**85,577,550**	**2,125,771**	**2,311,323**

	Notes	Interest-bearing bank and other borrowings RMB'000	Other payables and accruals RMB'000
At 1 Januray 2018		59,645,171	1,316,789
Changes from financing cash flows		19,201,793	(1,156,333)
2017 final dividends payable	11, 29	–	978,098
2018 interim dividends payable	11, 29	–	788,789
Shares issued as scrip dividend	29	–	(127,145)
Financial lease payable	26(c)	318,538	–
Interest expense	7	18,681	4,405,530
Interest paid classified as operating cash flows		–	(4,186,027)
Foreign exchange movement		800,304	–
Acquisition of a subsidiary	33	610,000	–
Derecognition of subsidiaries	35(a)	(2,812,240)	–
At 31 December 2018		77,782,247	2,019,701

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(d) Total cash outflow for leases

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

	2019 RMB'000
Within operating activities	**68,847**
Within financing activities	**246,752**
	315,599

36. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

	Notes	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	(a)	**16,765,473**	8,117,109
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	(b)	**29,362,515**	15,736,315
		46,127,988	23,853,424

Notes:

(a) As at 31 December 2019 and 2018, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2019 and 2018 for the guarantees.

(b) As at 31 December 2019, the banking loans guaranteed by the Group to joint ventures and associates were utilised to the extent of approximately RMB29,362,515,000 (2018: approximately RMB15,736,315,000).

37. Pledge of Assets

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking and other borrowing facilities granted to the Group:

	Notes	2019 RMB'000	2018 RMB'000
Property, plant and equipment	13	**2,743,081**	2,796,547
Investment properties	14	**13,506,919**	6,409,301
Land use rights	15	**432,122**	311,310
Properties under development	18	**13,514,324**	17,689,861
Completed properties held for sale	19	**3,667,565**	1,029,118
Time deposits	23	**756,710**	1,016,680
		34,620,721	29,252,817

(b) As at 31 December 2019 and 2018, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(c) As at 31 December 2019 and 2018, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

(d) As at 31 December 2019, the domestic corporate bonds of approximately RMB16,433,948,000 (2018: approximately RMB15,893,503,000) were guaranteed by the Company.

38. Commitments

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**371,999**	580,847
Properties being developed by the Group for sale	**10,535,392**	10,045,197
Investment properties	**530,916**	7,366
	11,438,307	10,633,410

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for	**7,948,847**	6,636,605

38. Commitments *(Continued)*

(b) The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2019 and 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**481,071**	412,349
After one year but within two years	**325,605**	294,783
After two years but within three years	**218,751**	191,538
After three years but within four years	**124,181**	127,446
After four years but within five years	**72,465**	69,578
After five years	**183,057**	176,512
	1,405,130	1,272,206

39. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year ended 31 December 2019, the Group provided project management services to certain joint ventures and associates of the Group for a total cash consideration of approximately RMB366,105,000 (2018: approximately RMB213,520,000), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures and associates.

(b) During the year ended 31 December 2019, the Group provided advances to certain joint ventures and associates at the interest rates of 4.4% to 12.0% (2018: 4.4% to 12.0%) per annum. The interest income of approximately RMB247,885,000 (2018: approximately RMB139,252,000), which was recognised as other income of the Group, was determined at rates mutually agreed between the Group and the joint ventures and associates.

(c) During the year ended 31 December 2019, the Group leased some properties to related companies, of which an executive director of the Company is the ultimate beneficial owner, for a total cash consideration of approximately RMB9,789,000 (2018: approximately RMB156,000), which was recognised as rental income and management fee income of the Group. The income was determined at rates mutually agreed between the Group and the executive director.

(d) During the year ended 31 December 2018, Guangzhou Hejing (the "Seller"), a wholly-owned subsidiary of the Company, entered into a property sale and purchase agreement with Mr. Kong Jiantao, an executive Director and the chief executive officer of the Company, and Ms. Zhang Xin, the spouse of Mr. Kong Jiantao (collectively the "Purchasers"), pursuant to which the Purchasers purchased a residential apartment within a residential property development project in Guangzhou, namely the Cosmos, developed by the Guangzhou Heijing) at a consideration (including value added tax) of approximately RMB38,116,000. The Group has recognised revenue of approximately RMB36,301,000 as the sale of properties.

39. Related Party Transactions *(Continued)*

(e) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to joint ventures and associates are included in note 36 to the financial statements.

The related party transaction in respect of item (d) above also constitutes connected transaction as defined in Chapter 14A of the Listing Rules.

The related party transaction in respect of item (c) above also constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(f) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 16 and 17 respectively to the financial statements.

(g) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**33,226**	35,564
Post-employment benefits	**630**	728
Share-based compensation	**6,690**	10,584
Total compensation paid to key management personnel	**40,546**	46,876

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. Financial Instruments by Category

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

Financial assets – Financial assets at amortised cost

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables	20	**2,166,759**	957,665
Financial assets included in prepayments, other receivables and other assets	21	**4,373,631**	4,031,855
Due from a joint venture	17	**30,062**	30,069
Restricted cash	23	**5,356,141**	4,099,329
Cash and cash equivalents	23	**51,377,864**	52,577,643
		63,304,457	61,696,561

Financial liabilities – Financial liabilities at amortised cost

	Notes	2019 RMB'000	2018 RMB'000
Trade and bills payables	24	**9,072,301**	4,077,063
Lease liabilities	2.2	**2,125,771**	–
Financial liabilities included in other payables and accruals	25	**11,308,048**	10,067,536
Due to joint ventures	17	**37,742,306**	39,294,914
Due to associates	16	**1,345,495**	592,204
Interest-bearing bank and other borrowings	26	**85,577,550**	77,782,247
		147,171,471	131,813,964

41. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	**85,577,550**	77,782,247	**86,160,688**	76,707,143

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, lease liabilities, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Group. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group. The valuation process and results are discussed with the management of the Group twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

41. Fair Value and Fair Value Hierarchy of Financial Instruments
(continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**–**	**86,160,688**	**–**	**86,160,688**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	76,707,143	–	76,707,143

42. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, other receivables and other assets, and amounts due from a joint venture. The financial liabilities of the Group mainly include trade and bills payables, lease liabilities, other payables and accruals, interest-bearing bank and other borrowings, amounts due to joint ventures and amounts due to associates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management and focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The Group's exposure to these risks is kept to a minimum. Management closely monitors the risk exposure and will consider using derivatives and other instruments to hedge significant risk exposure should the need arise. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in Mainland China and Hong Kong, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

42. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	**200**	**(423,249)**
Hong Kong dollar	**200**	**(59,857)**
United States dollar	**200**	**(41,716)**
RMB	**(200)**	**423,249**
Hong Kong dollar	**(200)**	**59,857**
United States dollar	**(200)**	**41,716**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2018		
RMB	200	(390,516)
Hong Kong dollar	200	(58,650)
United States dollar	200	(34,519)
RMB	(200)	390,516
Hong Kong dollar	(200)	58,650
United States dollar	(200)	34,519

42. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from interest-bearing bank and other borrowings and bank balances denominated in currencies other than the units' functional currencies as at 31 December 2019 and 31 December 2018. The Group considers the foreign currency risk between Hong Kong dollar and United States dollar is not material as the exchange rate between these two currencies is pegged.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK\$ rate %	**Increase/ (decrease) in US\$ rate %**	**Increase/ (decrease) in profit before tax RMB'000**
2019			
If RMB weakens against Hong Kong dollar	**(5)**	**N/A**	**418,083**
If RMB strengthens against Hong Kong dollar	**5**	**N/A**	**(418,083)**
If RMB weakens against United States dollar	**N/A**	**(5)**	**13,555**
If RMB strengthens against United States dollar	**N/A**	**5**	**(13,555)**

	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
2018			
If RMB weakens against Hong Kong dollar	(5)	N/A	563,786
If RMB strengthens against Hong Kong dollar	5	N/A	(563,786)
If RMB weakens against United States dollar	N/A	(5)	9,051
If RMB strengthens against United States dollar	N/A	5	(9,051)

42. Financial Risk Management Objectives and Policies *(continued)*

Credit Risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019 and 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

2019	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	-	-	-	2,166,759	2,166,759
Financial assets included in prepayments, other receivables and other assets*					
— Normal**	3,991,696	-	-	381,935	4,373,631
Due from a joint venture	30,062	-	-	-	30,062
Restricted bank balances					
— Not yet past due	5,356,141	-	-	-	5,356,141
Cash and cash equivalents					
— Not yet past due	51,377,864	-	-	-	51,377,864
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
— Not yet past due	16,765,473	-	-	-	16,765,473
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
— Not yet past due	29,362,515	-	-	-	29,362,515
	106,883,751	-	-	2,548,694	109,432,445

42. Financial Risk Management Objectives and Policies *(continued)*

Credit Risk *(continued)*

2018	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Lifetime ECLs Stage 3 RMB'000	Lifetime ECLs Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	957,665	957,665
Financial assets included in prepayments, other receivables and other assets*					
— Normal**	3,902,394	–	–	129,461	4,031,855
Due from a joint venture	30,069	–	–	–	30,069
Restricted cash					
— Not yet past due	4,099,329	–	–	–	4,099,329
Cash and cash equivalents					
— Not yet past due	52,577,643	–	–	–	52,577,643
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
— Not yet past due	8,117,109	–	–	–	8,117,109
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
— Not yet past due	15,736,315	–	–	–	15,736,315
	84,462,859	–	–	1,087,126	85,549,985

* For trade receivables and contract assets included in prepayments, other receivables and other assets, to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

42. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk

The management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generated from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank and other borrowings will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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

	2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	-	2,907,134	26,098,730	60,493,797	10,860,468	100,360,129
Lease liabilities	-	62,393	194,016	886,218	1,766,368	2,908,995
Trade and bills payables	9,072,301	-	-	-	-	9,072,301
Other payables and accruals	11,308,048	-	-	-	-	11,308,048
Due to joint ventures	37,742,306	-	-	-	-	37,742,306
Due to associates	1,345,495	-	-	-	-	1,345,495
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	16,765,473	-	-	-	-	16,765,473
Guarantee given to banks in connection with bank loans granted to joint ventures and associates	29,362,515	-	-	-	-	29,362,515
	105,596,138	2,969,527	26,292,746	61,380,015	12,626,836	208,865,262

42. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

	2018					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,246,940	13,642,093	57,866,528	11,147,142	90,902,703
Trade and bills payables	4,077,063	–	–	–	–	4,077,063
Other payables and accruals	10,067,536	–	–	–	–	10,067,536
Due to joint ventures	39,294,914	–	–	–	–	39,294,914
Due to associates	592,204	–	–	–	–	592,204
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	8,117,109	–	–	–	–	8,117,109
Guarantee given to banks in connection with bank loans granted to joint ventures and associates	15,736,315	–	–	–	–	15,736,315
	77,885,141	8,246,940	13,642,093	57,866,528	11,147,142	168,787,844

Capital management

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

42. Financial Risk Management Objectives and Policies *(continued)*

Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Net borrowings	**28,843,545**	21,105,275
Total equity	**38,242,591**	31,772,009
Gearing ratio	**75.4%**	66.4%

43. Events After the Reporting Period

(a) On 13 January 2020, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,077,890,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 13 January 2027. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 13 January and 13 July of each year commencing on 13 July 2020. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2020 and 13 January 2020.

(b) On 17 March 2020, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

(c) The unexpected outbreak of coronavirus (COVID-19) has produced an adverse impact on the economy, including the real estate sector, in Mainland China in 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing in the first half of 2020 will be negatively affected. Besides, the pandemic also created uncertainties on the Group's property development operation.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

44. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**43,417**	38,545
Interests in subsidiaries	**25,475,332**	21,743,369
Interests in joint ventures	**10,925,047**	10,238,384
Total non-current assets	**36,443,796**	32,020,298
CURRENT ASSETS		
Prepayments, other receivables and other assets	**229,678**	1,306,225
Due from subsidiaries	**6,653,268**	4,984,765
Cash and cash equivalents	**4,384,582**	2,862,469
Total current assets	**11,267,528**	9,153,459
CURRENT LIABILITIES		
Trade payables	**14,025**	–
Other payables and accruals	**1,852,122**	1,541,691
Due to joint ventures	**3,595,348**	214,786
Interest-bearing bank and other borrowings	**7,964,107**	8,546,442
Total current liabilities	**13,425,602**	10,302,919
NET CURRENT LIABILITIES	**(2,158,074)**	(1,149,460)
TOTAL ASSETS LESS CURRENT LIABILITIES	**34,285,722**	30,870,838
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**33,799,848**	28,779,543
Other payables and accruals	**152,992**	177,217
Total non-current liabilities	**33,952,840**	28,956,760
NET ASSETS	**332,882**	1,914,078
EQUITY		
Share capital	**303,972**	303,784
Reserves (note)	**28,910**	1,610,294
TOTAL EQUITY	**332,882**	1,914,078

44. Statement of Financial Position of the Company *(continued)*

Note:

A summary to the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2017 and 1 January 2018		5,295,047	308,006	(828,785)	–	(821,811)	3,952,457
Final 2017 dividend declared	29	(978,098)	–	–	–	–	(978,098)
Share-based compensation expenses		–	–	–	28,776	–	28,776
Shares issued as scrip dividend during the year	29	125,716	–	–	–	–	125,716
Interim 2018 dividend		(788,789)	–	–	–	–	(788,789)
Loss for the year		–	–	–	–	(452,374)	(452,374)
Exchange differences on translation into presentation currency		–	–	(277,394)	–	–	(277,394)
At 31 December 2018		3,653,876	308,006	(1,106,179)	28,776	(1,274,185)	1,610,294
At 31 December 2018 and 1 January 2019		**3,653,876**	**308,006**	**(1,106,179)**	**28,776**	**(1,274,185)**	**1,610,294**
Final 2018 dividend declared	29	**(983,962)**	**-**	**-**	**-**	**-**	**(983,962)**
Share-based compensation expenses	30	**-**	**-**	**-**	**21,234**	**-**	**21,234**
Shares issued as scrip dividend during the year	29	**5,263**	**-**	**-**	**-**	**-**	**5,263**
Vested awarded shares transferred to employees	29	**15,310**	**-**	**-**	**(15,435)**	**-**	**(125)**
Interim 2019 dividend	29	**(1,020,309)**	**-**	**-**	**-**	**-**	**(1,020,309)**
Profit for the year		**-**	**-**	**-**	**-**	**578,898**	**578,898**
Exchange differences on translation into presentation currency		**-**	**-**	**(182,383)**	**-**	**-**	**(182,383)**
At 31 December 2019		**1,670,178**	**308,006**	**(1,288,562)**	**34,575**	**(695,287)**	**28,910**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

Major Property held by the Group

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
Vision of World	100	Fengxian District, Shanghai	80	206	Residential, serviced apartment, commercial and hotel	N/A
Summer Terrace	100	Haidian District, Beijing	13	30	Residential and commercial	N/A
The Summit	100	Zengcheng District, Guangzhou	994	1331	Residential, villa, serviced apartment, office and commercial	N/A
The Sapphire	100	Xiangcheng District, Suzhou	327	882	Residential, serviced apartment, office, commercial and hotel	N/A
Essence of City	100	Zengcheng District, Guangzhou	96	286	Residential, villa and commercial	N/A
Chengdu Cosmos	100	South New District, Chengdu	149	820	Residential, serviced apartment, office, commercial and hotel	N/A
The One	100	Lujiang District, Hefei	35	78	Residential and commercial	N/A
Major properties under development						
The Summit	100	Zengcheng District, Guangzhou	977	1308	Residential, villa, serviced apartment, office and commercial	2020
Guangzhou New Financial City Project	100	Tianhe District, Guangzhou	31	99	Residential, serviced apartment and commercial	2021
KWG Center II	100	Tongzhou District, Beijing	17	135	Serviced apartment, office and commercial	2020
The Cosmos Chongqing	100	Yubei District, Chongqing	107	452	Residential, serviced apartment, office, commercial and hotel	2020
Fragrant Seasons	62.5	Huadu District, Guangzhou	55	78	Residential and commercial	2021
The Core of City	100	Liangqing District, Nanning	78	355	Residential, villa, serviced apartment and commercial	2020
Yunshang Retreat	55	Dayi District, Chengdu	198	867	Residential, villa, serviced apartment, commercial and hotel	2020
Guangzhou Zengcheng Luogang Project	100	Zengcheng District, Guangzhou	29	86	Residential	2021

Property	The Group's interest) (%)	Usage	
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and commercial	Medium term lease
International Metropolis Plaza, 58 Yaoyuan Road,Pudong new area, Shanghai, the PRC	75.5	Office and commercial	Medium term lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Revenue	8,339,756	8,865,329	11,543,072	7,477,471	**24,956,261**
Profit before tax	4,662,353	4,527,499	5,555,028	5,391,230	**13,619,053**
Income tax expenses	(1,249,168)	(1,065,893)	(1,950,015)	(1,236,396)	**(3,562,969)**
Profit for the year	3,413,185	3,461,606	3,605,013	4,154,834	**10,056,084**
Attributable to:					
Owners of the Company	3,416,248	3,464,714	3,620,071	4,035,415	**9,805,813**
Non-controlling interests	(3,063)	(3,108)	(15,058)	119,419	**250,271**
	3,413,185	3,461,606	3,605,013	4,154,834	**10,056,084**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB115 cents	RMB115 cents	RMB117 cents	RMB128 cents	**RMB309 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
ASSETS					
Non-current assets	37,189,508	35,795,122	53,206,924	63,761,404	**84,577,931**
Current assets	42,491,909	74,946,688	81,738,114	120,775,757	**129,744,748**
Total assets	79,681,417	110,741,810	134,945,038	184,537,161	**214,322,679**
LIABILITIES					
Current liabilities	32,189,706	47,308,585	49,407,316	90,697,356	**109,671,769**
Non-current liabilities	25,132,795	39,424,313	57,292,029	62,067,796	**66,408,319**
Total liabilities	57,322,501	86,732,898	106,699,345	152,765,152	**176,080,088**
EQUITY					
Equity attributable to owners of the Company	22,341,409	23,950,445	27,607,284	28,778,564	**35,794,758**
Non-controlling interests	17,507	58,467	638,409	2,993,445	**2,447,833**
Total equity	22,358,916	24,008,912	28,245,693	31,772,009	**38,242,591**

合景泰富集團
KWG GROUP HOLDINGS
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