中國恒大集團
CHINA EVERGRANDE GROUP

China Evergrande Group
中 國 恒 大 集 團

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3333

ANNUAL REPORT 2019

NATIONAL LAYOUT MAP

The Group focuses on property development for the people as its foundation, with cultural tourism and health industry as complimentary pillars, spearheaded by new energy vehicle industry, ranking at 138th in Fortune Global 500, a leap of 358 positions from 2016.

876 PROJECTS

293 MILLION SQUARE METRES OF LAND RESERVE

237 CITIES


9
Xinjiang
22
Inner Mongolia
13
Heilongjiang
18
Jilin
46
Liaoning
38
Hebei
2
Beijing
9
Tianjin
23
Shanxi
49
Shandong
6
Ningxia
1
Qinghai
10
Gansu
17
Shaanxi
49
Henan
66
Jiangsu
Tibet
37
Hubei
49
Anhui
3
Shanghai
50
Sichuan
35
Chongqing
39
Zhejiang
44
Hunan
36
Jiangxi
31
Fujian
24
Guizhou
13
Yunnan
33
Guangxi
92
Guangdong
Taiwan
12
Hainan
Hainan
SOUTH CHINA SEA ISLANDS

CONTENTS

BOARD OF DIRECTORS AND COMMITTEES

CHAIRMAN OF THE BOARD OF DIRECTORS

Professor Hui Ka Yan

EXECUTIVE DIRECTORS

Professor Hui Ka Yan
Dr. Xia Haijun
Ms. He Miaoling
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

AUDIT COMMITTEE

Mr. Chau Shing Yim, David *(Chairman)*
Mr. He Qi
Ms. Xie Hongxi

REMUNERATION COMMITTEE

Mr. He Qi *(Chairman)*
Professor Hui Ka Yan
Ms. Xie Hongxi

NOMINATION COMMITTEE

Professor Hui Ka Yan *(Chairman)*
Mr. He Qi
Mr. Chau Shing Yim, David

AUTHORISED REPRESENTATIVES

Professor Hui Ka Yan
Mr. Fong Kar Chun, Jimmy

CORPORATE AND SHAREHOLDER INFORMATION

HEAD OFFICE

No.1126 Haide 3rd Road
Nanshan District, Shenzhen
Guangdong Province
The PRC
Postal code: 518054

PLACE OF BUSINESS IN HONG KONG

23rd Floor
China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.evergrande.com

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
Agricultural Bank of China Limited
China CITIC Bank Corporation Limited
China Everbright Bank Company Limited
Industrial and Commercial Bank of China Limited
China Zheshang Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Industrial Bank Co., Ltd.
Agricultural Development Bank of China
Bank of Jiujiang Co., Ltd.
Nanyang Commercial Bank (China)
China Bohai Bank Co., Ltd.
China Guangfa Bank Co., Ltd.
Bank of Jilin Co., Ltd.
China Construction Bank Corporation
Bank of China Limited
Hua Xia Bank Company Limited
Bank of Luoyang Co.,Ltd.
Bank of Shanghai Co., Ltd.
Longjiang Bank Corporation

SHAREHOLDER INFORMATION

Listing Information

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”)
The bonds of the Company are quoted on Singapore Stock Exchange Limited (“Singapore Stock Exchange”)

CORPORATE AND SHAREHOLDER INFORMATION

SECURITIES CODES

Stock

HKEX: 3333

Bonds

US$1,565,000,000 11.00% Senior Notes due 2020
Common Code: 190367169
ISIN: XS1903671698

US$598,181,000 6.25% Senior Notes due 2021
Common Code: 162759914
ISIN: XS1627599142

US$875,000,000 6.25% Senior Notes due 2021
Common Code: 162759914
ISIN: XS1627599142

US$600,000,000 9.00% Senior Notes due 2021
Common Code: 195832170
ISIN: XS1958321702

US$1,000,000,000 8.25% Senior Notes due 2022
Common Code: 158043114
ISIN: XS1580431143

US$1,025,000,000 8.25% Senior Notes due 2022
Common Code: 158043114
ISIN: XS1580431143

US$1,450,000,000 9.5% Senior Notes due 2022
Common Code: 198203696
ISIN: XS1982036961

US$2,000,000,000 11.5% Senior Notes due 2022
Common Code: 210919198
ISIN: XS2109191986

US$645,000,000 13.0% Senior Notes due 2022
Common Code: 190367185
ISIN: XS1903671854

HK$18,000,000,000 4.25% Convertible Bonds due 2023
Common Code: 176780096
ISIN: XS1767800961

US$1,344,921,000 7.50% Senior Notes due 2023
Common Code: 162759949
ISIN: XS1627599498

US$850,000,000 10.0% Senior Notes due 2023
Common Code: 198203777
ISIN: XS1982037779

US$2,000,000,000 12.0% Senior Notes due 2023
Common Code: 210919210
ISIN: XS2109192109

US$1,000,000,000 11.5% Senior Notes due 2023
Common Code: 210683429
ISIN: XS2106834299

US$590,000,000 13.75% Senior Notes due 2023
Common Code: 190367193
ISIN: XS1903671938

US$1,000,000,000 9.50% Senior Notes due 2024
Common Code: 158786753
ISIN: XS1587867539

US$700,000,000 10.5% Senior Notes due 2024
Common Code: 198204064
ISIN: XS1982040641

US$1,000,000,000 12.0% Senior Notes due 2024
Common Code: 210683437
ISIN: XS2106834372

US$4,680,476,000 8.75% Senior Notes due 2025
Common Code: 162759965
ISIN: XS1627599654

INVESTOR RELATIONS

For enquiries, please contract:
Investor Relations Department
Email: evergrandeIR@evergrande.com
Telephone: (852) 2287 9229

REAL ESTATE INDUSTRY

REPORT OF CHAIRMAN

Hui Ka Yan
Chairman

Dear Shareholders,

I am pleased to present the reports of China Evergrande Group ("Evergrande" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019. The Group's turnover and gross profit for the year amounted to RMB477.6 billion and RMB132.9 billion respectively. Net profit was RMB33.5 billion. Profit attributable to shareholders was RMB17.3 billion. Basic earnings per share was RMB1.315.

In order to repay the trust and support of shareholders, the Board recommended the payment of a final dividend of RMB0.653 per share for the year 2019, which will be distributed upon approval at the general meeting of the Group.

BUSINESS REVIEW

In 2019, under the impact of protectionism and unilateralism, global economic growth continued to decline. The International Monetary Fund (IMF) lowered its global economic growth forecast four times. The latest forecast was only 3%, the lowest since the 2008 global financial crisis. However, in a complicated international environment, the Chinese economy demonstrated strong resilience with a GDP of RMB99,086.5 billion, representing a year-on-year increase of 6.1% at comparable prices, ranking among the top economies in the world, contributing 28% of the global economic growth, and becoming the largest contributor to global economic growth for the 14th consecutive year.

Under the overall guidelines to maintain steady economic growth and deepen supply-side structural reform, the Chinese Central Government continued to implement the real estate policy of "housing is for living, not for speculation". Adhering to the principle of "different policies according to specific situations in different cities" and category-based policy guidelines, local governments implemented various regulation policies, and the overall market remained stable. National contracted sales volume of commodity housing continued to hit its historical high, which increased by 6.5% year-on-year to RMB15.97 trillion. Contracted sales volume of residential housing reached RMB13.94 trillion, representing year-on-year growth of 10.3%. Inventory levels continued to decline, with 498 million square meters of properties available for sale at the end of the period, down by 4.9% year-on-year, in which residential housing inventory decreased to 225 million square meters, down by 10.4%. The market share among the top 20 real estate companies was 29.91%, a year-on-year increase of 0.59 percentage points.[1]

Faced with the complexities in the economic environment domestically and abroad as well as intense industry competition, the Group fully understood that housing is for people to live in, and firmly carried out controlling policies following the government's direction, thus achieving "stable land price, stable property price and stable expectations". Having real estate development as the foundation, developing cultural tourism and health wellbeing management as the complementary pillars, and focusing on new energy vehicles as the leading growth driver, the Group gained a leading position among its peers in terms of operation scale and profit. In 2019, the Group successfully increased its shareholding in Shengjing Bank which had total assets of RMB1,021.5 billion[2], and became the single largest shareholder with 36.4% shareholding. Together with the 50% shareholding in Evergrande Life which had total assets of RMB188.6 billion[2], the combined total assets managed by the Group amounted to RMB3,416.7 billion. At the same time, the Group was ranked 138th in the Fortune Global 500 in 2019, significantly improving by 358 positions from 496th when it entered the list for the first time in 2016.

Further strengthening the real estate business, and continuously maintaining abundant high-quality land reserves

In 2019, the Group further strengthened the real estate business and continued to maintain abundant High-quality land reserves in order to facilitate quality development. The Group acquired 153 new pieces of land and further acquired the land surrounding 39 existing projects during the Year. New land reserves acquired were evenly distributed among cities such as Beijing, Guangzhou, Nanjing, Taiyuan, Kunming, Chengdu, Chongqing, Hangzhou, Zhengzhou, Fuzhou, Urumqi, Foshan, Zhuhai, Dalian, Yantai and Tangshan. The newly acquired land reserves had a total GFA of 67.03 million square meters at an average cost of RMB2,101 per square meter.

As at 31 December 2019, the Group's total land reserves covered 876 projects located in 237 cities across China, covering almost all first-tier cities, municipalities and provincial capitals, as well as a majority of economically developed prefecture-level cities with high growth potential. The land reserves of the Group had a total planned GFA of 293 million square meters with an original value of RMB527.3 billion and an average cost of RMB1,800 per square meter. In particular, the original value of land reserves in first-tier and second-tier cities amounted to RMB352.4 billion, representing 67% of the total value with an average land cost of RMB2,252 per square meter. The original value of land reserves in third-tier cities amounted to RMB174.9 billion, representing 33% of the total value with an average cost of RMB1,281 per square meter.

[1] Data source: CRIC Real Estate Research ''2019 Top 200 PRC Real Estate Developers in Terms of Sales''

[2] As at 31 December 2019

Among the abovementioned land reserves, land premium of RMB117.8 billion remained outstanding, of which RMB47.5 billion, RMB35.7 billion and RMB34.6 billion will be due in 2020, 2021 and in and after 2022 respectively.

The Group had 101 urban redevelopment projects, of which 6 projects with 1.22 million square meters in Shenzhen were included in the land reserves.

Steady growth in contracted sales with strong execution and flexible and progressive strategies

In 2019, the Group achieved contracted sales of RMB601.06 billion, a year-on-year increase of 9.0%, refreshing annual sales record for the 10th consecutive year since its listing in 2009. The contracted sales GFA was 58.463 million square meters, a year-on-year increase of 11.5%; and the average selling price was RMB10,281 per square meter.

During the Year, the Group launched 178 new projects for sale in several dozens of cities including Shanghai, Shenzhen, Nanjing, Chongqing, Chengdu, Hefei, Tianjin, Changsha, Kunming, Taiyuan, Xi'an, Guiyang, Shenyang, and Foshan. There were a total of 1,012 projects for sale which were at different stages ranging from being completed to under construction distributed in 254 cities.

The stable growth in sales performance of the Group is rooted in the consistent adherence to the "scale+profitability" development model, the Group's efforts in enhancing added value of products and the large number of projects and resources for sale. In addition, digital technology, mobile Internet, big data and other cutting-edge technologies have been widely used in marketing activities, matching with flexible and aggressive sales strategies and strong execution of all staff on marketing, so that the Group can face various market risks and challenges at ease, and ensure that sales performance can repeatedly hit new highs.

In 2020, in response to the COVID-19 epidemic, the Group pioneered online sales through the "Heng Fang Tong (恒房通)" platform on 13 February, thus greatly promoting robust sales of the Group. In March 2020, the Group realized unaudited contracted sales of RMB62.08 billion and unaudited cash collection of RMB66.4 billion. From January to March 2020, the Group realized unaudited contracted sales of RMB147.37 billion[1] and unaudited cash collection of RMB113.3 billion.

Precise and scientific construction planning and proper coordination among demands for sales, completion and delivery

The Group strives to optimize its construction planning scientifically and emphasize the precise coordination among plans of sales, completion and delivery. The Group had new construction start with GFA of 65.13 million square meters during the Year. As at 31 December 2019, the Group had 752 projects under construction with GFA of 123 million square meters. During the Year, a total of 783 projects were partially or fully completed with GFA of 77.01 million square meters, an increase of 6.6% year on year.

In 2019, the Group had a total of 901 delivered projects with total revenue of RMB464.57 billion. The Board believes that the large scale development and construction has not only ensured ample saleable resources to further support sales, but has also boosted the completion and delivery in the next phase with corresponding increase in overall revenue.

Diversified industries going hand in hand with emerging synergies

Evergrande, in cooperation with leading companies in different fields of global automobile industry, integrated the world-leading R&D and manufacturing resources in order to build the largest, most powerful new energy automobile group through blazing a new trail. With regard to automobile R&D and manufacturing, through acquisition and cooperation, the Group acquired the world-leading core technology and intellectual property in different key fields including 3.0 chassis architecture, power battery, engine and integrated electric powertrain system. The Group carried out strategic cooperation with the world's top automotive engineering technology leaders and top 15 design and styling masters to simultaneously develop 14 new car models on the basis of 3.0 chassis architecture. Hengchi 1 is expected to be introduced in 2020. Products under Hengchi Series will gradually commence volume production from 2021. Through strategic cooperation with the world's top 60 automotive equipment suppliers, the Group established high-end smart factory based on the Industry 4.0 Standard, which adopted the world's leading manufacturing equipment and production technologies, thus realizing "Dark Factory" under automated operation. The construction of production bases in Guangdong and Shanghai is expected to be completed in the second half of 2020.

In terms of automobile sales network, the Group invested in Guanghui Group, the world's largest automobile distributor. Together with on our sales teams of over 10,000 employees and the network of over 6 million owners covering more than 1,000 communities, the Group has established a large offline-sales network. Leveraging more than 14 million part-time salespersons on the vast online sales network on "Heng Fang Tong" Platform, the Group has further expanded its online sales network served by both full-time and part-time salespersons.

In terms of smart charging, we established a 50-50 joint venture, namely State Grid-Evergrande, with State Grid. The joint venture focused on smart charging service for car park spaces in communities. Currently, it is planned to construct smart charging facilities in 418 communities across China, with construction in 154 communities having been completed.

After 10 years of research and exploration, Evergrande Tourism Group is focusing to developing two flagship theme-park products that are the first of their kind in the world, namely Evergrande Fairyland and Evergrande Water World. Evergrande Fairyland is developed specifically for children aged 2–15 years. It is the only large-scale themepark that is completely indoor and offers entertainment facilities under all weather conditions throughout the year. Each Evergrande Fairyland can serve an area with a radius of 500 kilometers, with 80 million population in surrounding area. At present, the planning for 15 Fairyland projects had been completed, and is expected to gradually put into operations from 2022 onwards.

Evergrande Water World is designed to be the world's largest "all-indoor, all-weather, all-season" hot-spring water theme park and each component park offers over 120 most popular water park rides selected from existing over 170 water park features around the world. Evergrande Tourism Group expects to develop 20–30 Evergrande Water World projects in the next 3 years.

Ocean Flower Island, located in Hainan, has already completed its exterior facade construction work and is currently undergoing interior decoration and equipment installation. It is expected to open for operation in 2020. At present, there are 35 global restaurants and 255 international retail brands contracted. Ocean Flower Island is planned to have its grand opening in 2020.

Evergrande Health Group is focusing on developing its flagship health management product entitled Evergrande Elderly Care Valley, a first of its kind in China. Evergrande Elderly Care Valley integrates first-class resources in medical services, health management, wellness living, elderly care, insurance and tourism and intends to build a comprehensive membership platform. It provides whole-lifecycle, high-quality and multi-dimensional healthcare services to its members through its unique "four major gardens", "five major innovations" and "four major services". Currently there are 24 Evergrande Elderly Care Valley projects under development and over 70 more are being planned over the next three years. Boao Evergrande International Hospital is the first Evergrande international hospital and the only overseas affiliated hospital of Brigham and Women's Hospital (affiliated teaching hospital of Harvard Medical School), which has officially opened for operation.

The health industry and new energy vehicle industry are planned and operated by Evergrande Health Industry Group Limited (00708.HK), a subsidiary of the Group.

BUSINESS OUTLOOK

Looking forward, the Board believes that the global economy in 2020 will continue to be hindered by various factors such as trade protectionism, mounting debts and geopolitics. Moreover, the global economy are also facing challenges from the outbreak of the COVID-19 pandemic since the end of 2019, but at the same time new opportunities of industry consolidation and industrial upgrading may arise therefrom, even though some industries may be affected adversely.

Judging from past experience, the Board considers that the effect of the epidemic on the Chinese economy will be temporary. As the central government has introduced a series of fiscal and monetary policies to stabilize growth, the Chinese economy will sustain the general trend of growth amid stability with long-term promising outlook. As an emerging country with the largest middle-income population in the world, China's GDP per capita has exceeded USD$10,000. Under the new pattern of fully opening up, the new economy, new industries and consumption upgrading in China will create benefits both at home and abroad in a more extensive sense.

In respect of industry policy, it is expected that the central government will continue to adhere to its stance of "housing is for living, not for speculation", focus on stability, implement a long-term and effective management system for real estate, maintain the continuity and stability of policies on adjustments to the real estate market and ensure the sustained healthy development of the industry. The central government will prepare the new energy vehicle industry development plan for the period ending in 2035, optimize industry development environment, promote high-quality industry development and support leading companies to drive the synergetic development of upstream and downstream companies, raising the standard of industry chains. An internationally competitive new energy vehicle industrial cluster will be constructed and the construction of a powerful automotive country will be accelerated. Following the trends of quality improvement, transformation and upgrading of cultural and tourism consumption, the central government will introduce safeguarding policies on, among others, funds, land and infrastructure, so as to unlock the potentials of cultural and tourism consumption. It will also put the "Healthy China 2030" blueprint into practice, push forward the transformation and upgrading of health industry and expand the industry size to form a bunch of large-scale enterprises with strong innovation capacity and international competitiveness, developing the industry into the pillar industry in the national economy.

Based on the systematic analysis of the global economy and national industry policies, the Group will fully implement the development strategy of "growing sales, controlled scale and reduced leverage": the Group will leverage its abundant land reserves and its huge advantage of online channels to achieve rapid sales growth; it plans to steadily reduce overall land reserves with average reduction of 30 million sq.m. per year. The Group plans to significantly reduce its total debt and lower its net gearing ratio.

CORPORATE SOCIAL RESPONSIBILITY

While maintaining focus on its steady and rapid growth, the Group continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, education, environmental protection, sports and others, in order to make contributions to fulfilling corporate social responsibility and promoting harmony and progression of the society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people and provided high quality and affordable homes to the public. Meanwhile, the Group continued to implement "return with no reason required" to protect home-buyers' interests. The Group had established solid strategic cooperation with over 7,000 domestic and overseas upstream and downstream companies, fostered the long-term strategic cooperation with leading companies, integrated strong industry chains and supported the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its poverty alleviation plan for 畢節市 (Bijie City) since December 2015 under the support and encouragement of the National Committee of CPPCC. It made a charitable donation of RMB11 billion and assigned a poverty alleviation team of 2,108 persons to station in Wumeng mountainous areas, in order to take hold of the key link of targeted poverty alleviation, namely industrial poverty alleviation, relocating poverty alleviation, and vocational poverty alleviation, planning to ensure that more than 1.03 million people in poverty in the city will be lifted out of poverty by 2020. Up to now, the Group has donated RMB7 billion to the poverty alleviation fund, helping 905,000 people achieve poverty alleviation at the first stage. Among which, Qianxi County, Dafang County, Qixingguan District and Zhijin County have officially come off

the list of poverty- stricken areas. In addition, the Group also donated RMB750 million to the "2019 Guangdong Poverty Alleviation Day" to help the construction of beautiful villages in Lianping County and Heping County, Heyuan City, Guangdong. At the same time, the Group participated in poverty alleviation works in Eastern and Western China, offering help in Xunwu County, Jiangxi and Zhaotong City, Yunnan.

Regarding education and public health, the Group donated RMB300 million to 清華大學教育發展基金會 (Tsinghua University Education Foundation); RMB198 million to 中國科學院 (Chinese Academy of Sciences); RMB100 million to 廣東省中山大學教育發展基金會 (Sun Yat-Sen University Education Development Foundation (Guangdong)); RMB200 million to 陝西省慈善協會 (Shaanxi Charity Association); RMB20 million to 北京協和醫學院教育基金會 (the Education Foundation of Peking Union Medical College); and RMB380 million to Taikang County, Zhoukou City, Henan. Furthermore, the Group has also continued to deepen its cooperation with top institutions around the world such as Harvard University and Tsinghua University to encourage the research, application and promotion of green architecture.

As far as promoting employment is concerned, the Group recruited talents from major universities and the whole society, and provided a good employment and development platform for various types of professionals, solving employment involving more than 2.6 million personnel annually.

As for sports, the Group continued to make contributions to China's sports development. Guangzhou Evergrande Taobao Football Club won the Champion in the 2019 Chinese Super League, setting the record of the first team with eighth trophies in the history of the Chinese Super League. Evergrande Football School won 15 champions in various competitions in 2019 and 63 students were selected into the national team at various levels for 119 times. The Group also successfully organized the Evergrande 2019 World Snooker China Championship, which is an A-grade international snooker championship.

After the outbreak of the COVID-19, the Group proactively assumed its social responsibility to combat the epidemic. The Group donated RMB200 million in cash and 5,000 tonnes of fresh vegetables to Wuhan right away, helping millions of citizens in Wuhan to overcome the difficult times. We also donated RMB100 million to the Chinese Academy of Medical Sciences, and established the Research Fund for Innovative Anti-Virus Drug. Evergrande, as the program coordinator, jointly established the Task Force for Scientific Research on COVID-19 with Harvard University and the research team led by Zhong Nanshan. RMB800 million will be provided to support scientific research in the coming 5 years. In addition, the Group donated RMB100 million to Red Cross Society of China, and established the International Anti-Epidemic Aid Fund to support the launch of international anti-epidemic aid works by the state.

AWARDS

In 2019, the Group won 92 various honourary awards, including 37 international and national awards. They mainly include: included on the list of the Fortune Global 500 for the fourth consecutive year, ranking 138th among the Global 500 and 16th among the China Top 500; ranked 81st in the Brand Finance Global 500 and secured a place in the top 20 Chinese brands; ranked first among the Top 500 China Real Estate Developers and the Top 100 China Real Estate Developers for the third consecutive year. It also won first place among the Top 10 Companies with Comprehensive Strength and Top 10 Responsible Real Estate Companies.

With respect to social responsibility, the Group won first place in the Model Company on Poverty Alleviation of 2019, and was awarded the title of Model Company of Targeted Poverty Alleviation Contribution of 2019 and the Best Targeted Poverty Alleviation Award of 2019, etc. Mr. Hui Ka Yan, the chairman of the Board, was honoured as one of the Best 30 people in 30 Years of the China Foundation for Poverty Alleviation and was commented as China's First Philanthropist for the fourth time by Forbes.

The above awards fully demonstrated the trust and recognition from the government and all sectors of the society for the operation and development of the Group, and they will serve as driving force for the Group's continued ascension to the peak. The Group will continue to give play to its advantages in scale, brand and team, and be determined to surpass and never stop progressing in the future.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.653 per Share for the year ended 31 December 2019. The payment of the final dividend is subject to approval by the shareholders at the forthcoming annual general meeting of the Company. Further details about the final dividend payment, including the record date, expected payment date of the final dividend and exchange rate, will be set out in the circular of the Company to be despatched to the shareholders.

ACKNOWLEDGEMENT

The steady development of the Group has been blessed with the trust and support of its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I hereby express my heartfelt gratitude towards them.

By Order of the Board
China Evergrande Group
Hui Ka Yan
Chairman

Hong Kong, 31 March 2020

CULTURAL TOURISM INDUSTRY

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the Year, the revenue was RMB477.56 billion (2018: RMB466.20 billion), representing a year-on-year growth of 2.4%. Gross profit was RMB132.94 billion (2018: RMB168.95 billion).

Core business profit for the Year was RMB40.82 billion, which is based on the net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, donations and certain non-property development business losses. Core business profit margin for the Year was 8.5%.

REVENUE

Revenue of the Group was RMB477.56 billion for the Year, representing an increase of 2.4% as compared with 2018. Revenue generated from the property development segment increased by 2.6% to RMB464.57 billion. The increase was mainly due to the 7.2% increase in delivered area for the Year as compared to 2018, while the average selling price of delivered properties decreased by 4.3% as compared to 2018. Revenue generated from property management amounted to RMB4.38 billion, an increase of 7.6% from 2018, which was mainly due to the increase in area under the Group's management service for the Year. Revenue generated from investment properties amounted to RMB1.36 billion, up by 15.3%, which was mainly from the increased rental income attributable to a larger rental area of the investment properties.

GROSS PROFIT

Gross profit of the Group was RMB132.94 billion for the Year. Decrease in gross profit for the Year was mainly attributable to the delivery and settlement of revenue of the lower-priced clearance stock properties in 2019. Therefore, profit decreased despite the increase in revenue. Gross profit rate was 27.8% for the Year, which was mainly due to the lower selling prices of clearance stock properties and the slight increases in construction and installation costs per square meter for delivered properties, land costs and interest capitalised.

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

Fair value gain on investment properties of the Group for the Year was RMB1.52 billion, which is approximately the same as compared with 2018. Investment properties of the Group mainly include commercial podiums in living communities, office buildings with gross floor area of about 8.95 million square meters and approximately 363,000 car parking spaces.

OTHER INCOME

Other income of the Group for the Year was RMB7.0 billion, which was mainly attributable to the interest income, forfeited customer deposits and management and consulting service income from joint ventures.

OTHER GAINS, NET

Other net gains were RMB1.73 billion for the Year. It mainly represents gains from the disposal of subsidiaries and exchange gains. Other net gains for the last year amounted to RMB2.65 billion, which was mainly attributable to the gains from the disposal of subsidiaries.

SELLING AND MARKETING COSTS

During the Year, selling and marketing costs of the Group increased from RMB18.09 billion in 2018 to RMB23.29 billion, up by 28.8%. The 3.9% ratio of selling and marketing expenses to contracted sales was mainly because the Group, in response to the market environment, increased the sales commissions, investment in advertisements and marketing campaigns to promote sales.

ADMINISTRATIVE EXPENSES

During the Year, administrative expenses of the Group increased to RMB19.81 billion from RMB14.81 billion in 2018, which was mainly attributable to the continuous expansion of the Group's nation-wide business and increases in staff remuneration as well as administrative and office expenses for the Year.

FINANCIAL REVIEW

Borrowings

As at 31 December 2019, the borrowings of the Group amounted to RMB799.90 billion, with the following maturities:

	31 December 2019 (RMB billion)	**As percentage of total borrowings**	31 December 2018 (RMB billion)	As percentage of total borrowings
Less than 1 year	**372.1**	**46.5%**	318.3	47.3%
1–2 years	**206.5**	**25.8%**	181.5	27.0%
2–5 years	**183.5**	**23.0%**	128.0	19.0%
More than 5 years	**37.8**	**4.7%**	45.3	6.7%
	799.9	**100.0%**	673.1	100.0%

A portion of the borrowings were secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. As at 31 December 2019, the average effective interest rate of borrowings was 8.99% per annum (2018: 8.13%).

Foreign Exchange Exposure

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. However, there are 24.6% of borrowings denominated in US dollar and HK dollar.

We estimate the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. We incurred exchange losses during the Year due to depreciation in the RMB. However, there is still uncertainty on the actual exchange losses or gains relating to borrowings in foreign currencies, when they were repaid on due dates.

The Group will closely monitor its exchange risk exposure and will adjust its debt profile when necessary based on market changes. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

Liquidity

As at 31 December 2019, the total balance of cash and cash equivalents and restricted cash of the Group was RMB228.77 billion. The abundant working capital ensured normal operation of the Group, while providing adequate support for the Group as it explores best business opportunities.

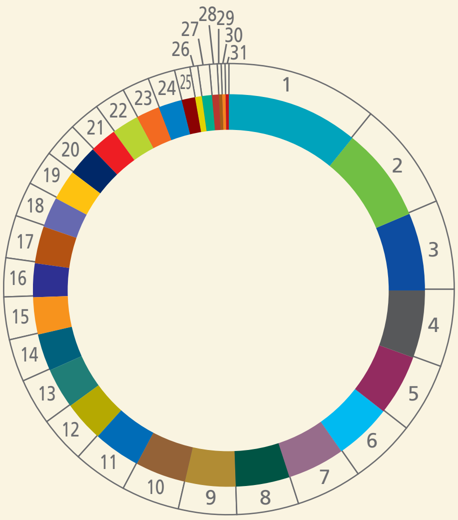
CONTRACTED SALES

In 2019, the Group's accumulated contracted sales increased by 9.0% year on year to RMB601.06 billion; contracted sales GFA reached 58.463 million square meters, representing a year- on-year increase of 11.5%; contracted ASP amounted to RMB10,281 per square meter. During the Year, the Group launched 178 new projects for sale, and the number of projects for sale which were at different stages ranging from being completed to under construction reached 1,012 in aggregate, covering 31 provinces, regions and cities in China.

The following table sets out the geographical distribution of contracted sales amount of the Group in 2019.

No.	Province	Sales amount (RMB million)	Percentage of sales amount
1	Guangdong Province	65,863	10.96%
2	Jiangsu Province	47,192	7.85%
3	Sichuan Province	37,374	6.22%
4	Zhejiang Province	33,556	5.58%
5	Henan Province	30,612	5.09%
6	Shandong Province	29,100	4.84%
7	Chongqing	28,166	4.69%
8	Hubei Province	25,963	4.32%
9	Liaoning Province	25,562	4.25%
10	Hunan Province	25,331	4.21%
11	Anhui Province	22,397	3.73%
12	Jiangxi Province	20,617	3.43%
13	Shanxi Province	20,498	3.41%
14	Shaanxi Province	18,488	3.08%
15	Guangxi Zhuang Autonomous Region	17,670	2.94%
16	Hebei Province	17,374	2.89%
17	Inner Mongolia Autonomous Region	17,157	2.85%
18	Jilin Province	15,730	2.62%
19	Fujian Province	14,695	2.44%
20	Yunnan Province	14,565	2.42%
21	Heilongjiang Province	13,476	2.24%
22	Guizhou Province	13,439	2.24%
23	Hainan Province	12,554	2.09%
24	Shanghai	11,174	1.86%
25	Gansu Province	6,933	1.15%
26	Xinjiang Uygur Autonomous Region	3,880	0.65%
27	Tianjin	3,661	0.61%
28	Beijing	3,261	0.54%
29	Ningxia Hui Autonomous Region	2,935	0.49%
30	Hong Kong Special Administrative Region	1,786	0.30%
31	Qinghai Province	55	0.01%
Total		601,064	100.00%

In 2020, the total saleable area of the Group is estimated to be approximately 132 million square meters and the annual contract sales target is RMB650 billion. From January to March 2020, unaudited contracted sales of RMB147.37 billion in total was realized.



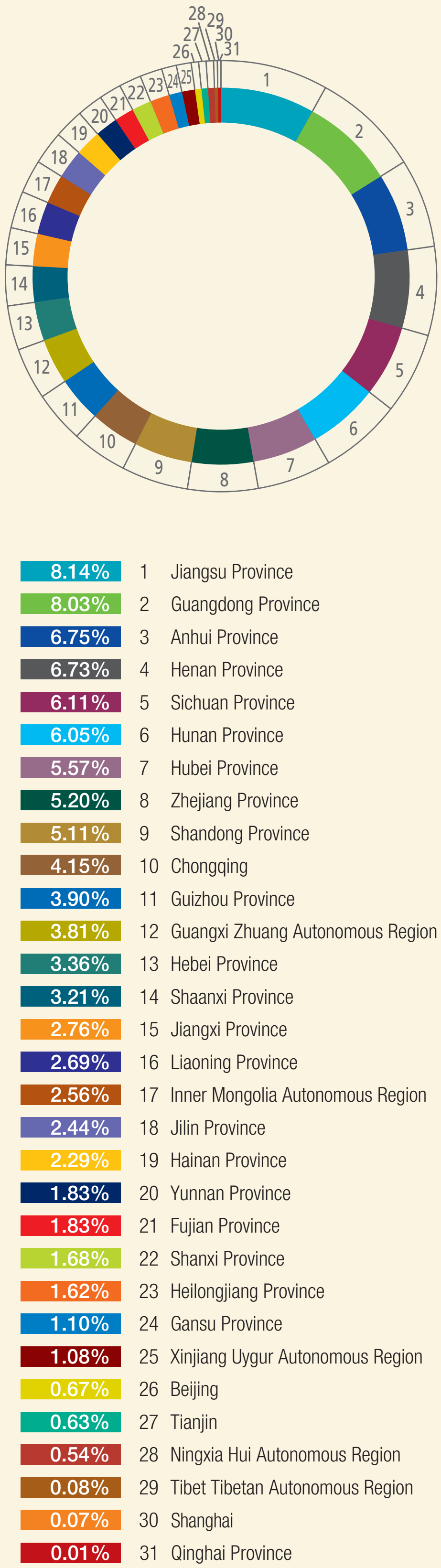
10.96%	1	Guangdong Province
7.85%	2	Jiangsu Province
6.22%	3	Sichuan Province
5.58%	4	Zhejiang Province
5.09%	5	Henan Province
4.84%	6	Shandong Province
4.69%	7	Chongqing
4.32%	8	Hubei Province
4.25%	9	Liaoning Province
4.21%	10	Hunan Province
3.73%	11	Anhui Province
3.43%	12	Jiangxi Province
3.41%	13	Shanxi Province
3.08%	14	Shaanxi Province
2.94%	15	Guangxi Zhuang Autonomous Region
2.89%	16	Hebei Province
2.85%	17	Inner Mongolia Autonomous Region
2.62%	18	Jilin Province
2.44%	19	Fujian Province
2.42%	20	Yunnan Province
2.24%	21	Heilongjiang Province
2.24%	22	Guizhou Province
2.09%	23	Hainan Province
1.86%	24	Shanghai
1.15%	25	Gansu Province
0.65%	26	Xinjiang Uygur Autonomous Region
0.61%	27	Tianjin
0.54%	28	Beijing
0.49%	29	Ningxia Hui Autonomous Region
0.30%	30	Hong Kong Special Administrative Region
0.01%	31	Qinghai Province

PROPERTY DEVELOPMENT

In 2019, the Group had a total of 783 projects completed or partially completed, located in 31 provinces, regions and cities of China, with a total completed GFA of 77.01 million square meters. As at 31 December 2019, the Group had a total of 752 projects under construction, with a total area of 123 million square meters.

The following table sets out the distribution of completed areas of the Group in 2019.

No.	Province	Completed area in 2019 ('000 m^2)	Percentage
1	Jiangsu Province	6,271	8.14%
2	Guangdong Province	6,186	8.03%
3	Anhui Province	5,198	6.75%
4	Henan Province	5,186	6.73%
5	Sichuan Province	4,703	6.11%
6	Hunan Province	4,662	6.05%
7	Hubei Province	4,289	5.57%
8	Zhejiang Province	4,003	5.20%
9	Shandong Province	3,939	5.11%
10	Chongqing	3,198	4.15%
11	Guizhou Province	3,006	3.90%
12	Guangxi Zhuang Autonomous Region	2,931	3.81%
13	Hebei Province	2,584	3.36%
14	Shaanxi Province	2,470	3.21%
15	Jiangxi Province	2,129	2.76%
16	Liaoning Province	2,072	2.69%
17	Inner Mongolia Autonomous Region	1,972	2.56%
18	Jilin Province	1,877	2.44%
19	Hainan Province	1,764	2.29%
20	Yunnan Province	1,413	1.83%
21	Fujian Province	1,411	1.83%
22	Shanxi Province	1,291	1.68%
23	Heilongjiang Province	1,246	1.62%
24	Gansu Province	846	1.10%
25	Xinjiang Uygur Autonomous Region	834	1.08%
26	Beijing	514	0.67%
27	Tianjin	482	0.63%
28	Ningxia Hui Autonomous Region	417	0.54%
29	Tibet Tibetan Autonomous Region	60	0.08%
30	Shanghai	52	0.07%
31	Qinghai Province	5	0.01%
Total		77,011	100.00%



In 2019, the Group achieved total delivery of 901 projects, with a delivery amount of RMB464.57 billion, up 2.6% year-on-year.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 133,123 employees, of whom approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high-quality personnel. During the Year, the Group recruited 1,568 fresh graduates through open recruitment, including 254 fresh graduates from top 15 colleges and universities such as Peking University and Tsinghua University. There were 49,695 experts recruited who reported duty.

The Group organized various culture-building activities from multiple dimensions so as to establish good channels for training and enhancement, cross-field development and remodeling for its employees. In order to improve the comprehensive quality of employees and strengthen talents pool, the Group continued to organize the postgraduate course for Master of Project Management with Tsinghua University in 2019. The Group organized approximately 130,982 training sessions and professional seminars for staff at headquarters, regional companies and industry groups throughout the Year and trained approximately 2,204,260 staff in aggregate. The total training hours amounted to approximately 223,298 hours with approximately 1.7 hours per session.

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. For the year ended 31 December 2019, total staff costs (including directors' emoluments) of the Group were approximately RMB27.24 billion (for the year ended 31 December 2018: approximately RMB24.22 billion).

DIRECTORS AND ADMINISTRATIVE STRUCTURE

HUI KA YAN (許家印)

aged 61, Chairman of the Board of the Group, Chairman of the real estate group. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 37 years of experience in real estate investment, property development and corporate management. Professor Hui is a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of the standing committee of the 12th and 13th National Committee, vice-chairmen of B20 China Business Council, vice president of APEC China Business Council and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He won "Top 100 Private Entrepreneurs in the 40th Anniversary of China's Reform and Opening-up", "China National Award for Fighting against Poverty", "China National Model Worker", "Excellent Builder for the Socialist Cause with Chinese Characteristics", and other national honors. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

XIA HAIJUN (夏海鈞)

aged 56, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 32 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including financial and capital operation and management of the Group, comprehensive monitoring and legal affairs management, information construction of the Group and overseas affairs and public affairs management, etc. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001, and is a senior economist in China.

HE MIAOLING (何妙玲)

aged 54, executive Director and vice president of the Group. Ms. He is responsible for the Group's marketing management and legal supervision for all industry businesses. She has more than 22 years of experience in marketing strategies and brand promotion in the property projects. Ms. He joined the Group in August 1997, and has a bachelor's degree in applied mathematics and a master's degree in engineering management. Currently, Ms. He is Non-executive Director of E-House (China) Enterprise Holdings Limited.

SHI JUNPING (史俊平)

aged 36, our executive Director and the chairman of Evergrande Bao Group (恒大寶集團). Mr. Shi takes full charge of the management of the Evergrande Bao Group. He has over 13 years of experience in marketing and management for property development and brand image strategic operations for multiple industries, including real estate and finance. Mr. Shi joined the Group in 2006, and has a bachelor of arts degree and a bachelor of laws degree, and a master's degree in engineering management.

PAN DARONG (潘大榮)

aged 47, our executive Director and chief financial officer. Mr. Pan takes full charge of financial management of the Group. Mr. Pan has over 25 years of experience in auditing, accounting and finance. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學). He is an economist as approved in China.

HUANG XIANGUI (黃賢貴)

aged 49, our executive Director and general manager of the Hong Kong company. Mr. Huang joined us in 2004. He graduated from Harbin Engineering University and University of Stirling, and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively. Mr. Huang is currently responsible for the international capital operation and investment management of the Group, and has over 23 years of experience in marketing, human resource management, foreign capital and funds operation and management. Mr. Huang is also currently an executive director of HengTen Networks Group Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chau Shing Yim, David (周承炎), aged 56, has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member as well as director of the Hong Kong Securities Institute and the Chairman of Corporate Outreach Committee. Mr. Chau is also a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. Mr. Chau is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is currently an independent non-executive director of BC Technology Group Limited (Stock Code: 863), Evergrande Health Industry Group Limited (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Lee & Man Paper Manufacturing Limited (Stock Code: 2314) and Man Wah Holdings Limited (Stock Code: 1999). All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (Stock Code: 313) from February 2014 to September 2018 and Asia Grocery Distribution Limited (Stock Code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Stock Exchange of Hong Kong.

He Qi (何琦), aged 64, is our independent non-executive director. Mr. He was elected an independent non-executive director on October 14, 2009. Mr. He is the secretary of Circulation and Leasing Committee of China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji'an City of Jiangxi Province from 1999 to 2001. Mr. He is an independent non-executive director of China Merchants Land Limited and Orient Victory Travel Group Company Limited. Both companies are listed on the Stock Exchange of Hong Kong.

Xie Hongxi (謝紅希), aged 61, is our independent non-executive director. Ms. Xie is currently the deputy director, senior engineer and master degree instructor at the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked at the Guangzhou Non-ferrous Metal Research Institute, chaired or participated in a number of major research projects, and was previously awarded the National Science and Technology Progress Award and the Science and Technology Achievement Award. Since 2002, she has been teaching at the South China University of Technology, engaging in operations management, teaching experimental studies at the undergraduate level and conducting research in the direction of metal surface technology. She has won provincial level awards, the university teaching achievement award and the outstanding teaching award.

SENIOR MANAGEMENT OF THE GROUP

Jiang Dalong (蔣大龍), aged 54, chairman of Evergrande national energy new energy automobile investment group(恒大国能新能源汽车集团). Mr. Jiang is responsible for the strategic decisions of the group. He has over 27 years of management experience. He holds a bachelor's degree in social science from Malardalens University.

Li Guodong (李國東), aged 57, our vice president. He is responsible for capital planning and financial auditing management of the Group. He has over 20 years of experience in financial operation and management, and holds a degree in auditing.

Tan Zhaohui (談朝暉), aged 52, our vice president. She is responsible for management of capital operations of the Group. She has more than 30 years of experience in project development and operations management. She holds a bachelor's degree in civil engineering.

Chen Min (陳敏), aged 46, our vice president. She is responsible for our investor relations, overseas affairs, and daily management of overseas capital operations. She has over 24 years of experience in the investment banking industry and capital operations. She holds a master's degree in business administration from Harvard Business School.

Jiang Liming (姜麗明), aged 57, our vice president. She is currently in charge of treasury of the Group. Ms. Jiang has over 33 years of experience in the management of financial regulatory authorities and banking systems.

Shi Shouming (時守明), aged 45, is our vice president and chairman of our health industry group. Mr. Shi is responsible for the daily management of our health industry group and has more than 22 years of experience in real estate, project development and operations management. Mr. Shi holds a Bachelor's degree in management and is a Certified Public Accountant. He is also currently an executive director of Evergrande Health Industry Group Limited.

Zhu Jialin (朱加麟), aged 55, is our vice president. He is responsible for the investment, financing management of the Group, docking with operations with Evergrande Life Insurance, Shengjing Bank and others. He has more than 30 years of experience in finance, investment and financing management and corporate management, and holds a master's degree in finance.

SENIOR MANAGEMENT OF INDUSTRY GROUPS

Zhen Litao (甄立濤), aged 51, is president of our real estate group. Mr. Zhen is responsible for the daily management of the group. He has over 28 years of experience in development, operation and management of real estate projects. He joined the Group in 2009. Mr. Zhen holds a master's degree in business management and is a registered PRC constructor and senior engineer.

Peng Jianjun (彭建軍), aged 49, president of Evergrande national energy new energy automobile investment group (恒大國能新能源汽車集團)—National Electric Vehicle Sweden AB (NEVS). He is responsible for Evergrande national energy new energy automobile investment group (恒大國能新能源汽車集團) overseas company and global research & development management. Mr. Peng has more than 27 years of experience in business management and holds a doctor's degree in business administration from Jinan University. He is also currently an executive director of Evergrande Health Industry Group Limited.

Siu Shawn (肖恩), aged 49, is president of Evergrande national energy new energy automobile investment group (恒大國能新能源汽車集團) and chairman of powertrain technology group. Mr. Siu is responsible for the overall business management of the group. He joined us in November 2013, and has more than 19 years of business management project operation experience. He received a master's degree in economic law from Southwest University of Political Science and Law.

Duan Shengli (段勝利), aged 37, chairman of our tourism group. Mr. Duan is responsible for the overall business management of the group. He has over 14 years of business management and project management experience. He holds a bachelor's degree in English from Tsinghua University.

Liu Yongzhuo (劉永灼), aged 39, chairman of new energy technology group. He is responsible for the daily management of our new energy technology businesses. He has over 17 years of experience in human resources management, investment and operation of real estate projects, and operation and management of multi-industry companies. He holds a master's degree in engineering management. He is also currently an executive director of HengTen Networks Group Limited.

INVESTOR RELATIONS REPORT FOR 2019

Attaching great importance to the capital market consistently, the Group continues to strengthen information disclosure management and establish transparent, smooth and two-way interactive investor relations with its comprehensive and multi-channel communication system.

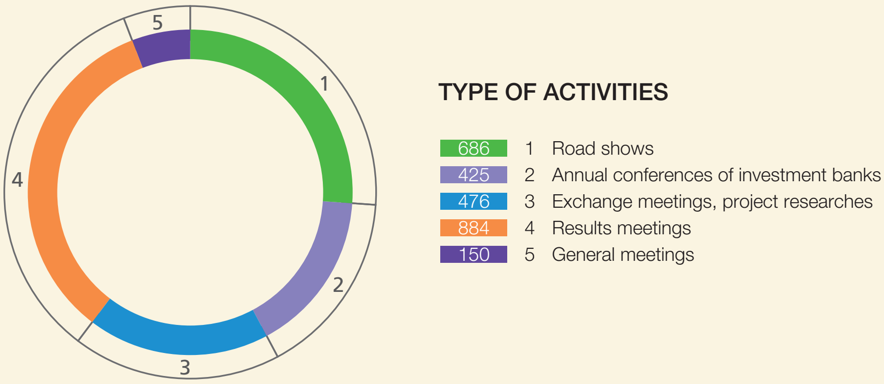
In 2019, through different means and channels such as regular publication of results announcements, timely information disclosure in compliance with relevant regulations, launching global roadshows, participation in annual conferences of investment banks, hosting site visits and meetings for investors, and releasing news through emails and on the website, the Group maintained a close connection with the capital market, deepening the understanding of the shareholders and investors towards the development strategies, business performance and operations of the Company.

In 2019, the Group managed its daily compliance work in strict accordance with the Hong Kong Listing Rules and relevant regulations and issued in aggregate 57 announcements of all sorts. The Group has met over 2,600 investors of all sorts from more than 1,000 institutions worldwide in aggregate during the year. Of which, the management organized 2 large-scale results press conferences for communication and exchange with 884 investors on the conferences, at which the interim and annual results of the Company were also reported; 2 results road shows (non-deal) for in-depth communication with 686 investors, and 1 annual general meeting for reporting our business performance to more than 150 shareholders. The management attended 17 annual conferences for investors held by investment banks, and met around 425 investors. The management communicated and interacted with a total of 476 investors through reverse roadshows, project research, talks and exchanges and other forms.

The Group also delivers to its investors its latest information regarding development strategies, development progress, sales results and market outlook through various kinds of communication channels, such as website and emails. Currently, the Group has more than 2,000 investment institutions and 3,000 investors as its regular receivers of the materials.

Through broadly listening to the views and suggestions of the capital market, the Group has continuously optimized and improved the level of corporate governance and management structure, and our relationship with investors has reached a new stage of continuous sound development.

NUMBER OF PARTICIPANTS MET IN 2019



HEALTH CARE INDUSTRY

2019 MAJOR AWARDS AND PRIZES

1. Top 100 Chinese Real Estate Firms for 2019 - Top 10 Comprehensive Strength
2. Top 10 of the China Real Estate Developers for 2019
3. Top 10 Enterprise Responsible Real Estate of the China Real Estate Developers for 2019
4. Top 10 Comprehensive Development of the China Real Estate Developers for 2019
5. Top 10 Comprehensive Strength of the China Real Estate Developers for 2019
6. Guangdong-Hong Kong-Macau Greater Bay Area Comprehensive Operation Model Enterprise for 2019
7. Top 10 Corporate Governance of Chinese Listed Real Estate Companies for 2019
8. Top 10 Comprehensive Strength of Chinese Real Estate Companies Listed in Hong Kong for 2019
9. Top 10 Investment Value of Chinese Real Estate Companies Listed in Hong Kong for 2019
10. Guangdong Province Glorious Contribution Award

11. Top 50 Cases of Targeted Poverty Alleviation by Chinese Enterprises (2018)

12. Best 30 people in 30 Years of the China Foundation for Poverty Alleviation

13. People's Daily and International Finance News Best Awards for Poverty Alleviation for 2019

14. Chinese National Brand

15. Chinese Real Estate Annual Poverty Alleviation Model Enterprise for 2018-2019

16. Exemplary Enterprise of Contribution to Targeted Poverty Alleviation for 2019

17. Gold Cup of Hongmian Cup for Poverty Alleviation in Guangdong for 2018

18. The third place of Top 100 of Guangdong Province Private Enterprises for 2019

19. “Promote China" Influence Brand Poverty Alleviation Contribution Award

20. Outstanding Contribution Award for 2018 of China Foundation for Poverty Alleviation

2019 MILESTONES

January

Evergrande formed a joint venture with Koenigsegg, a world-class luxury automobile manufacturer, and obtained strong manufacturing capability of super luxury automobiles. Swedish Prime Minister Stefan Löfven met with Hui Ka Yan, the chairman of the Board of Evergrande, at the Prime Minister's Office.

March

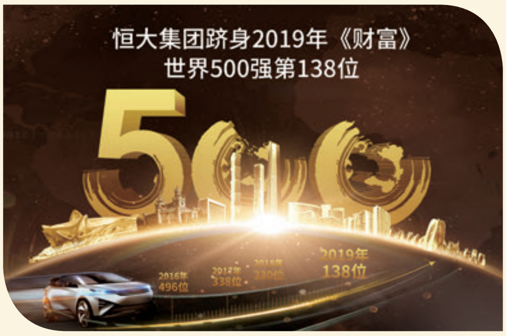
Evergrande published its annual results for 2018.

April

Dafang County, Guizhou officially came off the list of poverty- stricken areas.

June

Evergrande and the Guangzhou Municipal People's Government signed a strategic cooperation framework agreement.



July

Evergrande was ranked 138th in the List of Fortune Global 500 .

Evergrande established a joint venture with hofer AG, an international leader in automative power engineering, and obtained world-leading power assembly technology.

State Grid-Evergrande Smart Energy Service Company (國網恒大智慧能源服務公司) was unveiled to solve charging problems and contribute to the national energy strategy.

2019 MILESTONES

September

The new energy vehicle group of Evergrande, and BENTELER Group and FEV Group in Germany held a handover ceremony of the intellectual property rights for the 3.0 chassis architecture of new energy vehicles, and officially obtained the intellectual property rights for world-class 3.0 chassis architecture.

October

Hui Ka Yan, the chairman of the Board of Evergrande, boarded the Tiananmen Gate to participate in the celebration of the 70th anniversary of the founding of the People's Republic of China, to watch the grand military parade and mass parade.

October

Evergrande's Ocean Flower Island debuted.

November

Evergrande New Energy Auto Global Strategic Partners Summit was held in Guangzhou.

December

Guangzhou Evergrande Taobao Football Team won the Champion in the Chinese Super League, setting the record of the first team with eighth trophies.

NEW ENERGY VEHICLE INDUSTRY

CORPORATE GOVERNANCE REPORT

The Company recognises the value and importance of achieving high corporate governance standards consistently to the enhancement on corporate performance and accountability. The board (the "Board") of directors (the "Director(s)") of the Company is committed to abide by principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, risk management, fair disclosure and accountability to the shareholders of the Company, except for the following deviation from the Corporate Governance Code.

According to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. Professor Hui Ka Yan, the chairman of the Board, did not attend the annual general meeting held on 6 June 2019 due to his other business commitment. Mr. Huang Xiangui, an Executive Director, acted as the Chairman of the annual general meeting.

Save for the above deviation, the Directors are of the view that the Company has been conducting its business according to the principles of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2019.

For the year ended 31 December 2019, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and considers them effective and adequate.

BOARD OF DIRECTORS

Composition of the Board

During the year ended 31 December 2019 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

Professor Hui Ka Yan *(Chairman)*
Dr. Xia Haijun *(Vice Chairman and Chief Executive Officer)*
Ms. He Miaoling *(Executive Director)*
Mr. Shi Junping *(Executive Director)*
Mr. Pan Darong *(Executive Director and Chief Financial Officer)*
Mr. Huang Xiangui *(Executive Director)*
Mr. Chau Shing Yim, David *(Independent Non-executive Director)*
Mr. He Qi *(Independent Non-executive Director)*
Ms. Xie Hongxi *(Independent Non-executive Director)*

Biographical details of the current members of the Board are set out on page 24 to page 26 of this annual report. Save for being members of the Board, each of the Directors is independent and not related to one another.

During the year ended 31 December 2019, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company (the "Articles"). In accordance with the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer ("CEO") of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision A.2.1 during the period under review with Professor Hui Ka Yan being the chairman and Dr. Xia Haijun being the CEO of the Company, respectively.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2019, the Directors reviewed the overall effectiveness of the internal control and risk management systems of the Group. An internal audit department has been established to perform regular financial and operational reviews and conduct audit and risk management assessment on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls and risk management systems are in place and function properly as planned.

The external auditors will report to the Company on the weakness in the Group's internal control and accounting procedures which have come to their attention during the course of their audit work.

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications.

Eight Board meetings were convened by the Company during the year ended 31 December 2019. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2019 is set out below:

Director	Number of meetings attended/ Number of meetings held Annual General Meeting	Extraordinary General Meeting	Board Meeting
Professor Hui Ka Yan	0/1	0/1	4/8
Dr. Xia Haijun	0/1	0/1	4/8
Ms. He Miaoling	0/1	0/1	8/8
Mr. Shi Junping	0/1	0/1	8/8
Mr. Pan Darong	1/1	1/1	8/8
Mr. Huang Xiangui	1/1	1/1	8/8
Mr. Chau Shing Yim, David	1/1	1/1	8/8
Mr. He Qi	1/1	1/1	8/8
Ms. Xie Hongxi	1/1	1/1	8/8

Committees of the Board

The Company has set up the audit committee, remuneration committee and nomination committee in respect of the Board.

Directors' Training

During the year under review, all of the Directors of the Company have attended continuous professional development training sessions in compliance with Code Provision A.6.5 of the Corporate Governance Code.

The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

The audit committee comprised three members, namely Mr. Chau Shing Yim, David, chairman of the committee, Mr. He Qi and Ms. Xie Hongxi, who were all independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in the code provision C.3.3 of the Corporate Governance Code. The audit committee is principally responsible for the following duties, *inter alia*:

- to provide recommendations on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;
- to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;
- to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;

- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;
- to review the financial control, internal control and risk management systems of the Company;
- to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;
- to review the financial and accounting policies and practices of the Group; and
- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

Two meetings of the audit committee were held on 20 March 2019 and 26 August 2019, respectively, to review the Group's 2018 annual results and 2019 interim results and all the committee members attended those two meetings. The audit committee has recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2020 at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2019, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB38 million. For the year ended 31 December 2019, the emolument of the external auditor of the company for non-audit services amounted to RMB6 million.

Pursuant to the Articles, the tenure of the auditor of the Company will expire upon the conclusion of the 2019 annual general meeting. The audit committee recommended the Board to propose the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2019 annual general meeting.

REMUNERATION COMMITTEE

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non-executive Directors. For the year ended 31 December 2019, the members of the remuneration committee included Professor Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;
- to determine the specific remuneration packages of all executive Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;
- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

One meeting was convened by the remuneration committee for the year ended 31 December 2019 to review the remuneration of the directors.

RISK MANAGEMENT AND INTERNAL CONTROL

Duties of the Board and the Management

The Board is responsible for the risk management and internal controls system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving the strategic objectives, and monitoring the establishment and maintenances of appropriate and effective risk management and internal controls system. The management is responsible for designing and maintaining an effective risk management and internal control system as well as providing confirmations to the Board on the effectiveness of the system.

Sound risk management and internal controls systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misstatements or losses.

Risk Management

1. *Establishment of a risk management system and structure*

   Based on the measures in the previous year, China Evergrande Group continued to improve the risk management system structure at the group level to guide the risk assessment activities of various segments and ongoing risk monitoring activities through the following measures:

   - **Established a risk management organizational structure** — An organizational structure with the Audit Committee of China Evergrande Group as the decision-maker, the leading officers groups and management of various business segments of the Company as the execution unit, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

Major roles and responsibilities under the risk management system are set out below:

Role	Major Responsibility
The Board (the decision-making party)	• Evaluates and determines the nature and acceptable extent of risks so as to ensure that the strategic objectives can be achieved; • Ensures the establishment and maintenance of effective risk management and internal control system; • Supervises the management in designing, implementing and supervising the risk management and internal control system;
The Audit Committee (the decision-making party)	• Reviews the structure of risk management and monitors its effectiveness on a continuous basis, and reviews the fundamental risk management system; • Supervises the management in designing, implementing and supervising the risk management and internal control system; • Monitors the frequency of the occurrence of material control default or discovery of material control weakness, and the extent to which they have resulted in unforeseen and emergent outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition;
Senior management of the Group (the leader)	• Facilitates the establishment of risk management system, and reviews the policy and mechanism in relation to the risk management on regular basis; • Designs, implements and supervises the risk management of the Group, reports matters in relation to risk management to the Audit Committee on a regular basis, and reports and discloses significant risk information to the Audit Committee; • Confirms to the Audit Committee on whether the risk management system is effective or not;
Management of the Group's headquarters and the management of the segments under the Group (the execution party)	• Updates the risk exposure list of operations on a regular basis, and conducts relevant works such as risk identification and evaluation; • Formulates and implements risk response plan for operations; • Responsible for the execution and implementation of specific risk management measures; • Monitors and controls various risk exposures in operations, and timely reports risk information to the coordinator and management of risk management matters; • Conducts other works in relation to risk management;
Coordinator of risk management matters	• Organizes the commencement of risk identification and evaluation works; • Organizes the preparation of regular risk evaluation reports and submits the results to the management of risk management matters; • Organizes and coordinates risk management training and guidance;
Internal audit function	• Acts as risk management supervisory institution, responsible for supervising and evaluating the risk management works conducted by the Group and its business segments.

- **Updated risk assessment criteria** — During the Year, based on the changes in the internal and external environment, the Group updated the risk assessment criteria applicable to each business segment according to the nature, business characteristics and strategic objectives of the Group and various activities of the business segments and the risk appetite of the management. The risks that are most likely to affect the achievement of the objectives have also been assessed using commonly recognized assessment methods and assessment criteria.

- **Formulation and standardization of work flow for risk management work** — The Group has established risk management procedures (for details, please refer to Figure 1: Risk Management Procedures set out below), with major steps including identification, analysis, response, control and reporting, so as to manage, mitigate and control risk exposures systematically. By mainly considering the operating goals of the Group and different business segments, the Group identifies risk factors affecting the achievement of such operating goals. The Group also evaluates possible and potential impacts of each specific risk, adopts specific measures in response to identified risk exposures, and continuously supervises and evaluates changes in risk exposure and timely adjusting response measures. During the Year, the Group reviewed, adjusted and improved the risk management procedures to improve the efficiency and standardization of its operations.

- **Frequency of risk management review is determined** — The frequency of evaluation and report on risk management of the Group has been determined (at least once for every year). The aforesaid key elements standardized the format and frequency of report through the Risk Management Manual of China Evergrande Group.

(Figure 1: Risk Management Procedures)

2. Risk Evaluation Conducted by Various Segments of China Evergrande Group in 2019

In addition to the above risk management framework at the group level, the management of the Group also engaged external advisors to assist in the continuous maintenance and improvement of the risk management system of two major segments, namely real estate segment and insurance segment, in 2019, details of which include the following:

- **Follow up on the implementation of risk management improvement measures of various important segments from last year's risk assessment**

  During the Year, the management of the Group followed up on the implementation of the risk management improvement measures identified in prior year's risk assessment, as well as establishing a continuous risk management cycle which contains the process of "Risk assessment — Implementation the of the risk management procedures — Follow-up of the implementation of risk management measures — Risk management system ongoing monitoring" in order to ensure that the any risk management gaps are rectified and the ability to prevent and cope with risks is strengthened (for details, please refer to Figure 2: Risk assessment and management model).

(Figure 2: Management and Control Mode for Risk Management)

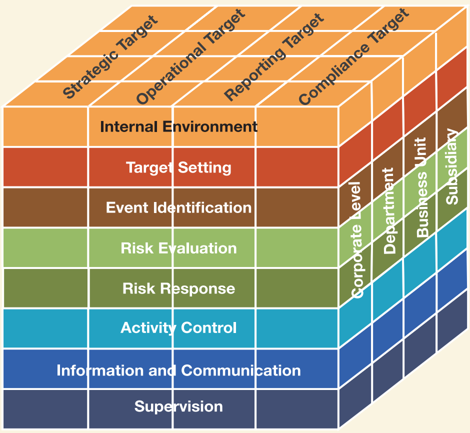
- **Conduct a comprehensive review of risk management system of various important segments in 2019**

  The management of various segments updated the risk assessment standards and risk database based on the external market environment, changes in the internal operation environment, business development and risk preferences. In addition, it adopted a systematic risk assessment method to review the changes in the nature and degree of the material risks facing its business segments, identified the material risks facing its business segments, analyzed the status of risk management and control and countermeasures to be adopted and key risk management strategies, and reported the risk assessment results to the Audit Committee. The Audit Committee reviewed and assessed the changes in the nature and degree of material risks on behalf of the Board, and completed the review of the risk management systems and considered the risk management systems is effective and sufficient.

Internal Control

1. *Establishment of Internal Control and Management Framework*

China Evergrande Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to chart 3: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinates with each other and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Figure 3: Internal Control and Management Framework of COSO)

The internal control system of China Evergrande Group, as an integral part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its business segments and other departments have designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

2. *Internal Audit*

China Evergrande Group has in place internal control functions. The management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal controls review, which are followed up on by the Supervision Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Review of Risk Management and Internal Control System

During the Year, the Board of China Evergrande Group had conducted a comprehensive review of the risk management and internal control system of the Group through the Audit Committee. Major works included the continuous implementation of the results of risk evaluation and internal control review in the prior year, as well as the commencement of various material risk evaluations for the Year and internal control review of key operating procedures. The period under review covered the accounting year of 2019. The scope of review covered the Group and major business segments, primarily focuses on review of controls over all major aspects, including financial control, operating control and compliance control. Such review had considered the changes in the nature and severity level of material risks and the capability of the Group in handling business and external environment changes. The Board considers that the relevant systems are effective and sufficient.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, risk management, internal audit and financial reporting functions as well as its staff training programs and budget and confirmed the adequacy of the same.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

NOMINATION COMMITTEE

The nomination committee's terms of reference were basically the same as those set forth in code provision A.5.2 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2019, the members of the nomination committee included Professor Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

- to review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board on a regular basis, and make recommendations and suggestions to the Board on any proposed changes;
- to identify individuals with suitable qualifications and diversity to serve as members of the Board, and select and nominate the relevant persons to serve as Directors or make recommendations and suggestions to the Board in this regard;
- to appraise the independence of the independent non-executive Directors in accordance with the provisions of applicable laws, regulations and rules; and
- to make recommendations and suggestions to the Board regarding the appointment and re-appointment of Directors by the Company and succession plan for Directors (especially the chairman and CEO, if any, of the Company).

In the nomination of a new Director to the Board, the Nomination Committee will consider potential new candidates openly from time to time having regard to the strategic needs of the Company and the Board. The potential pool of candidates include (but without limitation) local and overseas academia, Hong Kong and overseas listed companies directors, executives and experts in the relevant fields.

The Nomination Committee will consider the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity, and make recommendations to the Board as appropriate.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee reviews the Board Diversity Policy as appropriate to ensure the continued effectiveness of the Board.

During the year ended 31 December 2019, one meeting was convened by the nomination committee to consider the composition of the Board.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

DIVIDEND POLICY

The Company has, since listing, adopted a dividend policy (the "Dividend Policy") where the Company would, where the situation allows, declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into consideration the Group's distributable profits generated during the year, the financial situation and liquidity of the Group, the investment needs and the retained profits that should be set aside for future development purposes. While sharing the profit with shareholders, the Company will also maintain sufficient reserves to meet its liabilities and to ensure the implementation of the Group's strategy for future development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Company has received, from each of Xin Xin (BVI) Limited and Professor Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has complied with the Deed for the year ended 31 December 2019.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not amended its memorandum of association or its articles of association.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary general meeting ("EGM") (including the right of making proposals/moving resolutions at the EGM).

Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving resolutions at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board has not notified the Eligible Shareholders and fails to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such meeting shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated).

The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director. The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for the election of Directors of the Company and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company (the "Nomination Committee") and the Board of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

DISCLAIMERS

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

INVESTOR RELATIONS

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors.

During the year under review, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone:	(852) 2287 9229
By post:	23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
By email:	evergrandeir@evergrande.com

REPORT OF THE BOARD OF DIRECTORS

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

MAJOR BUSINESS

The Group is a developer of large scale quality residential property projects and a leader adopting a standardised operational model in China to manage various projects in different cities across China. The Group is also engaged in other businesses including property construction, hotel operations, finance business, tourism and real estate business, healthcare business. The analysis of the revenue of the Group during the year is set out in Note 6 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2019 are provided in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this annual report.

A analysis of the Group's performance during the year ended 31 December 2019 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

FINANCIAL STATEMENTS

The results of the Group during the year are set out in the consolidated statement of comprehensive income. The financial position of the Group as at 31 December 2019 is set out in the consolidated balance sheet. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

CAPITAL

The changes in the capital of the Group during the year are set out in Note 21 to the financial statements.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.653 per Share for the year ended 31 December 2019 (the "Proposed Dividend Payment").

The Proposed Dividend Payment is subject to approval by the shareholders at the forthcoming annual general meeting of the Company. Further details, including the record date, expected payment date of the final dividend and exchange rate, will be set out in the circular of the Company to be despatched to the shareholders.

RESERVE

Details of the changes in reserve of the Group during the year are set out in Note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in Note 7 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

The percentage of turnover attributable to the Group's five largest customers in aggregate was less than 30% of the Group's total turnover. The Company was not aware of any of the Directors or their connected persons and shareholders holding over 5% of the interest in the share capital of the Company having any interest in the above suppliers and customers.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China by the Group totalled RMB3,104 million.

DIRECTORS

The Directors in office during the year and as of the date of this report are as follows:

Executive Directors

Professor Hui Ka Yan
Dr. Xia Haijun
Ms. He Miaoling
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Administrative Structure" of this report.

Pursuant to Article 16.18 of the Articles, Mr. Shi Junping, Mr. Pan Darong and Mr. Huang Xiangui will retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

SERVICE CONTRACTS OF DIRECTORS

There was no service contract that cannot be terminated by the Company without compensation (other than statutory compensation) within one year, entered into by the Company with any Directors proposed to be re-elected in the forthcoming AGM of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

There was no significant contract with any member of the Group being a party therein and in which the Directors of the Company had direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group. Xin Xin (BVI) Limited is beneficially owned by our chairman, Professor Hui Ka Yan, who is the controlling shareholder of the Company. The controlling shareholders have provided annual confirmation of their compliance with the deed of non-competition undertaken by them. The independent non-executive Directors have reviewed whether the controlling shareholders abided by the non-competition undertaking and confirmed that no controlling shareholder had violated the non-competition undertaking given by them.

SHARE OPTION SCHEMES

On 14 October 2009, the Company adopted a share option scheme (the "2009 Share Option Scheme") whereby the Board can grant options for the subscription of the shares of the Company to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the "Participants") as described in the 2009 Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

The number of Shares in respect of the options that may be granted according to the 2009 Share Option Scheme shall not exceed 10% of the total number of issued Shares of the Company immediately after completion of the Global Offering (as defined in the prospectus) of the Company. Such scheme mandate limit was refreshed on 3 October 2017, and on 8 June 2018, the shareholders of the Company again resolved to refresh the scheme mandate limit of the 2009 Share Option Scheme to 1,317,838,890 Shares, representing 10% of the total number of shares of the Company in issue on the date of the passing of the resolution to refresh such mandate limit.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted.

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted.

Other details of the 2009 Share Option Scheme are set out in appendix VIII — Statutory and General Information of the prospectus published by the Company on 22 October 2009.

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The Company refreshed the scheme mandate limit at the extraordinary general meeting held on 3 October 2017 and on 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant.

As the 2009 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 6 June 2019 to adopt a new share option scheme (the "Share Option Scheme") with largely similar terms as that of the 2009 Share Option Scheme. Upon the adoption of the Share Option Scheme on 6 June 2019, the 2009 Share Option Scheme was cancelled. Options that have been granted under the 2009 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include full-time or part-time employees, directors, members of the management, advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option.

Based on 13,127,834,900 Shares in issue as at the date of the annual general meeting, 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 1,312,783,490 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of HK$1.00 as consideration for the grant thereof is received by the Company within 30 days of the offer date.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

No options have been granted under the Share Option Scheme since its adoption.

The details of movement in the options granted under the 2009 Share Option Scheme for the year ended 31 December 2019 are as follows:

Grantees	Date of grant	Exercise price (HK$)	Exercise period	Number of share options: Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled and Lapsed during the period	Outstanding as at 31 December 2019
Xia Haijun	9 October 2014	3.05	Note 2	59,149,000	N/A	54,758,000	N/A	4,391,000
	6 October 2017	30.20	Note 3	600,000	N/A	N/A	N/A	600,000
He Miaoling	9 October 2014	3.05	Note 2	6,000,000	N/A	N/A	N/A	6,000,000
	6 October 2017	30.20	Note 3	600,000	N/A	N/A	N/A	600,000
Shi Junping	9 October 2014	3.05	Note 2	3,600,000	N/A	N/A	N/A	3,600,000
	6 October 2017	30.20	Note 3	500,000	N/A	N/A	N/A	500,000
Huang Xiangui	9 October 2014	3.05	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
	6 October 2017	30.20	Note 3	300,000	N/A	N/A	N/A	300,000
Pan Darong	6 October 2017	30.20	Note 2	3,000,000	N/A	N/A	N/A	3,000,000
Chau Shing Yim, David	9 October 2014	3.05	Note 2	200,000	N/A	N/A	N/A	200,000
He Qi	9 October 2014	3.05	Note 2	400,000	N/A	N/A	N/A	400,000
Xie Hongxi	9 October 2014	3.05	Note 2	600,000	N/A	N/A	N/A	600,000
Other employees of the Group (in aggregate)	18 May 2010	2.04	Note 1	1,285,000	N/A	1,135,000	150,000	–
	9 October 2014	3.05	Note 2	81,940,000	N/A	52,228,000	2,400,000	27,312,000
	6 October 2017	30.20	Note 3	631,800,000	N/A	3,000	95,367,000	536,430,000

Notes:

1. The options granted on 18 May 2010 with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2011 to 17 May 2016;

   (ii) the second tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2012 to 17 May 2017;

   (iii) the third tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2013 to 17 May 2018;

   (iv) the fourth tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2014 to 17 May 2019; and

   (v) the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 18 May 2015 to 17 May 2020.

2. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
   (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
   (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
   (iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
   (v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.

3. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK$30.75. The options will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
   (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
   (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
   (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
   (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.

4. The expiry date of the Share Option Scheme is 13 October 2019, being the date of not more than 10 years pursuant to Rule 17.03(11) of the Listing Rules.

SUBSIDIARIES' SHARE OPTION SCHEMES

Evergrande Health Industry Group Limited

Evergrande Health Industry Group Limited ("Evergrande Health") is a non-wholly owned subsidiary of the Company, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 708).

Evergrande Health adopted a share option scheme on 6 June 2018 (the "Evergrande Health Scheme"). The purpose of the Evergrande Health Scheme is to enable Evergrande Health to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Evergrande Health. Under the Evergrande Health Scheme, the directors of Evergrande Health may, at their discretion, grant options to any full-time or part time employee, any director including non-executive director and independent non-executive director of Evergrande Health and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the board of Evergrande Health, at its absolute discretion, considered had or will have contribution for Evergrande Health and any of its subsidiaries, to subscribe for shares in Evergrande Health representing up to a maximum of 10% of the number of shares of Evergrande Health in issue as at 6 June 2018.

The total number of shares of Evergrande Health that may fall to be issued upon the exercise of the options granted under the Evergrande Health Scheme and any other share option schemes of Evergrande Health to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of Evergrande Health in issue as at the date of grant. Upon acceptance of the option, the grantee shall pay HK$1.00 to Evergrande Health by way of consideration for the grant.

The exercise period of options shall be determined by the board of Evergrande Health at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. The exercise price is determined by Evergrande Health at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Evergrande Health as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the shares of Evergrande Health as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of Evergrande Health.

The Evergrande Health Scheme shall be valid and effect for a period of 10 years commencing on 6 June 2018. No share options have been granted by Evergrande Health under the Evergrande Health Scheme since its adoption.

Hengten Networks Group Limited

Hengten Networks Group Limited ("Hengten Networks") is a non-wholly owned subsidiary of the Company, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 136).

Hengten Networks adopted a share option scheme on 31 October 2013 (the "Hengten Networks Scheme"). The purpose of the Hengten Networks Scheme is to enable Hengten Networks to grant options to selected eligible participants as incentives or rewards for their contribution to the development of Hengten Networks. Under the Hengten Networks Scheme, the directors of Hengten Networks may, at their discretion, grant options to any full-time or part time employee, any director including non-executive director and independent non-executive director of Hengten Networks and any of its subsidiaries and any adviser, professional or consultant, supplier, customer and agent whom the board of Hengten Networks, at its absolute discretion, considered had or will have contribution for Hengten Networks and any of its subsidiaries, to subscribe for shares in Hengten Networks. The number of shares which may be issued upon exercise of all share options to be granted under the Hengten Networks Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit under the Hengten Networks Scheme was approved by the then shareholders of Hengten Networks.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of Hengten Networks. Upon acceptance of option, the grantee shall pay HK$1 to Hengten Networks by way of consideration of the grant.

The exercise period of options shall be determined by the board of Hengten Networks at its absolute discretion but shall not be exercised after the expiry of 10 years from the date of each grant. The exercise price is determined by Hengten Networks at its absolute discretion and will be not less than the highest price of the official closing price of the shares of Hengten Networks as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer, the average official closing prices of the shares of Hengten Networks as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of Hengten Networks.

The Hengten Networks Scheme shall be valid and effect for a period of 10 years from its adoption. There were no outstanding share options under the Hengten Networks at the end of 2018 and no share options have been granted by Hengten Networks in the six months ended 30 June 2019.

Evergrande Intelligent Technology Co., Ltd.* (恒大智慧科技有限公司)

Evergrande Intelligent Technology Co., Ltd. ("EIT") is a subsidiary of the Company established in the PRC. EIT adopted a share option scheme on 6 June 2019 (the "EIT Scheme").

The purpose of the EIT Scheme is to enable EIT to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The EIT Scheme will provide the grantees with the opportunity to acquire proprietary interests in EIT and will encourage such grantees to work towards enhancing the value of the company and its shares for the benefit of the Company and the Shareholders as a whole.

5% of the share capital of EIT has been set aside for the EIT Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

The board of directors of EIT may, at its discretion, offer to grant an option to the core management and other personnel of EIT to subscribe for such number of shares in EIT as the board of EIT may determine. The grantee shall not be required to pay any consideration for the acceptance of the option.

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

Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in EIT under the EIT Scheme shall be such price as the board of directors of EIT in its absolute discretion shall determine.

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the EIT Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 5 years from that date.

The period during which an option may be exercised will be determined by the board of directors of EIT in its absolute discretion, save that no option may be exercised more than 5 years after it has been granted.

The EIT Scheme shall be valid and effect for a period of 5 years commencing on 6 June 2019. No share options have been granted by under the EIT Scheme since its adoption.

Evergrande Intelligent Charging Technology Co., Ltd.* (恒大智慧充電科技有限公司)

Evergrande Intelligent Charging Technology Co., Ltd. ("EICT") is a subsidiary of the Company established in the PRC. EICT adopted a share option scheme on 6 June 2019 (the "EICT Scheme").

The purpose of the EICT Scheme is to enable EICT to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The EICT Scheme will provide the grantees with the opportunity to acquire proprietary interests in EICT and will encourage such grantees to work towards enhancing the value of the company and its shares for the benefit of the Company and the Shareholders as a whole.

5% of the share capital of EICT has been set aside for the EICT Scheme. Such scheme limit may be refreshed by approval from the shareholders of the Company in general meeting.

The board of directors of EICT may, at its discretion, offer to grant an option to the core management and other personnel of EICT to subscribe for such number of shares in EICT as the board of EICT may determine. The grantee shall not be required to pay any consideration for the acceptance of the option.

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

Subject to the compliance with the requirements of the Listing Rules, the subscription price of shares in EICT under the EICT Scheme shall be such price as the board of directors of EICT in its absolute discretion shall determine.

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the EICT Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 5 years from that date.

The period during which an option may be exercised will be determined by the board of directors of EICT in its absolute discretion, save that no option may be exercised more than 5 years after it has been granted.

The EICT Scheme shall be valid and effect for a period of 5 years commencing on 6 June 2019. No share options have been granted by under the EICT Scheme since its adoption.

DEBENTURE

At any time during the year, neither the Company nor its holding company or its subsidiaries was a party to any arrangements to enable the Directors acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

INTEREST AND SHORT POSITIONS OF DIRECTORS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2019, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interest in the Shares of the Company

Names of Director	Nature of interest	Number of Shares	Approximate Percentage of shareholding
Hui Kai Yan *(Note 1)*	Interest of controlled corporation	10,162,119,735(L)	76.83%
Chau Shing Yim, David	Beneficial Owner	800,000(L)	0.00%

Note:

(1) Of the 10,162,119,735 Shares held, 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company indirectly wholly owned by Professor Hui Ka Yan's spouse, Ms. Ding Yumei ("Mrs Hui"). The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Professor Hui Ka Yan pursuant to the SFO.

(ii) Interest in the underlying shares of the Company

Name of Director	Nature of interest	Number of Shares outstanding involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	Beneficial owner	4,991,000	0.04%
He Miaoling	Beneficial owner	6,600,000	0.05%
Shi Junping	Beneficial owner	4,100,000	0.03%
Huang Xiangui	Beneficial owner	3,300,000	0.03%
Pan Darong	Beneficial owner	3,000,000	0.02%
Chau Shing Yim, David	Beneficial owner	200,000	0.00%
He Qi	Beneficial owner	400,000	0.00%
Xie Hongxi	Beneficial owner	600,000	0.00%

(iii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Number of securities	Approximate percentage of shareholding
Hui Kai Yan	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited (Note)	1 share	100%

Note: Pursuant to the SFO, Even Honour Holdings Limited is indirectly wholly owned by the spouse of Professor Hui Ka Yan and is deemed to be an associated corporation of the Company.

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture held	Amount of debentures in same class in issue
Xia Haijun	US$	38,000,000	2,300,000,000
	US$	47,250,000	1,565,000,000

Save as disclosed above, as at 31 December 2019, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As far as the Directors or executives of the Company are aware, as at 31 December 2019, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled corporation	10,162,119,735(L) (Note 1)	76.83%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	70.85%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	5.98%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	5.98%
Chan Hoi Wan	Interest in controlled corporation, beneficial owner and trustee	1,173,383,000 (Note 4)	8.87%
Lau Luen Hung	Interest of spouse and interest of children under 18 years of age	1,173,383,000 (Note 5)	8.87%
Chinese Estates Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.48%
Sino Omen Holdings Limited	Interest in controlled corporation	857,541,000 (Note 6)	6.48%
Solar Bright Ltd.	Interest in controlled corporation	857,541,000 (Note 6)	6.48%

Notes:

1. Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Mrs Hui, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company indirectly wholly owned by Dr Hui Ka Yan, the spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Mrs Hui pursuant to the SFO.

2. Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.

3. Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Mrs. Hui.

4. Ms. Chan Hoi Wan beneficially owns 315,842,000 shares and is the trustee for 857,541,000 shares for her children under 18. The 857,541,000 shares that are held on trust are held through a series of companies wholly owned by Chinese Estates Holdings Limited, a company which is 50.02% owned by Solar Bright Limited. Solar Bright Limited is a wholly-owned subsidiary of Sino Omen Holdings Limited, a company wholly-owned by Ms. Chan Hoi Wan.

5. Mr. Lau Luen Hung is the spouse of Ms. Chan Hoi Wan, and his interests in the Company are the interest of his spouse and interests of his children under 18.

6. Chinese Estates Holdings Limited is 50.02% held by Solar Bright Limited, which is a wholly-owned subsidiary of Sino Omen Holdings Limited. Sino Omen Holdings Limited is a company wholly-owned by Ms. Chan Hoi Wan.

SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2019 are set out in Note 45 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had an aggregate of 133,123 employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation.

An ever-improving management system, enhanced monitoring of activities and procedures, energy conservation and environmental protection are strongly promoted.

Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of any personal characteristics. It has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, and employees' rights and benefits. The Group also establishes and implements policies that promote a harmonious and respectful workplace.

The Group believes that employees are the most valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different types of training, staff's knowledge of corporate operations as well as their occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees, such as outings, to promote staff relationships and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been implemented to ensure its working environment is healthy and safe. The Group provides communications on health and safety matters and other programmes to employees in order to raise their awareness of such issues and enhance their related behavior.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a critical continuous process. Many on the-job and other training courses and programmes are provided to help employees maintain and develop their skills and professionalism. Structured training programmes including seminars are offered to staff with the objective of grooming and unleashing their full potential, supporting, organisational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

Commitment to Quality

The Group has made relentless efforts in providing property development and management services. Looking forward to 2020, the Company will continue with its research and investment to enrich the Group's services.

The Company will also ensure the quality of its services and place customers' demands at its priority in order to maintain its competitive advantage and to increase shareholders' value further.

Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in which suppliers' price, quality, cost, delivery and after-sales service are assessed. The Group will carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers as well as casual examinations of different suppliers to ensure the sustainable quality of material supplies and services it receives.

Community Investment

The Group upholds the corporate philosophy of "Put people first, serve the country through industry development" with integration of its business features and advantages in resources, to actively commit to social responsibility and philanthropy and assist to solve the social problems. Since the establishment of the Group, it has focused its key concern on various charity events in respect of people's livelihood, poverty alleviation, environmental protection, education, sports, and culture. The Group does its utmost to shoulder its social responsibility and create social value in an effort to achieve harmonious development between the Company and society.

The Company has complied with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The Environmental, Social and Governance Report of the Company will be separately disclosed to the public after the publication of this annual report.

CORPORATE GOVERNANCE

The Company strives to maintain a high corporate governance standard and has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules. Further information of the corporate governance practices of the Company is set out in the Corporate Governance Report section of this annual report.

FOREIGN EXCHANGE RISKS

Details of the foreign exchange risks are set out in Note 4(a)(i) to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 25 January 2019, the Company issued (1) additional US$1,100 million 7.0% senior notes due 2020 (which were consolidated and form a single series with the US$500 million 7.0% senior notes due 2020 issued by the Company on 23 March 2017); (2) additional US$875 million 6.25% senior notes due 2021 (which were consolidated and form a single series with the US$598.181 million 6.25% senior notes due 2021 issued by the Company on 28 June 2017); and (3) additional US$1,025 million 8.25% senior notes due 2022 (which were consolidated and form a single series with the US$1,000 million 8.25% senior notes due 2022 issued by the Company on 23 March 2017).

On 6 March 2019, Scenery Journey Limited, a subsidiary of the Company, issued US$600 million 9.0% senior notes due 2021.

On 11 April 2019, the Company issued (i) US$1,250 million 9.5% senior notes due 2022 (the "2022 9.5% Notes"), (ii) US$450 million 10.0% senior notes due 2023 (the "2023 10.0% Notes"), and (iii) US$300 million 10.5% senior notes due 2024 (the "2024 10.5% Notes").

On 18 April 2019, the Company issued (a) additional US$200 million 9.5% senior notes due 2022 (which were consolidated and form a single series with the 2022 9.5% Notes); (b) additional US$400 million 10.0% senior notes due 2023 (which were consolidated and form a single series with the 2023 10.0% Notes); and (c) additional US$400 million 10.5% senior notes due 2024 (which were consolidated and form a single series with the 2024 10.5% Notes).

All of the notes issued above are listed and traded on the Singapore Stock Exchange.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 June 2019, Evergrande Group (Nan Chang) Co., Ltd. ("Evergrande Nan Chang"), a wholly-owned subsidiary of the Company entered into a subscription agreement with Shengjing Bank Co., Ltd. ("Shengjing Bank"), pursuant to which Evergrande Nan Chang conditionally agreed to subscribe for 2,200,000,000 domestic shares of Shengjing Bank at RMB6.00 per share (the "Subscription"). The Subscription was completed on 28 November 2019. Upon completion of the Subscription, Evergrande Nan Chang's interests in Shengjing Bank increased from 17.28% to 36.40% and became the single largest shareholder of Shengjing Bank.

Save as disclosed, the Company has no other material acquisitions or disposals during the year ended 31 December 2019.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

SUBSEQUENT EVENTS

On 22 January 2020, the Company issued (i) US$1,000 million 11.5% senior notes due 2023, and (ii) US$1,000 million 12.0% senior notes due 2024.

On 24 January 2020, Scenery Journey Limited, a subsidiary of the Company, issued (i) US$2,000 million 11.5% senior notes due 2022, and (ii) US$2,000 million 12.0% senior notes due 2023.

All of the notes above are listed and traded on the Singapore Stock Exchange.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on pages 217 to 218.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the articles of association of the Company or the law of the Cayman Islands which stipulates that the Company is required to offer Shares to the existing shareholders of the Company any new shares according to their respective shareholding for any fresh issue of shares.

ADEQUATE PUBLIC FLOAT

At the time of listing of the Company in 2009, the Company has applied to the Stock Exchange for a waiver in respect of the public float requirement under Rule 8.08(1)(d) of the Listing Rules. The Stock Exchange has accepted a lower level of public float for the Company at the time of the listing subject to the minimum public float should be the higher of (a) 15%, or (b) such a percentage of shares held by the public immediately after completion of the global offering of the Company, as increased by the shares issued upon the exercise of the over-allotment option under the global offering. As announced by the Company on 27 November 2009 with regard to the exercise of the over-allotment option and the end of the stabilization period for the global offering, the percentage of shares that was held by the public then was 22.04%. As such, the minimum public float requirement that the Company should maintain at all times should be 22.04%.

The Company has maintained adequate public float during the year.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2019. The audit and reporting responsibilities of the Company 's auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report. The Company will propose a resolution at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

For and on behalf of the Board
Hui Ka Yan
Chairman
Hong Kong, 31 March 2020

pwc 羅兵咸永道

To the Shareholders of China Evergrande Group
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Evergrande Group (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 216, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

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.

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.

Key audit matters identified in our audit are summarised as follows:

- Assessment of net realisable value of properties under development and completed properties held for sale
- Fair value of investment properties
- Fair value of derivative financial liabilities arising from strategy investment in a major subsidiary

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 2(n) and note 2(o) accounting policies of properties under development and completed properties held for sale, note 5(a) critical accounting estimates and judgements, note 12 properties under development and completed properties held for sale to the consolidated financial statements. At 31 December 2019, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB1,327,461 million and accounted for approximately 60% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB2,325 million as at 31 December 2019. We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the net realisable values of PUD and PHS based on prevailing market conditions; (ii) We compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's assessment had been subject to management bias; (iii) We then challenged the reasonableness of management's key estimates for: • Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;

Key Audit Matters	How our audit addressed the Key Audit Matters
	• Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and • Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared to the actual costs of similar completed properties of the Group. We found that management's estimates on the net realisable value of the Group's PUD and PHS were supported by the available evidence.
Fair value of investment properties	
Refer to note 2(h) accounting policy of investment properties, note 5(b) critical accounting estimates and judgements and note 9 of investment properties to the consolidated financial statements. The Group's investment properties were measured at fair value of RMB162,556 million as at 31 December 2019, with net revaluation gains of RMB1,516 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the whole investment property portfolio in order to support management's estimates. The valuations of completed investment properties prepared under income capitalisation approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rates, market rent and market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and anticipated developer's profit margin. Given the significant balance of investment properties and the involvement of critical accounting estimates, the assessment of fair value of investment properties is considered a key audit matter.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties; (ii) We evaluated the independent external valuers' competence, capabilities and objectivity; (iii) We involved our in-house valuation experts to assess the appropriateness of the income capitalisation approach and residual approach used by the external valuers based on our knowledge of the property industry; and (iv) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rates, market rent and market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and anticipated developer's profit margin, we checked to the construction budget and historical information of similar properties of the Group. We found that the key assumptions used in the valuations were supported by the available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matters
Fair value of derivative financial liabilities arising from strategy investment in a major subsidiary	
Refer to note 2(m) accounting policy of derivative financial instruments, note 5(c) critical accounting estimates and judgements and note 24(a) derivative financial liabilities to the consolidated financial statements. Hengda Real Estate Group Limited ("Hengda Real Estate"), a major subsidiary of the Group, has raised three rounds of funding totalling RMB130 billion by way of issuance of new shares to certain Strategy Investors ("SIs") in 2017. Pursuant to the investment agreements with the SIs, if Hengda Real Estate could not effectively list on the Shenzhen Stock Exchange Limited by the defined dates ("Proposed Reorganisation"), the SIs have the right to request the Group to compensate the SIs with additional shares of Hengda Real Estate equal to 50% of shares held by the SIs before compensation. The above share compensation arrangement constitutes an embedded derivative financial liability and was measured at fair value. The Group measured the above derivative financial liability at fair value of RMB2,483 million as at 31 December 2019, with a revaluation gain of RMB357 million recognised in profit or loss for the year then ended. Independent external valuation from an independent external valuer was obtained to support management's estimates. The valuation of the derivative financial liability under the Binomial Lattice Model approach was dependent on certain key assumptions that required significant management judgements. These included the fair value of the net identifiable assets of Hengda Real Estate, which mainly consisted of the fair value of PUD, PHS, properties for self-use and investment properties, estimated revenue growth rates and the probability of the Proposed Reorganisation not being completed by the defined date. The valuations of PHS and properties for self-use were prepared under the direct comparison approach making reference to market prices, and the valuations of PUD were prepared under the residual approach using fair market price less estimated costs to completion, anticipated developer's profit margin and selling expenses. Given the above mentioned critical accounting estimates on the fair value of derivative financial liabilities, the fair value of derivative financial liabilities is considered a key audit matter.	We have performed the following procedures to address this key audit matter: (i) We evaluated the independent external valuer's competence, capabilities and objectivity; (ii) We involved our in-house valuation experts to assess the appropriateness of Binomial Lattice Model approach used by the external valuer based on our knowledge; (iii) We assessed the appropriateness of the key assumptions used in the Binomial Lattice Model approach, including: • checking on a sample basis, the accuracy and relevance of the input data used in the valuations of fair value of PHS, PUD, properties for self-use and investment properties. For PHS, PUD and properties for self-use, we checked the market price used to the recent sale transactions of the Group or prevailing market price of the comparable properties. For PUD, we also checked the estimated costs to completion and anticipated developer's profit margin to the construction budget and historical actual construction costs of similar properties of the Group. For investment properties, we performed the audit procedures stated in the key audit matter of fair value of investment properties; • comparing the revenue growth rates with historical sales performance of the Group; and • assessing the appropriateness of the estimated probability of the Proposed Reorganisation not being completed by the defined date. This included understanding the progress of the Proposed Reorganisation, checking board minutes and materials for application for the Proposed Reorganisation and conducting independent research on the rules, regulations and new implementation guidance issued by the People's Republic of China (the "PRC") government authorities and publicly available information related to the stock markets in the PRC. We found that the key assumptions used in the valuations were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion 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.

- 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 those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, 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 Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

CONSOLIDATED BALANCE SHEET

	Note	31 December 2019 RMB million	31 December 2018 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	7	**55,798**	40,794
Right-of-use assets	8	**13,553**	—
Land use rights	8	**—**	9,466
Investment properties	9	**162,556**	162,322
Goodwill	10	**7,788**	1,595
Intangible assets	11	**7,960**	424
Trade and other receivables	13	**6,332**	6,029
Prepayments	14	**2,697**	1,677
Investments accounted for using equity method	15	**87,811**	67,046
Financial assets at fair value through other comprehensive income	16	**1,587**	1,570
Financial assets at fair value through profit or loss	17	**8,005**	8,965
Deferred income tax assets	25	**5,676**	4,389
		359,763	304,277
Current assets			
Inventories		**574**	—
Properties under development	12	**1,198,388**	971,802
Completed properties held for sale	12	**129,073**	121,971
Trade and other receivables	13	**143,706**	123,141
Contract acquisition costs		**2,757**	3,587
Prepayments	14	**130,461**	138,752
Income tax recoverable		**12,167**	11,116
Financial assets at fair value through profit or loss	17	**921**	1,173
Restricted cash	19	**78,711**	74,845
Cash and cash equivalents	20	**150,056**	129,364
		1,846,814	1,575,751
Total assets		**2,206,577**	1,880,028
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	21	**1,575**	1,205
Other reserves	22	**66,133**	65,998
Retained earnings		**77,992**	65,792
		145,700	132,995
Non-controlling interests	40	**212,837**	175,631
Total equity		**358,537**	308,626

	Note	**31 December 2019 RMB million**	31 December 2018 RMB million
LIABILITIES			
Non-current liabilities			
Borrowings	23	**427,726**	354,857
Derivative financial liabilities	24	**4,666**	5,647
Deferred income tax liabilities	25	**60,766**	49,899
Other payables	26	**4,847**	1,543
		498,005	411,946
Current liabilities			
Borrowings	23	**372,169**	318,285
Trade and other payables	26	**717,618**	554,313
Contract liabilities		**129,705**	185,586
Current income tax liabilities	27	**130,543**	101,272
		1,350,035	1,159,456
Total liabilities		**1,848,040**	1,571,402
Total equity and liabilities		**2,206,577**	1,880,028

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Hui Ka Yan
Director

Pan Da Rong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Revenue	6	**477,561**	466,196
Cost of sales	30	**(344,624)**	(297,249)
Gross profit		**132,937**	168,947
Fair value gains on investment properties	9	**1,516**	1,343
Impairment losses on financial assets		**(194)**	(137)
Other gains, net	28	**1,729**	2,645
Other income	29	**6,997**	6,694
Selling and marketing costs	30	**(23,287)**	(18,086)
Administrative expenses	30	**(19,811)**	(14,813)
Other operating expenses	30	**(5,037)**	(5,179)
Operating profit		**94,850**	141,414
Share of profits/(losses) of investments accounted for using equity method	15	**2,967**	(874)
Fair value (losses)/gains on financial assets at fair value through profit or loss	17	**(1,863)**	51
Fair value gains on derivative financial liabilities	24	**981**	797
Finance costs, net	32	**(22,763)**	(14,623)
Profit before income tax		**74,172**	126,765
Income tax expenses	33	**(40,630)**	(60,218)
Profit for the year		**33,542**	66,547
Other comprehensive income			
(Item that may be reclassified to profit or loss)			
Share of other comprehensive income of investments accounted for using the equity method		**35**	81
Currency translation differences		**(287)**	457
(Item that may not be reclassified to profit or loss)			
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax		**7**	—
Share of other comprehensive income of investments accounted for using the equity method		**(7)**	—
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**13**	(383)
Other comprehensive income for the year, net of tax		**(239)**	155
Total comprehensive income for the year		**33,303**	66,702
Profit attributable to:			
Shareholders of the Company		**17,280**	37,390
Non-controlling interests		**16,262**	29,157
		33,542	66,547

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Total comprehensive income attributable to:			
Shareholders of the Company		**17,109**	37,502
Non-controlling interests		**16,194**	29,200
		33,303	66,702
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	34	**1.315**	2.849
— Diluted earnings per share	34	**1.304**	2.765

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests	
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Others RMB million	Total RMB million
Balance as at 1 January 2018	928	342	57,374	55,594	114,238	127,207	241,445
Comprehensive income							
Profit for the year	—	—	—	37,390	37,390	29,157	66,547
Other comprehensive income							
Change in value of financial assets at fair value through other comprehensive income, net of tax	—	—	(234)	—	(234)	(149)	(383)
Share of other comprehensive income of investments accounted for using the equity method	—	—	81	—	81	—	81
Currency translation differences	—	—	265	—	265	192	457
Total comprehensive income	—	—	112	37,390	37,502	29,200	66,702
Transactions with owners							
Transfer to statutory reserves	—	—	9,895	(9,895)	—	—	—
Issuance of shares pursuant to the option scheme (note 21, note 22)	7	361	(76)	—	292	—	292
Employee share option schemes	—	—	1,679	—	1,679	532	2,211
Repurchase of shares	(11)	(422)	11	(2,495)	(2,917)	—	(2,917)
Dividends (note 40)	—	—	—	(14,802)	(14,802)	(12,882)	(27,684)
Changes in ownership interests in subsidiaries without change of control (note 40)	—	—	(2,997)	—	(2,997)	(11,510)	(14,507)
Capital injection from non-controlling interests (note 40)	—	—	—	—	—	42,071	42,071
Non-controlling interests arising from business combination (note 40)	—	—	—	—	—	10	10
Acquisition of subsidiaries (note 40)	—	—	—	—	—	1,365	1,365
Disposal of subsidiaries (note 40)	—	—	—	—	—	(362)	(362)
Total transactions with owners	(4)	(61)	8,512	(27,192)	(18,745)	19,224	479
Balance as at 31 December 2018	924	281	65,998	65,792	132,995	175,631	308,626

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests	
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Others RMB million	Total RMB million
Balance as at 1 January 2019	**924**	**281**	**65,998**	**65,792**	**132,995**	**175,631**	**308,626**
Comprehensive income							
Profit for the year	–	–	–	17,280	17,280	16,262	33,542
Other comprehensive income							
Change in value of financial assets at fair value through other comprehensive income, net of tax	–	–	(14)	–	(14)	27	13
Share of other comprehensive income of investments accounted for using the equity method	–	–	28	–	28	–	28
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	–	–	7	–	7	–	7
Currency translation differences	–	–	(192)	–	(192)	(95)	(287)
Total comprehensive income	–	–	(171)	17,280	17,109	16,194	33,303
Transactions with owners							
Transfer to statutory reserves	–	–	5,080	(5,080)	–	–	–
Issuance of ordinary shares pursuant to share option scheme (note 21, note 22)	8	362	(75)	–	295	–	295
Employee share option schemes	–	–	489	–	489	177	666
Dividends (note 40)	–	–	–	–	–	(2,748)	(2,748)
Changes in ownership interests in subsidiaries without change of control (note 40(iii))	–	–	(5,188)	–	(5,188)	(28,653)	(33,841)
Capital injection from non-controlling interests (note 40(i))	–	–	–	–	–	46,932	46,932
Non-controlling interests arising from business combination (note 40, note 41)	–	–	–	–	–	4,717	4,717
Acquisition of subsidiaries (note 40(ii))	–	–	–	–	–	607	607
Disposal of subsidiaries (note 40)	–	–	–	–	–	(20)	(20)
Total transactions with owners	8	362	306	(5,080)	(4,404)	21,012	16,608
Balance as at 31 December 2019	**932**	**643**	**66,133**	**77,992**	**145,700**	**212,837**	**358,537**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows of operating activities			
Net cash generated from operations	36	**18,493**	135,347
Income tax paid		**(19,059)**	(25,510)
Interest paid		**(66,791)**	(55,088)
Net cash (used in)/generated from operating activities		**(67,357)**	54,749
Cash flows of investing activities			
Acquisition of subsidiaries, net of cash acquired	41	**(12,714)**	(9,860)
Purchases of property, plant and equipment and investment properties		**(11,838)**	(9,594)
Proceeds from disposal of property, plant and equipment, land use rights and intangible assets		**423**	314
Proceeds from disposal of investment properties		**3,378**	3,083
Purchase of land use rights		**(2,056)**	(553)
Purchase of intangible assets		**(1,269)**	(203)
Investment in associates		**(16,133)**	(17,514)
Investment in joint ventures		**(4,405)**	(17,199)
Proceeds from disposal of joint ventures and associates		**1,895**	41
Net cash received from disposal of subsidiaries		**898**	1,631
Purchase of financial assets at fair value through other comprehensive income		**—**	(46,308)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**—**	49,012
Dividend received		**182**	610
Purchase of financial assets at fair value through profit or loss	17	**(7,925)**	(4,209)
Proceeds from disposal of financial assets at fair value through profit or loss	17	**7,372**	1,531
Repayment from associates		**—**	20
Repayment from joint ventures		**11,041**	3,907
Repayment from non-controlling interests		**4,745**	3,127
Cash advance to associates		**(30)**	—
Cash advance to joint ventures		**(19,986)**	(15,883)
Cash advance to non-controlling interests		**(12,112)**	(3,837)
Prepayments for acquisition of subsidiaries		**(2,169)**	(2,363)
Interest received		**3,844**	3,884
Proceeds from governments grant for construction		**1,551**	—
Net cash used in investing activities		**(55,308)**	(60,363)

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows of financing activities			
Proceeds from bank and other borrowings	36(b)	**462,121**	349,068
Repayments of bank and other borrowings	36(b)	**(407,323)**	(433,010)
Proceeds from PRC corporate bonds	36(b)	**19,933**	—
Repayments from PRC corporate bonds	36(b)	**(18,544)**	(10,325)
Proceeds from senior notes	36(b)	**52,708**	19,172
Proceeds from convertible bonds	36(b)	**—**	14,385
Repayment to unit holders of consolidated investment entities		**(697)**	(2,636)
Repurchase of shares		**—**	(2,917)
Issuance of ordinary shares pursuant to share option scheme		**295**	292
Dividends paid		**(2,748)**	(27,684)
Acquisitions of non-controlling interests in subsidiaries		**(33,841)**	(14,507)
Capital injection from non-controlling interests	40	**46,932**	42,071
Cash advance from associates		**457**	—
Cash advance from joint ventures		**34,489**	11,203
Cash advance from non-controlling interests		**10,258**	2,386
Repayment to joint ventures		**(7,070)**	(484)
Repayment made to non-controlling interests		**(7,065)**	(11,956)
Restricted cash pledged for bank borrowings		**(5,554)**	46,555
Deposits for other borrowings		**(295)**	736
Principal elements of lease payments		**(893)**	—
Net cash generated/(used in) from financing activities		**143,163**	(17,651)
Net increase/(decrease) cash and cash equivalents		**20,498**	(23,265)
Cash and cash equivalents at beginning of year		**129,364**	152,008
Exchange gains on cash and cash equivalents		**194**	621
Cash and cash equivalents at end of year		**150,056**	129,364

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Evergrande Group (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 31 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, investment properties and derivative financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Preparation (Continued)

(i) New standards and amendments to standards adopted by the Group as at 1 January 2019

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2019 for the Group:

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

Save for the impact of adoption of HKFRS 16 disclosed in note 3, the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

(ii) New standards and amendments to standards that have been issued but are not effective

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 3 (Amendments)	Definition of a Business[1]
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform[1]
Revised Conceptual Framework for Financial Reporting	Improvements to HKFRS[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]

[1] Effective for periods beginning on or after 1 January 2020.
[2] Effective for periods beginning on or after 1 January 2021.
[3] Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed off as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(v) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax loss of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within 'finance income/(costs), net'. All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within 'Other losses'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses of each income statement of the group entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–30 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

(i) Intangible assets

(i) Brand names

Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives less than 10 years.

(ii) Copy rights

Copy rights are acquired and are recognised at historical cost. Copy rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of copy rights over its estimated useful lives less than 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

(iii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from three to five years over the expected life of the customer relationship.

(iv) Patent, proprietary technology and franchise right

Purchased patents, proprietary technology and franchise right are initially recorded at actual cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 18 years.

(v) Computer softwares

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to ten years.

(vi) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on the Group's proprietary brands project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from related project of 5 years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during a financial period.

(vii) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

- Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at financial assets at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss accounts and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

- Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at financial assets at fair value through profit or loss("FVPL"). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss accounts and is not part of a hedging relationship is recognised in profit or loss and presented as a separate line item in the consolidated statement of comprehensive income within "Fair value gain or loss on financial assets at fair value through profit or loss" in the period in which it arises. Interest income from these financial assets is included in the other income.

(iv) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss accounts as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(v) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group applies the 12 months expected losses method to assessed the expected credit losses. See note 4(a)(iii) for further details.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(m) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within 'fair value gains or losses on derivative financial instruments '.

(n) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(o) Completed properties held for sale

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(q) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(r) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Sales of properties

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and 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 the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do 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 customer 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 reporting period as a percentage of total estimated costs for each contract.

For property 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 present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(iii) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Revenue recognition (Continued)

(iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vi) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

(vii) Income from medical cosmetology and health management

Income from medical cosmetology and health management are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

(ab) Leases

The Group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in note 3.

The Group leases various offices and commercial properties. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases of the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfillment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 9). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where appropriate.

(ad) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

Government grants relating to property, plant and equipment and intangible assets are charged against carrying amount of related assets or recognised as deferred income. If it is recognised as deferred income, it will credit to the relevant assets when it is ready for use and included in profit or loss over the useful life of related assets.

(ae) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation of fees recognised.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial information and the new accounting policies that have been first applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the year ended 31 December 2018. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(ab).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.00%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Measurement of lease liabilities

The recognised lease liabilities are classified as below:

	2019 RMB million
Operating lease commitments disclosed as at 31 December 2018	2,391
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,272
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(461)
Lease liability recognised as at 1 January 2019	1,811
Of which are:	
Current lease liabilities	712
Non-current lease liabilities	1,099
	1,811

(iii) Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as at 31 December 2019 and 1 January 2019, respectively.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy resulted from the adoption of HKFRS16 affected the following items in the balance sheet on 1 January 2019:

At 1 January 2019	Land used rights RMB million	Right-of-use assets RMB million	Lease liabilities RMB million
Opening balance — as previously reported	9,466	–	–
Reclassify from land use rights to right-of-use assets	(9,466)	9,466	–
Recognised lease liabilities and right-of-use assets	–	1,811	1,811
Opening balance — as restated	–	11,277	1,811

There was no impact on the Group's retained earnings as at 1 January 2019 as a result of the adoption of HKFRS 16.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, FVOCI, FVPL, trade and other payables, derivative financial liabilities and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2019, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Monetary assets		
— HK$	**19,714**	5,145
— US$	**13,709**	17,819
— EURO	**973**	14
— Others	**632**	344
	35,028	23,322
Monetary liabilities		
— HK$	**37,971**	37,219
— US$	**162,706**	112,175
	200,677	149,394

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Net foreign exchange gain included in other gains	**621**	585
Exchange losses on foreign currency borrowing included in finance costs — net	**(4,022)**	(6,244)
Total net foreign exchange losses recognised in profit before income tax for the year	**(3,401)**	(5,659)

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 2% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 2% change in foreign currency rates. If there is a 2% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	31 December	
	2019	2018
	RMB million	RMB million
2% appreciation in RMB against HK$	**274**	481
2% depreciation in RMB against HK$	**(274)**	(481)
2% appreciation in RMB against US$	**2,235**	1,415
2% depreciation in RMB against US$	**(2,235)**	(1,415)
2% appreciation in RMB against EUR$	**(15)**	—
2% depreciation in RMB against EUR$	**15**	—

(ii) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2019, if interest rate on borrowings at variable rates had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2019 would decrease/increase by approximately RMB1,021 million (2018: decrease/increase by approximately RMB915 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with bank.

The carrying amounts of trade and other receivables, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

The Group has policies in place to ensure that credit sales are made to customers with an sufficient financial strength and appropriate percentage of down payment. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers and follow up action is taken to recover overdue debts, if any.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 37. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover the amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iii) Credit risk (Continued)

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

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

The loss allowance provision of trade receivables as at 31 December 2019 is set out in note 13.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iii) Credit risk (Continued)

Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

Management considered other receivables from third parties and related parties to be low credit risk as they have a low risk of default and a strong capacity to meet its contractual cash flow obligations in the near term.

The expected loss rate of other receivables which are deposit in nature, such as deposits for acquisition of land use right, construction projects and borrowings, is assessed to be near to zero and no loss allowance provision is made for these deposits during the period.

To measure the expected credit losses of other receivables other than deposits, other receivables excluding deposits have been grouped based on shared credit risk characteristics and the days past due.

Loss allowance provision movement

As at 31 December 2019, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	**Other receivables** RMB million	**Total** RMB million
Balance as at 1 January 2018	139	1,436	1,575
Provision for loss allowance recognised in profit or loss for the year	35	102	137
Balance as at 31 December 2018	174	1,538	1,712
Provision for loss allowance recognised in profit or loss for the year	(10)	204	194
Balance as at 31 December 2019	164	1,742	1,906

(iv) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iv) Liquidity risk (Continued)

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the year ended 31 December 2019. As at 31 December 2019, the Group's total borrowings stood at RMB799,895 million. During the year ended 31 December 2019 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

— On 25 January 2019, the Group issued 7.00%, 18-month senior notes with an aggregated principal amount of US$1,100 million at 98.627% of the face value, 6.25%, 30-month senior notes with an aggregated principal amount of US$875 million at 93.096% of the face value and 8.25%, 42-month senior notes with an aggregated principal amount of US$1,025 million at 94.054% of the face value.

— On 6 March 2019, the Group issued 9.0%, two-year senior notes with an aggregated principal amount of US$600 million at the face value.

— On 11 April 2019, the Group issued 9.50%, three-year senior notes with an aggregated principal amount of US$1,450 million, 10.0%, 4-year senior notes with an aggregated principal amount of US$850 million and 10.5%, 5-year senior notes with an aggregated principal amount of US$700 million.

— On 6 May 2019, the Group issued 6.27%, four-year public PRC corporate bonds with an aggregated principal amount of RMB15,000 million at 100% of the face value, and 6.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

— On 24 May 2019, 30 July 2019, 24 September 2019, 18 December 2019 and 19 December 2019, the Company issued 8.90%, 2-year senior notes with an aggregated principal amount of US$1,050 million at 100% of the face value.

— On 8 January 2020, the Group issued 6.98%, three-year public PRC corporate bonds with an aggregated principal amount of RMB4,500 million at 100% of the face value.

— On 22 January 2020, the Group issued 11.50%, three-year senior notes with an aggregated principal amount of US$1,000 million, and 12.00%, four-year senior notes with an aggregated principal amount of US$1,000 million.

— On 24 January 2020, the Group issued 11.50%, 33 month senior notes with an aggregated principal amount of US$2,000 million, and 12.00%, 45 month senior notes with an aggregated principal amount of US$2,000 million.

— During the year, the Group obtained capital contribution from non-controlling interest totaling RMB46,932 million.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iv) Liquidity risk (Continued)

Except for the aforementioned recent developments, the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2019 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscount cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2019					
Borrowings	**425,486**	**234,608**	**211,389**	**40,587**	**912,070**
Trade and other payables*	**690,910**	**948**	**3,147**	**42**	**695,047**
	1,116,396	**235,556**	**214,536**	**40,629**	**1,607,117**
At 31 December 2018					
Borrowings	363,339	204,889	151,069	51,934	771,231
Trade and other payables*	533,511	1,800	—	—	535,311
	896,850	206,689	151,069	51,934	1,306,542

* Excluding staff welfare benefit payable, other taxes payable and deferred income from government grants.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factor (Continued)

(iv) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 37). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Group makes for its cooperation parties and joint ventures' bank borrowings (note 37). Such guarantees terminate upon the repayment of relevant bank borrowings.

The Group considers that it is more likely than not that no amount will be payable under the arrangement.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2019 and 2018 were as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Total borrowings (note 23)	**799,895**	673,142
Total assets	**2,206,577**	1,880,028
Gearing ratio	**36.3%**	35.8%

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

(i) The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2019				
Assets				
FVOCI	**734**	**—**	**853**	**1,587**
FVPL	**265**	**—**	**8,661**	**8,926**
Total assets	**999**	**—**	**9,514**	**10,513**
Liabilities				
Derivative financial liabilities	**—**	**2,183**	**2,483**	**4,666**
At 31 December 2018				
Assets				
FVOCI	633	—	937	1,570
FVPL	1,173	—	8,965	10,138
Total assets	1,806	—	9,902	11,708
Liabilities				
Derivative financial liabilities	—	2,807	2,840	5,647

The carrying amount of trade and other receivables and the carrying amount of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Assessment of net realisable value of properties under development and completed properties held for sale

As at 31 December 2019, the carrying amounts of properties under development and completed properties held for sale amounted to RMB1,198,388 million (2018: RMB971,802 million) and RMB129,073 million (2018: RMB121,971 million) respectively, which in total accounted for approximately 60% (2018: 58%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB2,325 million as at 31 December 2019 (2018: RMB1,496 million).

(b) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in note 9.

(c) Fair value of derivative financial liability of share compensation arrangement

The Group assesses the fair value of its derivative financial liability by reference to valuation performed by the independent and professional qualified valuer. Binomial Lattice Model approach is used for valuation of the fair value of derivative financial liability and it is dependent on certain key assumptions that required significant management judgement. These include the fair value of properties under development, completed properties held for sale, properties for self-use and investment properties, the revenue growth rates and the probability of Proposed Reorganisation (note 24(a)) not being completed by the defined date. The valuation of completed properties held for sale and properties for self-use were prepared under the direct comparison approach making reference to fair market prices, and the valuation of properties under development was prepared under the residual approach using fair market price less estimated costs to completion, anticipated developer's profit margin and selling expenses. Detailed disclosure of the valuation of investment properties is made in note 9.

The change of the aforesaid key assumptions may lead to significant difference of the fair value estimation of financial liability.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(d) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

6 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include new energy vehicle business, hotel operations, internet business, health industry business and investment business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains or losses on FVPL, fair value gains or losses on derivative financial liabilities, dividend income of FVOCI and finance costs are not included in the result for each operating segment.

Revenue for the year ended 31 December 2019 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Sales of properties	**464,568**	452,764
Rental income	**1,364**	1,178
Property management services	**4,375**	4,067
Other businesses	**7,254**	8,187
	477,561	466,196

6 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2019 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	464,568	1,729	6,734	38,438	511,469
Inter-segment revenue	—	(365)	(2,359)	(31,184)	(33,908)
Revenue	464,568	1,364	4,375	7,254	477,561
Revenue from contracts with customers					
— Recognised at a point in time	464,568	—	—	3,958	468,526
— Recognised over time	—	—	4,375	3,296	7,671
Revenue from other sources					
— Rental income	—	1,364	—	—	1,364
Share of post-tax profits of associates	35	—	—	4,521	4,556
Share of post-tax losses of joint ventures	(163)	—	—	(1,426)	(1,589)
Segment results	97,754	2,807	651	(3,220)	97,992
Impairment losses on financial assets					(194)
Dividend income of FVOCI					19
Losses on FVPL					(1,863)
Gains on derivative financial liabilities					981
Finance costs, net					(22,763)
Profit before income tax					74,172
Income tax expenses					(40,630)
Profit for the year					33,542
Depreciation and amortisation	1,701	—	15	2,654	4,370
Fair value gains on investment properties	—	1,516	—	—	1,516

6 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2018 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	452,764	1,510	5,710	34,871	494,855
Inter-segment revenue	—	(332)	(1,643)	(26,684)	(28,659)
Revenue	452,764	1,178	4,067	8,187	466,196
Revenue from contracts with customers					
— Recognised at a point in time	452,764	—	—	5,227	457,991
— Recognised over time	—	—	4,067	2,960	7,027
Revenue from other sources					
— Rental income	—	1,178	—	—	1,178
Share of post-tax profits of associates	163	—	—	93	256
Share of post-tax losses of joint ventures	(337)	—	—	(793)	(1,130)
Segment results	139,347	2,528	712	(1,910)	140,677
Impairment losses on financial assets					(137)
Gains on FVPL					51
Gains on derivative financial liabilities					797
Finance costs, net					(14,623)
Profit before income tax					126,765
Income tax expenses					(60,218)
Profit for the year					66,547
Depreciation and amortisation	1,216	—	14	1,383	2,613
Fair value gains on investment properties	—	1,343	—	—	1,343

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2019 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,843,001	162,556	3,277	169,387	2,178,221
Unallocated assets					28,356
Total assets					2,206,577
Segment assets include:					
Interest in associates	5,139	—	—	47,263	52,402
Interest in joint ventures	14,624	—	—	20,785	35,409
Segment liabilities	842,781	—	4,638	4,751	852,170
Unallocated liabilities					995,870
Total liabilities					1,848,040
Capital expenditure	1,490	2,025	13	28,104	31,632

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 31 December 2018 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,602,712	162,322	2,868	84,913	1,852,815
Unallocated assets					27,213
Total assets					1,880,028
Segment assets include:					
Interest in associates	2,256	—	—	29,447	31,703
Interest in joint ventures	14,816	—	—	20,527	35,343
Segment liabilities	700,634	—	4,214	36,594	741,442
Unallocated liabilities					829,960
Total liabilities					1,571,402
Capital expenditure	212	12,241	25	11,721	24,199

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, land use rights, properties under development, completed properties held for sale, receivables, contract acquisition costs, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, FVOCI and FVPL.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial liabilities.

6 SEGMENT INFORMATION (Continued)

Capital expenditure comprises additions to property, plant and equipment, investment properties, right-of-use assets, land use rights and intangible assets.

Reportable segment assets are reconciled to total assets as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Segment assets	**2,178,221**	1,852,815
Unallocated:		
Income tax recoverable	**12,167**	11,116
Deferred income tax assets	**5,676**	4,389
FVOCI	**1,587**	1,570
FVPL	**8,926**	10,138
Total assets per consolidated balance sheet	**2,206,577**	1,880,028

Reportable segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Segment liabilities	**852,170**	741,442
Unallocated:		
Current income tax liabilities	**130,543**	101,272
Deferred income tax liabilities	**60,766**	49,899
Borrowings	**799,895**	673,142
Derivative financial liabilities	**4,666**	5,647
Total liabilities per consolidated balance sheet	**1,848,040**	1,571,402

No material revenues are derived from any single external customer (2018: none).

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, Fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2018						
Opening net book amount	14,771	858	1,457	5,169	10,643	32,898
Additions	1,176	226	131	406	3,041	4,980
Acquisition of subsidiaries	1,686	1	23	4	—	1,714
Transfer from construction in progress to Property, plant and equipment	1,109	15	—	373	(1,497)	—
Transfer from properties under development	—	—	—	—	3,712	3,712
Disposals	(31)	(77)	(57)	(225)	—	(390)
Depreciation	(858)	(90)	(280)	(892)	—	(2,120)
Closing net book amount	17,853	933	1,274	4,835	15,899	40,794
At 31 December 2018						
Cost	21,124	1,266	2,525	8,505	15,899	49,319
Accumulated depreciation	(3,271)	(333)	(1,251)	(3,670)	—	(8,525)
Net book amount	17,853	933	1,274	4,835	15,899	40,794
Opening net book amount	**17,853**	**933**	**1,274**	**4,835**	**15,899**	**40,794**
Additions	**146**	**221**	**1,035**	**278**	**10,955**	**12,635**
Acquisition of subsidiaries (note 41)	**2,213**	**982**	**2**	**248**	**2,258**	**5,703**
Transfer from construction in progress to property, plant and equipment	**2,131**	**573**	**—**	**478**	**(3,182)**	**—**
Transfer from construction in progress to investment properties	**—**	**—**	**—**	**—**	**(171)**	**(171)**
Disposals	**(37)**	**(13)**	**(188)**	**(34)**	**—**	**(272)**
Depreciation	**(1,065)**	**(209)**	**(297)**	**(1,308)**	**—**	**(2,879)**
Currency difference	**1**	**(13)**	**—**	**—**	**—**	**(12)**
Closing net book amount	**21,242**	**2,474**	**1,826**	**4,497**	**25,759**	**55,798**
At 31 December 2019						
Cost	**25,566**	**2,985**	**2,971**	**9,423**	**25,759**	**66,704**
Accumulated depreciation	**(4,324)**	**(511)**	**(1,145)**	**(4,926)**	**—**	**(10,906)**
Net book amount	**21,242**	**2,474**	**1,826**	**4,497**	**25,759**	**55,798**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Cost of sales	**951**	656
Selling and marketing costs	**253**	266
Administrative expenses	**1,675**	1,198
	2,879	2,120

During the year ended 31 December 2019, the Group capitalised borrowing costs amounting to RMB1,556 million (2018: RMB822 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.63% (2018: 8.11%).

As at 31 December 2019, property, plant and equipment of RMB4,831 million (2018: RMB5,042 million) were pledged as collateral for the Group's bank borrowings (note 23).

8 RIGHT-OF-USE ASSETS/LAND USE RIGHTS

(a) Right-of-use assets

	Year ended 31 December 2019		
	Land use rights	**Lease properties**	**Total**
	RMB million	**RMB million**	**RMB million**
Opening net book amount as at 1 January 2019	**—**	**—**	**—**
Adjustment for change in accounting policy (note 3)	**9,466**	**1,811**	**11,277**
Additions	**2,056**	**379**	**2,435**
Acquisition of subsidiaries (note 41)	**632**	**245**	**877**
Disposal	**(28)**	**—**	**(28)**
Amortisation	**(277)**	**(731)**	**(1,008)**
Closing net book amount	**11,849**	**1,704**	**13,553**

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel buildings, self-use buildings and self-operating properties over fixed periods.

8 RIGHT-OF-USE ASSETS/LAND USE RIGHTS (Continued)

(b) Land use rights

	Year ended 31 December 2018 RMB million
Opening net book amount	7,935
Additions	553
Transfer from properties under development	1,244
Amortisation	(266)
Closing net book amount	9,466

9 INVESTMENT PROPERTIES

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Opening net book amount	**162,322**	151,950
Additions	**355**	12,241
Acquisition of subsidiaries (note 41)	**1,492**	37
Disposals	**(3,314)**	(2,977)
Disposals of subsidiaries	**(207)**	(807)
Transfer from property, plant and equipment	**178**	—
Fair value gains on investment properties, net	**1,516**	1,343
Currency translation differences	**214**	535
Closing net book amount	**162,556**	162,322
Comprise of:		
Completed	**140,039**	135,709
Under construction	**22,517**	26,613

As at 31 December 2019, investment properties of RMB9,786 million (2018: RMB13,003 million) were pledged as collateral for the Group's borrowings (note 23).

The capitalisation rate of borrowing costs for the year ended 31 December 2019 was 8.63% (2018: 8.11%).

9 INVESTMENT PROPERTIES (Continued)

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

(b) Valuation techniques

Valuations were based on either:

(i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

(iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs.

There were no changes to the valuation techniques during the year.

9 INVESTMENT PROPERTIES (Continued)

(c) Information about fair value measurements using significant unobservable inputs (level 3)

	Property category	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	**26,744**	Income capitalisation	Terminal yield	2.10%–6.00%
				Reversionary yield	2.10%–6.00%
				Capitalisation rates	2.10%–6.00%
				Expected vacancy rate	0.00%–20.00%
				Monthly rental (RMB/ square meter/month)	23–830
		65,841	Direct comparison	Market price (RMB/ square meter)	3,000–88,000
	Car park	**47,454**	Direct comparison	Market price (RMB/ per car park)	60,000–450,000
Investment properties under construction	Commercial properties	**21,231**	Residual method	Market price (RMB/ square meter)	4,500–67,700
				Budgeted cost (RMB/ square meter)	1,269–25,059
				Anticipated developer's profit margin	5.00%–15.00%
	Car park	**1,286**	Residual method	Market price (RMB/ per car park)	95,100–154,800
				Budgeted cost (RMB/ square meter)	563–2,374
				Anticipated developer's profit margin	2.00%–10.00%

9 INVESTMENT PROPERTIES (Continued)

(c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Property category	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	12,933	Income capitalisation	Terminal yield	4.00%–5.75%
				Reversionary yield	4.00%–5.75%
				Capitalisation rates	4.00%–5.75%
				Expected vacancy rate	0.00%–15.00%
				Monthly rental (RMB/ square meter/month)	35–740
		72,746	Direct comparison	Market price (RMB/ square meter)	3,121–150,000
	Car park	50,030	Direct comparison	Market price (RMB/ per car park)	60,000–530,000
Investment properties under construction	Commercial properties	24,406	Residual method	Market price (RMB/ square meter)	4,500–57,700
				Budgeted cost (RMB/ square meter)	959–18,249
				Anticipated developer's profit margin	5.00%–15.00%
	Car park	2,207	Residual method	Market price (RMB/ per car park)	99,000–161,700
				Budgeted cost (RMB/ square meter)	476–2,371
				Anticipated developer's profit margin	2.00%–10.00%

9 INVESTMENT PROPERTIES (Continued)

(c) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

(d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Rental income	**1,364**	1,178
Direct operating expenses arising from investment properties that generate rental income	**(137)**	(99)

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Not later than one year	**1,313**	1,340
Later than one year and not later than five years	**1,180**	868
Later than five years	**717**	666
	3,210	2,874

During the years ended 31 December 2019 and 2018, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

10 GOODWILL

	Year ended 31 December 2019 RMB million	2018 RMB million
Opening net book amount	**1,595**	1,402
Acquired from business combination (note 41)	**6,193**	193
Closing book amount	**7,788**	1,595

11 INTANGIBLE ASSETS

	Research and development costs RMB million	Patent, proprietary technology and franchise rights RMB million	Others RMB million	Total RMB million
Years ended 31 December 2019				
Cost	2,897	5,251	405	8,553
Accumulated amortisation and impairment	(123)	(339)	(131)	(593)
Net book amount	2,774	4,912	274	7,960
Opening net book amount	—	187	237	424
Acquired from business combination (note 41)	2,036	4,954	48	7,038
Additions	861	286	122	1,269
Disposals	—	(19)	(92)	(111)
Amortisations	(123)	(319)	(41)	(483)
Impairment	—	(175)	—	(175)
Currency difference	—	(2)	—	(2)
Closing book amount	2,774	4,912	274	7,960

11 INTANGIBLE ASSETS (Continued)

	Research and development costs RMB million	Patent, proprietary technology and franchise rights RMB million	Others RMB million	Total RMB million
Years ended 31 December 2018				
Cost	—	249	327	576
Accumulated amortisation	—	(62)	(90)	(152)
Net book amount	—	187	237	424
Opening net book amount	—	113	151	264
Acquired from business combination	—	—	14	14
Additions	—	95	98	193
Disposals	—	(6)	(2)	(8)
Amortisations	—	(15)	(24)	(39)
Closing book amount	—	187	237	424

12 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

(a) Properties under development

	31 December 2019 RMB million	2018 RMB million
Properties under development expected to be completed with one operating cycle included under current assets	**1,198,388**	971,802
Properties under development comprise:		
— Construction costs and capitalised expenditures	**538,799**	369,218
— Interests capitalised	**132,323**	104,341
— Land use rights	**527,266**	498,243
	1,198,388	971,802

12 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (Continued)

(a) Properties under development (Continued)

All the properties under development are expected to be completed within one operating cycle.

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2019, properties under development of approximately RMB369,072 million (2018: RMB337,228 million) were pledged as collateral for the Group's borrowings (note 23).

The capitalisation rate of borrowing costs for the year ended 31 December 2019 is 8.63% (2018: 8.11%)

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC.

As at 31 December 2019, completed properties held for sale of approximately RMB7,718 million (2018: RMB14,408 million) were pledged as collateral for the Group's borrowings (note 23).

During the year ended 31 December 2019, a provision of RMB829 million (2018: RMB462 million) was made to write down the properties under development and completed properties held for sale (note 30).

As at 31 December 2019, write-down of carrying amounts of properties under development and completed properties held for sale amounted to RMB2,325 million (2018: RMB1,496 million).

13 TRADE AND OTHER RECEIVABLES

	31 December	
	2019	2018
	RMB million	RMB million
Trade receivables (a)	**51,303**	37,239
Other receivables (b)	**98,735**	91,931
	150,038	129,170
Less: non-current portion of trade receivables and other receivables	**(6,332)**	(6,029)
Current portion	**143,706**	123,141

13 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

	31 December 2019 RMB million	31 December 2018 RMB million
Trade receivables	**51,467**	37,413
Less: allowance provision for impairment	**(164)**	(174)
Trade receivables — net	**51,303**	37,239
Less: non-current portion	**(6,039)**	(4,722)
Current portion	**45,264**	32,517

During the year ended 31 December 2019, reverse loss of provision of RMB10 million (2018: loss of provision of RMB35 million was made against the gross amount of trade receivables) (note 4(a)(iii)).

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables based on revenue recognition date as at the respective balance sheet dates is as follows:

	31 December 2019 RMB million	31 December 2018 RMB million
Within 90 days	**41,656**	22,339
Over 90 days and within 180 days	**4,928**	3,023
Over 180 days and within 365 days	**3,818**	4,193
Over 365 days	**1,065**	7,858
	51,467	37,413

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

13 TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

	31 December 2019 RMB million	2018 RMB million
Other receivables		
— associates (note 39(b))	**30**	—
— joint ventures (note 39(b))	**27,744**	17,470
— non-controlling interests (note (a))	**17,427**	10,060
— loans to third parties facilitated through internet finance platform (note (b))	**709**	10,862
— third parties (note (c))	**54,567**	55,077
	100,477	93,469
Less: allowance provision for impairment	**(1,742)**	(1,538)
Other receivables — net	**98,735**	91,931
Less: non-current portion	**(293)**	(1,307)
Other receivables — net	**98,442**	90,624

(a) Amounts are unsecured, interest free and repayable on demand.

(b) Amounts represented loans to certain third parties which were facilitated through the internet finance platform.

(c) Amounts mainly represented the deposits for acquisition of land use rights, deposits for construction projects and borrowings, receivables of cooperation parties.

During the year ended 31 December 2019, impairment provision of RMB204 million (2018: RMB102 million) was made against the gross amount of other receivables.

The carrying amounts of the Group's other receivables are denominated in RMB.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximated their carrying amounts.

14 PREPAYMENTS

	31 December 2019 RMB million	2018 RMB million
Prepaid value added taxes and other taxes	**16,208**	13,436
Prepayments to third parties	**116,950**	126,993
— for acquisition of land use rights	**103,123**	97,556
— for acquisition of subsidiaries	**8,989**	25,371
— others	**4,838**	4,066
	133,158	140,429
Less: non-current portion		
— prepayments for acquisition of property, plant and equipment	**(2,697)**	(1,677)
	130,461	138,752

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2019 RMB million	2018 RMB million
Associates	**52,402**	31,703
Joint ventures	**35,409**	35,343
	87,811	67,046

The amounts recognised in profit and loss are as follows:

	Year ended 31 December 2019 RMB million	2018 RMB million
Share of profits of associates	**4,556**	256
Share of losses of joint ventures	**(1,589)**	(1,130)
	2,967	(874)

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates

The movements of the investments in associates are as follows:

	Year ended 31 December 2019 RMB million	2018 RMB million
Balance as at 1 January	**31,703**	13,372
Additions	**16,133**	30,290
— Shengjing Bank Co., Ltd (note (a))	**13,200**	—
— Smart King Limited (note (b))	**—**	13,044
— others	**2,933**	17,246
Acquisition of subsidiaries (note 41)	**172**	—
Disposals	**—**	(11,989)
— Smart King Limited	**—**	(11,986)
— others	**—**	(3)
Dividend declared	**(163)**	(226)
Share of post-tax profits of associates	**4,556**	256
— Shengjing Bank Co., Ltd (note (i))	**905**	886
— Smart King Limited (note (b))	**—**	(1,058)
— Negative goodwill and impairment loss, net (note (a))	**3,612**	—
— others	**39**	428
Other comprehensive loss	**1**	—
Balance as at 31 December	**52,402**	31,703

Note (a):

Shengjing Bank Co., Ltd ("Shengjing Bank") is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlements, treasury businesses and etc. On 28 November 2019, Shengjing bank issued 2,200,000,000 domestic shares at a price of RMB6.0 per share and 800,000,000 H shares at a price of HK$6.8 (equivalent to approximately RMB6.0) per H Share ("Share Issuance").

The Group subscribed 2,200,000,000 domestic shares of Shengjing Bank ("New Shares Subscription") at a price of RMB6.0 per share with a total consideration of RMB13,200 million. Before the New Shares Subscription, the Group held 1,001,680,000 domestic shares of Shengjing Bank ("Original Investment"), representing approximately 17.28% equity interest of Shengjing Bank. After the New Shares Subscription, the Group held totally 3,201,680,000 domestic shares of Shengjing Bank, representing approximately 36.40% equity interest of Shengjing Bank.

The Group recognised a negative goodwill of RMB7,151 million for the New Shares Subscription due to the consideration of New Shares Subscription was lower than the equity interest in fair value of identifiable net assets of Shengjing Bank after Share Issuance; and recognised an impairment loss of RMB3,539 million due to the Original Investment was higher than its recoverable amount.

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Note (b):

The Group acquired 45% equity interest of Smart King Limited at a consideration of US$ 2,000 million (equivalent to approximately RMB13,044 million), of which RMB5,688 million was paid in July 2018. Smart King Limited is engaged in the research, development and production of battery electric vehicle. After certain arbitrations and litigations and as per the restructuring agreement on 31 December 2018, the Group owns 32% of preference shares of Smart King Limited with a call option granted to the original shareholder exercisable for a period within the next five years. The investment was reclassified to financial assets at fair value through profit or loss at RMB3,980 million(note 17). The Group recognised a share of post-tax loss of RMB1,058 million and disposal loss of RMB138 million in 2018, respectively.

Set out below is the summarised financial information for the associate that is material to the Group.

(i) Shengjing Bank Co., Ltd

Summarised balance sheet

	31 December	
	2019	2018
	RMB million	RMB million
Cash and balances with central bank	**90,533**	97,574
Other assets	**934,707**	894,540
Total assets	**1,025,240**	992,114
Financial liabilities	**933,617**	924,710
Other liabilities	**9,682**	3,693
Total liabilities	**943,299**	928,403
Net assets	**81,941**	63,711
Net assets attributable to:		
Shareholders of the Shengjing Bank	**81,375**	63,140
Non-controlling interests	**566**	571
	81,941	63,711

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(i) Shengjing Bank Co., Ltd (Continued)

Summarised statement of comprehensive income

	Year ended 31 December 2019 RMB million	2018 RMB million
Interest income	**44,944**	42,805
Interest expenses	**(28,594)**	(30,388)
Profit before tax	**5,868**	5,539
Income tax expense	**(636)**	(413)
Profit for the year	**5,232**	5,126
Other comprehensive loss	**—**	—
Total comprehensive income	**5,232**	5,126
Total comprehensive income attributable to:		
Shareholders of the Shengjing Bank	**5,237**	5,129
Non-controlling interests	**(5)**	(3)
	5,232	5,126
Share of post-tax profits of Shengjing Bank	**905**	886

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(i) Shengjing Bank Co., Ltd (Continued)

Reconciliation of summarised financial information

	Year ended 31 December 2019 RMB million	2018 RMB million
Net assets as at 1 January	**63,140**	59,057
Profit for the year	**5,237**	5,126
Dividend	**(696)**	(1,043)
Others (i)	**13,694**	—
Net assets as at 31 December	**81,375**	63,140
Interest in the associate	**29,621**	10,911
Goodwill	**—**	1,210
Carrying value	**29,621**	12,121

(i) Amounts mainly represented the net impact of capital injection from Share Issuance and impairment loss of intangible assets.

There are no contingent liabilities or commitment relating to the Group's interest in the associates.

(b) Investments in joint ventures

The movements of the interests in joint ventures are as follows:

	Year ended 31 December 2019 RMB million	2018 RMB million
Balance as at 1 January	**35,343**	17,004
Additions (note a)	**4,405**	19,541
Acquisition of subsidiaries (note 41)	**24**	—
Dividend declared	**—**	(115)
Disposals	**(2,801)**	(38)
Share of post-tax losses of joint ventures	**(1,589)**	(1,130)
Other comprehensive income	**27**	81
Balance as at 31 December	**35,409**	35,343

Note a The additions during the year mainly included the investments in a number of property development companies newly established.

Set out below is the summarised financial information for the joint venture that is material to the Group.

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

(i) Evergrande Life Insurance Co., Ltd.

Evergrande Life Insurance Co., Ltd. ("Evergrande Life Insurance") is engaged in insurance business, including life insurance, health insurance and etc. The Group made additional capital injections of RMB3,000 million and RMB9,000 million to Evergrande Life Insurance in 2015 and 2016, respectively. Pursuant to the resolutions of shareholders' meeting of Evergrande Life Insurance, all shareholders agreed that the additional capital injections by the Group are only attributable to the Group and other shareholders will not share the capital surplus.

The Group held 50% equity interest of Evergrande Life Insurance.

Summarised consolidated balance sheet

	31 December	
	2019	2018
	RMB million	RMB million
Cash and cash equivalents	**19,244**	2,797
Other assets	**174,275**	122,591
Total assets	**193,519**	125,388
Financial liabilities (excluding insurance liabilities)	**13,302**	2,360
Other liabilities (including insurance liabilities)	**158,776**	103,114
Total liabilities	**172,078**	105,474
Net assets	**21,441**	19,914
Net assets attributable to:		
Shareholders of the Evergrande Life Insurance	**21,432**	19,906
Non-controlling interests	**9**	8
	21,441	19,914

15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investment in joint ventures (Continued)

(i) Evergrande Life Insurance Co., Ltd. (Continued)

Summarised consolidated statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Revenue	**36,760**	36,196
Profit before tax	**1,500**	1,572
Income tax expenses	**(26)**	(6)
Profit for the year	**1,474**	1,566
Other comprehensive income	**54**	123
Total comprehensive income	**1,528**	1,689
Total comprehensive income attributable to:		
Shareholders of the Evergrande Life Insurance	**1,526**	1,689
Non-controlling interests	**2**	—
	1,528	1,689
Share of post-tax profits of Evergrande Life Insurance	**736**	783
Share of other comprehensive income of Evergrande Life Insurance	**27**	62

Reconciliation of summarised financial information

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Net assets as at 1 January	**19,906**	18,217
Profit for the year	**1,472**	1,566
Other comprehensive income	**54**	123
Net assets as at 31 December	**21,432**	19,906
Interest in the Joint Venture	**16,721**	15,958
Goodwill	**879**	879
Carrying value	**17,600**	16,837

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Balance as at 1 January	1,570	—
Reclassified from available-for-sale financial assets	—	5,786
Additions	—	46,308
Disposals	—	(50,012)
Net fair value gains/(losses) recognised in equity	17	(512)
Balance as at 31 December	1,587	1,570

FVOCI include the following:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Listed equity securities	734	633
Unlisted equity investments	853	937
	1,587	1,570

As at 31 December, FVOCI are denominated in US$ and RMB.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Balance as at 1 January	**10,138**	3,150
Reclassified from available-for-sale financial assets	**—**	279
Additions	**7,925**	8,189
— Smart King Limited (note (15)(b))	**—**	3,980
— Others	**7,925**	4,209
Acquisition of subsidiaries (note 41)	**98**	—
Fair value (losses)/gains	**(1,863)**	51
Disposals	**(7,372)**	(1,531)
Balance as at 31 December	**8,926**	10,138
Less: non-current portion	**(8,005)**	(8,965)
	921	1,173

FVPL include the following:

	31 December	
	2019	2018
	RMB million	RMB million
Listed equity securities	**265**	1,173
Unlisted equity investments	**8,661**	8,965
	8,926	10,138

As at 31 December 2019 and 2018, the listed equity securities of FVPL represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange Limited (the "Shanghai Stock Exchange"), the Shenzhen Stock Exchange Limited (the "Shenzhen Stock Exchange") and the Stock Exchange, which are quoted in an active market.

As at 31 December 2019, the unlisted equity investments of FVPL mainly represented the Group's equity investment in certain high technology and media companies, and the fair value of these investments has been determined by reference to the valuation carried out by independent and professionally qualified valuers.

Changes in fair values of these investments are recorded in "Fair value losses on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

18 FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated balance sheet

	31 December 2019 RMB million	2018 RMB million
At amortised cost		
Loans and receivables		
— Trade and other receivables	**150,038**	129,170
— Restricted cash	**78,711**	74,845
— Cash and cash equivalents	**150,056**	129,364
	378,805	333,379
At fair value		
— FVPL	**8,926**	10,138
— FVOCI	**1,587**	1,570
	389,568	345,087

Liabilities as per consolidated balance sheet

	31 December 2019 RMB million	2018 RMB million
At amortised cost		
Other financial liabilities		
— Borrowings	**799,895**	673,142
— Trade and other payables excluding other taxes, payroll payable and deferred income from government grants	**693,756**	534,825
	1,493,651	1,207,967
At fair value		
— Derivative financial liabilities	**4,666**	5,647
	1,498,317	1,213,614

19 RESTRICTED CASH

The restricted cash is denominated in the following currencies:

	31 December 2019 RMB million	2018 RMB million
— Denominated in RMB	**78,330**	74,326
— Denominated in other currencies	**381**	519
	78,711	74,845

The Group's restricted cash mainly comprised of guarantee deposits for construction of pre-sale properties and guarantee deposits for bank acceptance notes and loans.

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

20 CASH AND CASH EQUIVALENTS

	31 December 2019 RMB million	2018 RMB million
Cash at bank and in hand:		
— Denominated in RMB	**128,832**	119,258
— Denominated in other currencies	**21,224**	10,106
	150,056	129,364

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

21 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares Share	Nominal value of ordinary shares US$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2018	13,168,259,900	131,682,599	928	342	1,270
Issuance of shares pursuant to the option scheme	110,332,000	1,103,320	7	361	368
Repurchase of shares	(160,528,000)	(1,605,280)	(11)	(422)	(433)
As at 31 December 2018	13,118,063,900	131,180,639	924	281	1,205
As at 1 January 2019	**13,118,063,900**	**131,180,639**	**924**	**281**	**1,205**
Issuance of shares pursuant to the option scheme	**108,124,000**	**1,081,240**	**8**	**362**	**370**
As at 31 December 2019	**13,226,187,900**	**132,261,879**	**932**	**643**	**1,575**

22 RESERVES

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserves RMB million	Total RMB million
Balance at 1 January 2018	(986)	44,989	11,763	899	293	334	57,292
Change in accounting policy	–	82	–	–	–	–	82
Restated balance at 1 January 2018	(986)	45,071	11,763	899	293	334	57,374
Revaluation of FVOCI	–	(234)	–	–	–	–	(234)
Retained earnings appropriated to statutory reserves	–	–	9,895	–	–	–	9,895
Changes in ownership interests in subsidiaries without change of control	–	(2,997)	–	–	–	–	(2,997)
Issuance of shares pursuant to the option scheme	–	–	–	(76)	–	–	(76)
Employee share option scheme (note (c))	–	–	–	1,679	–	–	1,679
Repurchase of shares	–	–	–	–	11	–	11
Share of other comprehensive income of investments accounted for using the equity method	–	81	–	–	–	–	81
Currency translation differences	–	–	–	–	–	265	265
Balance at 31 December 2018	(986)	41,921	21,658	2,502	304	599	65,998
Balance at 1 January 2019	**(986)**	**41,921**	**21,658**	**2,502**	**304**	**599**	**65,998**
Revaluation of FVOCI	**–**	**(14)**	**–**	**–**	**–**	**–**	**(14)**
Retained earnings appropriated to statutory reserves	**–**	**–**	**5,080**	**–**	**–**	**–**	**5,080**
Changes in ownership interests in subsidiaries without change of control	**–**	**(5,188)**	**–**	**–**	**–**	**–**	**(5,188)**
Issuance of shares pursuant to the option scheme	**–**	**–**	**–**	**(75)**	**–**	**–**	**(75)**
Employee share option scheme (note (c))	**–**	**–**	**–**	**489**	**–**	**–**	**489**
Share of other comprehensive income of investments accounted for using the equity method	**–**	**28**	**–**	**–**	**–**	**–**	**28**
Revaluation gains arising from transfer of construction in progress to investment properties, net of tax	**–**	**7**	**–**	**–**	**–**	**–**	**7**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(192)**	**(192)**
Balance at 31 December 2019	**(986)**	**36,754**	**26,738**	**2,916**	**304**	**407**	**66,133**

22 RESERVES (Continued)

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

(c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the “2010 Options”) were granted to directors and employees with an exercise price of HK$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the “2014 Options”) were granted to directors and employees with an exercise price of HK$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Year ended 31 December	
	2019	2018
Balance at 1 January	**792,974,000**	986,736,000
Exercised during the year	**(108,124,000)**	(110,332,000)
Cancelled and lapsed during the year	**(97,917,000)**	(83,430,000)
Balance at 31 December	**586,933,000**	792,974,000

22 RESERVES (Continued)

Particulars of share options as at 31 December 2019 and 2018 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December 2019	2018
2010 Options:					
18 May 2010	5 years	18 May 2015 – 17 May 2020	HK$2.4	–	1,285,000
2014 Options:					
9 October 2014	4 year	9 October 2018 – 8 October 2023	HK$3.05	–	68,009,000
9 October 2014	5 year	9 October 2019 – 8 October 2024	HK$3.05	45,503,000	86,880,000
2017 Options:					
6 October 2017	1 year	6 October 2018 – 5 October 2023	HK$30.20	48,134,000	56,616,000
6 October 2017	2 year	6 October 2019 – 5 October 2024	HK$30.20	123,324,000	145,046,000
6 October 2017	3 year	6 October 2020 – 5 October 2025	HK$30.20	123,324,000	145,046,000
6 October 2017	4 year	6 October 2021 – 5 October 2026	HK$30.20	123,324,000	145,046,000
6 October 2017	5 year	6 October 2022 – 5 October 2027	HK$30.20	123,324,000	145,046,000
				586,933,000	792,974,000

The weighted average fair value of the aforesaid options granted were determined by reference to valuation prepared by independent valuers, using the Binomial Model.

23 BORROWINGS

	31 December 2019 RMB million	2018 RMB million
Borrowings included in non-current liabilities:		
Senior notes (note (a))	**136,601**	79,912
PRC corporate bonds (note (b))	**45,195**	43,666
Convertible bonds (note (c))	**13,427**	12,704
Other borrowings (note (d))	**232,631**	223,493
Bank borrowings (note (e))	**225,396**	196,650
	653,250	556,425
Less: current portion of non-current borrowings	**(225,524)**	(201,568)
	427,726	354,857
Borrowings included in current liabilities:		
Bank borrowings	**56,596**	59,423
Current portion of non-current borrowings	**225,524**	201,568
— Senior notes (note (a))	**22,637**	—
— PRC corporate bonds (note (b))	**25,253**	26,510
— Other borrowings (note (d))	**93,926**	112,952
— Bank borrowings (note (e))	**83,708**	62,106
Other borrowings	**90,049**	57,294
	372,169	318,285
Total borrowings	**799,895**	673,142
The total borrowings are denominated in the following currencies:		
RMB	**603,225**	529,669
US dollar	**160,802**	110,075
HK dollar	**35,868**	33,398
	799,895	673,142

23 BORROWINGS

(a) Senior notes

	31 December 2018 US$ million	New issuance US$ million	**31 December 2019 US$ million**
Par value			
2017 issued 2021 Notes	598	—	**598**
2017 issued 2023 Notes	1,345	—	**1,345**
2017 issued 2025 Notes	4,681	—	**4,681**
2017 issued 2020 Notes	500	—	**500**
2017 issued 2022 Notes	1,000	—	**1,000**
2017 issued 2024 Notes	1,000	—	**1,000**
2018 issued 2020 Notes	1,565	—	**1,565**
2018 issued 2022 Notes	645	—	**645**
2018 issued 2023 Notes	590	—	**590**
2019 issued 2020 Notes I	—	1,100	**1,100**
2019 issued 2021 Notes I	—	875	**875**
2019 issued 2022 Notes I	—	1,025	**1,025**
2019 issued 2020 Notes II	—	100	**100**
2019 issued 2021 Notes II	—	600	**600**
2019 issued 2022 Notes II	—	1,450	**1,450**
2019 issued 2023 Notes	—	850	**850**
2019 issued 2024 Notes	—	700	**700**
2019 issued 2022 Notes III	—	300	**300**
2019 issued 2021 Notes III	—	1,050	**1,050**
Total	11,924	8,050	**19,974**
Unrecognised financing charges	(281)		**(393)**
Amortised cost — US$	11,642		**19,581**
Amortised cost — RMB	79,912		**136,601**

On 23 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US$500 million (equivalent to approximately RMB3,443 million) at 100% of the face value ("2017 issued 2020 Notes") and 8.25%, five-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2022 Notes").

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value ("2017 issued 2024 Notes").

On 28 June 2017, the Company issued 6.25%, four-year senior notes with an aggregated principal amount of US$598 million (equivalent to approximately RMB4,078 million) at 100% of the face value ("2017 issued 2021 Notes"), 7.5%, six-year senior notes with an aggregated principal amount of US$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value ("2017 issued 2023 Notes") and 8.75%, eight-year senior notes with an aggregated principal amount of US$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value ("2017 issued 2025 Note").

23 BORROWINGS (Continued)

(a) Senior Notes (Continued)

On 6 November 2018 and 19 November 2018, the Group has issued 11.00% two-year senior notes with aggregated principal amount of US$565 million (equivalent to approximately RMB3,874 million) and US$1,000 million (equivalent to approximately RMB6,838 million), respectively, at 100% of the face value ("2018 issued 2020 Notes").

On 6 November 2018 the Group has issued 13.0% four-year senior notes with an aggregated principal amount of US$645 million (equivalent to approximately RMB4,419 million) at 100% of the face value ("2018 issued 2022 Notes"), and 13.75% five-year senior notes with an aggregated principal amount of US$590 million (equivalent to approximately RMB4,042 million) at 100% of the face value ("2018 issued 2023 Notes").

On 25 January 2019, the Company issued 7.00%, 18-month senior notes with an aggregated principal amount of US$1,100 million (equivalent to approximately RMB7,474 million) at 98.627% of the face value ("2019 issued 2020 Notes I"), 6.25% , 30-month senior notes with an aggregated principal amount of US$875 million (equivalent to approximately RMB5,945 million) at 93.096% of the face value ("2019 issued 2021 Notes I"), and 8.25%, 42-month senior notes with an aggregated principal amount of US$1,025 million (equivalent to approximately RMB6,964 million) at 94.054% of the face value ("2019 issued 2022 Notes I").

On 21 February 2019, the Company issued 8.00%, 18-month senior notes with an aggregated principal amount of US$ 100 million (equivalent to approximately RMB672 million) at 100% of the face value ("2019 issued 2020 Notes II").

On 6 March 2019, a subsidiary of the Company issued 9.00%, 2-year senior notes with an aggregated principal amount of US$ 600 million (equivalent to approximately RMB4,023 million) at 100% of the face value ("2019 issued 2021 Notes II").

On 11 April 2019, the Company issued 9.50%, 3-year senior notes with an aggregated principal amount of US$1,450 million (equivalent to approximately RMB9,728 million) at 100% of the face value ("2019 issued 2022 Notes II"), 10.00% , 4-year senior notes with an aggregated principal amount of US$850 million (equivalent to approximately RMB5,702 million) at 100% of the face value ("2019 issued 2023 Notes"), and 10.50%, 5-year senior notes with an aggregated principal amount of US$700 million (equivalent to approximately RMB4,696 million) at 100% of the face value ("2019 issued 2024 Notes").

On 30 April 2019, the Company issued 9.50%, 33-month senior notes with an aggregated principal amount of US$300 million (equivalent to approximately RMB2,019 million) at 100% of the face value ("2019 issued 2022 Notes III").

On 24 May 2019, 30 July 2019, 24 September 2019, 18 December 2019 and 19 December 2019, the Company issued 8.90%, 2-year senior notes with an aggregated principal amount of US$1,050 million (equivalent to approximately RMB7,314 million) at 100% of the face value ("2019 issued 2021 Notes III").

All senior notes contain various early redemption options. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2019 and 2018.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

23 BORROWINGS (Continued)

(b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds ("PRC bonds") with an aggregated principal amount of RMB5,000 million at 100% of the face value. The Group has repaid RMB2,976 million of the bonds in June 2018.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year public PRC bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value. The Group has repaid RMB777 million of the bonds in October 2018 and RMB8,641 million of the bonds in July 2019.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value. The Group has repaid RMB5,482 million of the bonds in January 2018.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value. The Group has repaid RMB1,090 million of the bonds in July 2018 and RMB3,110 million of the bonds in July 2019.

On 6 May 2019, a subsidiary of the Company issued 6.27%, four-year public PRC corporate bonds with an aggregated principal amount of RMB15,000 million at 100% of the face value, and 6.80%, five-year public PRC corporate bonds with an aggregated principal amount of RMB5,000 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB2,500 million issued on 16 October 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2019 and 2018.

23 BORROWINGS (Continued)

(c) Convertible bonds

On 30 January 2018, the Company entered into the Subscription Agreement with certain investment banks, pursuant to which the investment banks have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds (the "Convertible bonds") in an aggregate principal amount of HK$18,000 million at the face value.

The Convertible bonds will be mature in five years from the issuance date with an interest rate of 4.25% per annum, and can be convertible to ordinary shares of the Company at the holder's option at the conversion price of HK$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds' maturity date.

On 14 February 2018 (the "issuance Day"), the Group received the net proceeds from issuance of the Convertible Bonds of HK$17,736 million (equivalent to RMB14,383 million).

The Convertible bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the holders of the Convertible bonds to require the Company to redeem the Convertible bonds; and the fair value of the option of the Company to redeem the Convertible bonds. These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

A valuation on the embedded derivatives of the Convertible bonds has been performed by an independent qualified valuer on 31 December 2019, the binomial model is used in the valuation of the embedded financial derivatives. A fair value gain of RMB624 million was recognised in profit and loss for the year ended 31 December 2019.

(d) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2019, the Group's other borrowings of RMB227,060 million (2018: RMB217,914 million) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totaling RMB343,845 million (2018: RMB303,642 million).

23 BORROWINGS (Continued)

(e) Bank borrowings

As at 31 December 2019, the Group's bank borrowings of RMB241,188 million (2018: RMB240,665 million) were secured by pledge of the Group's property, plant and equipment, right-of-use assets, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interests of certain subsidiaries, totalling RMB300,086 million (2018: RMB262,669 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB million	**6–12 months** RMB million	**1–5 years** RMB million	**Over 5 years** RMB million	**Total** RMB million
At 31 December 2019	106,706	265,463	389,943	37,783	799,895
At 31 December 2018	128,022	228,261	275,019	41,840	673,142

The maturity of the borrowings is as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Bank borrowings, other borrowings, senior notes and PRC bonds:		
Within 1 year	**372,169**	318,285
1–2 years	**206,486**	181,454
2–5 years	**183,457**	128,047
Over 5 years	**37,783**	45,356
	799,895	673,142

The effective interest rates were as follows:

	31 December 2019		31 December 2018	
	RMB million	**Effective weighted average rate**	RMB million	Effective weighted average rate
Bank and other borrowings	**604,672**	**8.85%**	536,860	7.99%
Senior notes	**136,601**	**10.06%**	79,912	8.99%
PRC bonds	**45,195**	**7.08%**	43,666	7.50%
Convertible bonds	**13,427**	**10.71%**	12,704	10.71%

23 BORROWINGS (Continued)

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2019 Carrying amount RMB million	31 December 2019 Fair value RMB million	31 December 2018 Carrying amount RMB million	31 December 2018 Fair value RMB million
Bank and other borrowings	**458,027**	**458,027**	420,143	420,143
Senior notes — public	**126,813**	**120,426**	79,912	71,879
Senior notes — non-public	**9,788**	**9,788**	—	—
PRC bonds — public	**30,125**	**32,665**	16,948	20,174
PRC bonds — non-public	**15,070**	**15,070**	26,718	26,718
Convertible bonds	**13,427**	**12,924**	12,704	10,572

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2019 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2019, the last dealing date of 2019.

The fair value of the public PRC bonds at 31 December 2019 are determined directly by references to the price quotations published by The Shanghai Stock Exchange and Shenzhen Stock Exchange on 31 December 2019, the last dealing date of 2019.

24 DERIVATIVE FINANCIAL LIABILITIES

	31 December 2019 RMB million	31 December 2018 RMB million
Embedded financial derivatives of share compensation arrangement (note (a))	**2,483**	2,840
Embedded financial derivatives of convertible bonds (note 23(c))	**2,183**	2,807
	4,666	5,647

24 DERIVATIVE FINANCIAL LIABILITIES (Continued)

(a) On 3 October 2016, Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate", an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited ("Hengda Real Estate", a wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd. ("Shenzhen Real Estate", a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the "Proposed Reorganisation").

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategy investors (the "First Round SIs"), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017. On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategy investors (the "Second Round SIs"), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

On 6 November 2017, Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan entered into the Third Round Investment Agreements with certain strategy investors (the "Third Round SIs"), pursuant to which the Third Round SIs agreed to inject capital of RMB60,000 million to Hengda Real Estate. The capital contributions of RMB60,000 million have been received by Hengda Real Estate on 7 November 2017.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and the First round SIs and the Second Round SIs have further entered into an amendment agreement (the "Amendment Agreement") on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements, the Amendment Agreement, the Third Round Investment Agreements, and the supplemental investment agreements to First Round SIs and Second Round SIs on 13 January 2020, if the Proposed Reorganisation cannot be completed by 31 January 2021, the SIs have right to:

(i) request Kailong Real Estate to repurchase the SIs' equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Professor Hui Ka Yan should repurchase SIs' equity interest at its original investment cost; or

(ii) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

The above share compensation arrangement constitutes an embedded derivative and has been recognised as a derivative financial liability. The fair value of derivative financial liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach.

A fair value gain of RMB357 million was recognised in profit and loss for the year ended 31 December 2019.

25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December	
	2019	2018
	RMB million	RMB million
Deferred income tax assets to be recovered within 12 months	**(2,349)**	(2,479)
Deferred income tax assets to be recovered after more than 12 months	**(3,327)**	(1,910)
Deferred income tax assets	**(5,676)**	(4,389)
Deferred income tax liabilities to be settled within 12 months	**6,650**	4,715
Deferred income tax liabilities to be settled after more than 12 months	**54,116**	45,184
Deferred income tax liabilities	**60,766**	49,899
	55,090	45,510

The net movements on the deferred taxation are as follows:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
At 1 January	**45,510**	47,684
Change in accounting policy	**—**	(254)
Acquisition of subsidiaries (note 41)	**15,695**	2,586
Tax charged relating to components of other comprehensive income	**4**	(128)
Disposal of subsidiaries	**—**	(1,079)
Recognised in income tax expenses (note 33)	**(6,119)**	(3,299)
At 31 December	**55,090**	45,510

25 DEFERRED INCOME TAX (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of intercompany transactions RMB million	Tax losses RMB million	Temporary difference on recognition of cost of sales and expenses RMB million	Revaluation of financial assets RMB million	Carrying amount of land use right smaller than the tax bases RMB million	Impairment losses on financial assets, write-down of properties under development and held for sale RMB million	Total RMB million
As at 1 January 2018	(1,964)	(1,880)	(1,180)	(308)	(55)	(398)	(5,785)
Change in accounting policy	–	–	–	–	–	(254)	(254)
Disposal of subsidiaries	–	–	32	–	–	–	32
Charged to other comprehensive income	–	–	–	(119)	–	–	(119)
Credited to the income tax expenses	(412)	(1,008)	(149)	–	18	(150)	(1,701)
As at 31 December 2018	(2,376)	(2,888)	(1,297)	(427)	(37)	(802)	(7,827)
As at 1 January 2019	**(2,376)**	**(2,888)**	**(1,297)**	**(427)**	**(37)**	**(802)**	**(7,827)**
Charged to other comprehensive income	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Credited to the income tax expenses	**(341)**	**(938)**	**(528)**	**37**	**2**	**(256)**	**(2,024)**
As at 31 December 2019	**(2,717)**	**(3,826)**	**(1,825)**	**(386)**	**(35)**	**(1,058)**	**(9,847)**

25 DEFERRED INCOME TAX (Continued)

Deferred income tax assets

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred tax assets of RMB6,986 million (2018: RMB5,613 million) in respect of tax losses amounting to RMB27,944 million (2018: RMB22,453 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB million
2020	542
2021	1,558
2022	12,232
2023	6,064
2024	7,548
	27,944

25 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB million	Temporary difference on recognition of fair value gain of investment properties RMB million	Withholding tax on profit to be distributed in future RMB million	Revaluation of financial assets RMB million	Total RMB million
As at 1 January 2018	33,832	17,811	1,809	17	53,469
Acquisition of subsidiaries	2,586	—	—	—	2,586
Disposal of subsidiaries	(1,066)	(45)	—	—	(1,111)
Charged to other comprehensive income	—	—	—	(9)	(9)
(Credited)/charged to the income tax expenses	(1,953)	355	—	—	(1,598)
As at 31 December 2018	33,399	18,121	1,809	8	53,337
As at 1 January 2019	**33,399**	**18,121**	**1,809**	**8**	**53,337**
Acquisition of subsidiaries	**15,695**	**—**	**—**	**—**	**15,695**
Credited to the income tax expenses	**(3,880)**	**(215)**	**—**	**—**	**(4,095)**
As at 31 December 2019	**45,214**	**17,906**	**1,809**	**8**	**64,937**

26 TRADE AND OTHER PAYABLES

	31 December 2019 RMB million	31 December 2018 RMB million
Trade payables — third parties (note (d))	**544,653**	423,648
Other payables:	**139,918**	104,111
— associates (note 39(b))	**457**	—
— joint ventures (note 39(b))	**38,623**	11,204
— shareholders of the company (note 39(b))	**—**	141
— non-controlling interests (note (a))	**12,924**	9,731
— unit holders of consolidated investment entities	**—**	697
— holders of internet finance business products	**709**	10,062
— payables for acquisition of land use rights	**34,847**	31,516
— payables for acquisition of subsidiaries	**7,123**	9,191
— payables for acquisition of associates (note (b))	**5,700**	4,034
— third parties (note (c))	**39,535**	27,535
Accrued expenses	**7,643**	7,066
Payroll payable	**3,374**	2,558
Deferred income from government grants	**1,551**	—
Lease liabilities	**1,542**	—
Other taxes payable	**23,784**	18,473
	722,465	555,856
Less: non-current portion		
Other payables:	**(2,546)**	(1,543)
— non-controlling interests (note (a))	**(2,546)**	—
— payables for acquisition of an associate	**—**	(1,543)
Deferred income from government grants	**(1,551)**	—
Lease liabilities	**(750)**	—
	(4,847)	(1,543)
Current portion	**717,618**	554,313

(a) Amounts included certain cash advances from non-controlling interests of approximately 2,546 million (2018: RMB257 million) which bear average interest at 15% per annum (2018: 10.4%) and are repayable according to respective agreements.

(b) Amounts of RMB4,034 million (2018: RMB4,034 million) represented payable for acquisition of an associate which bear average interest rate at 8.0% per annum and are repayable according the relevant agreement.

26 TRADE AND OTHER PAYABLES (Continued)

(c) Amounts mainly represented value-added-tax received in advance from customers, deposits and temporary receipts.

(d) The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	31 December 2019 RMB million	31 December 2018 RMB million
Within one year	**485,475**	378,322
Over one year	**59,178**	45,326
	544,653	423,648

The trade and other payables are denominated in the following currencies:

	31 December 2019 RMB million	31 December 2018 RMB million
— Denominated in RMB	**718,327**	549,935
— Denominated in other currencies	**4,138**	5,921
	722,465	555,856

27 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December 2019 RMB million	31 December 2018 RMB million
Income tax payables		
— PRC corporate income tax	**65,272**	49,162
— PRC land appreciation tax	**65,271**	52,110
	130,543	101,272

28 OTHER GAINS, NET

	Year ended 31 December 2019 RMB million	2018 RMB million
Gains on disposal of subsidiaries	**1,110**	2,198
Losses on disposal of joint ventures and associates	**(2)**	(138)
Net foreign exchange gains	**621**	585
	1,729	2,645

29 OTHER INCOME

	Year ended 31 December 2019 RMB million	2018 RMB million
Interest income	**4,573**	3,884
Forfeited customer deposits	**943**	766
Gain on disposal of investment properties	**64**	106
Dividend income of FVOCI	**19**	320
Management and consulting service income (note 39(a))	**600**	1,100
Others	**798**	518
	6,997	6,694

30 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Cost of properties sold — including construction costs, land costs and interest costs	**331,575**	285,890
Tax and other levies	**2,300**	2,590
Employee benefit expenses (note 31)	**19,046**	16,649
Employee benefit expenditure — including directors' emoluments	**27,241**	24,221
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(8,195)**	(7,572)
Advertising expenses	**9,876**	7,943
Sales commissions	**5,915**	3,401
Depreciation	**2,879**	2,120
Amortisation	**1,491**	493
Auditors' remunerations	**44**	38
— Audit services	**38**	35
— Non-audit services	**6**	3
Short-term and low value lease expenses	**476**	—
Operating lease expenses	**—**	617
Write-down of properties held for sale	**829**	462
Impairment losses on financial assets	**194**	137
Donations	**3,104**	3,793

31 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Wages, salaries and bonus	**21,852**	17,569
Pension costs — statutory pension (note (a))	**1,722**	1,736
Staff welfare	**2,201**	1,955
Medical benefits	**800**	750
Employee share option schemes	**666**	2,211
	27,241	24,221
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(8,195)**	(7,572)
	19,046	16,649

(a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Gross scheme contributions	**1,722**	1,736

31 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals

During the year ended 31 December 2019, the five highest paid individuals include 2 directors (2018: 2), whose emoluments are reflected in the analysis presented in note 44. The aggregate amounts of emoluments of the other 3 highest paid individuals for the year ended 31 December 2019 (2018:3) are set out below:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Salaries and other benefits	**187**	95

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
HK$20,000,000 to HK$30,000,000	**1**	2
HK$30,000,000 to HK$40,000,000	**1**	—
HK$50,000,000 to HK$60,000,000	**—**	1
HK$120,000,000 to HK$130,000,000	**1**	—

During the year ended 31 December 2019, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: nil).

32 FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Interest expenses		
— Bank and other borrowings	**51,395**	48,381
— Senior notes	**11,916**	5,105
— Convertible bonds	**1,359**	1,097
— PRC bonds	**3,770**	3,344
— Less: interest capitalised	**(50,924)**	(49,935)
	17,516	7,992
Exchange losses from borrowings	**4,022**	6,244
Other finance costs	**1,225**	387
	22,763	14,623

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Current income tax		
— Hong Kong profits tax	**44**	18
— PRC corporate income tax	**25,606**	36,232
— PRC land appreciation tax	**21,099**	27,267
	46,749	63,517
Deferred income tax (note 25)		
— PRC corporate income tax	**(3,760)**	(2,417)
— PRC land appreciation tax	**(2,359)**	(882)
	40,630	60,218

33 INCOME TAX EXPENSE (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Profit before income tax	**74,172**	126,765
Adjusted: share of (profits)/losses of investments in joint ventures and associates, net	**(2,967)**	874
	71,205	127,639
Calculated at PRC corporate income tax rate	**17,801**	31,910
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(4,685)**	(6,596)
Income not subject to tax (note (a))	**(302)**	(212)
Expenses not deductible for tax purposes (note (b))	**7,151**	4,985
Utilisation of previously unrecognised tax losses	**(341)**	—
Tax losses for which no deferred income tax asset was recognised	**1,887**	1,736
Effect of different tax rates of subsidiaries	**(108)**	(613)
PRC corporate income tax	**21,403**	31,210
PRC withholding income tax	**487**	2,623
PRC land appreciation tax	**18,740**	26,385
	40,630	60,218

(a) Income not subject to tax for the year ended 31 December 2019 mainly comprised fair value gain on derivative financial liabilities.

(b) Expenses not deductible for tax purpose for the year ended 31 December 2019 comprised mainly: (i) costs of land premium without official invoices resulted from acquisition of land through acquisition of companies; and (ii) borrowing costs and administrative expenses incurred by off-shore group companies.

33 INCOME TAX EXPENSE (Continued)

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2018: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax

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

34 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company (RMB million)	**17,280**	37,390
Weighted average number of ordinary shares in issue (millions)	**13,138**	13,125
Basic earnings per share (RMB)	**1.315**	2.849

34 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options and Convertible bonds. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The Convertible bonds are assumed to have been converted into ordinary shares. Interest savings on Convertible bonds are adjusted to the extent of the amount charged to the profit attributable to shareholders of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and Convertible bonds. Convertible bonds were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (RMB million)	**17,280**	37,390
Profit adjustments for Convertible bonds (RMB million)	**–**	300
	17,280	37,690
Weighted average number of ordinary shares in issue (millions)	**13,138**	13,125
Adjustments for share options and Convertible bonds (millions)	**114**	506
Weighted average number of ordinary shares for diluted earnings per share (millions)	**13,252**	13,631
Diluted earnings per share (RMB)	**1.304**	2.765

35 DIVIDENDS

A final dividend in respect of the year ended 31 December 2019 of RMB0.653 per share amounting to approximately RMB8,658 million has been proposed by the Board on 31 March 2020, which is subject to approval by the shareholders in the forthcoming Annual General Meeting. These financial statements have not reflected this dividend payable.

A dividend in respect of the years ended 31 December 2018 of RMB1.419 per share totaling RMB18,770 million was approved by an extraordinary general meeting of the Company on 15 January 2020.

36 CASH FLOW INFORMATION

(a) Net cash generated from operations

	Year ended 31 December 2019 RMB million	2018 RMB million
Profit for the year	**33,542**	66,547
Adjustments for:		
Income tax expenses	**40,630**	60,218
Interest income (note 29)	**(4,573)**	(3,884)
Finance costs (note 32)	**18,741**	8,379
Exchange losses (note 28, note 32)	**3,401**	5,659
Depreciation (note 7)	**2,879**	2,120
Amortisation (note 30)	**1,491**	493
Employee share option schemes (note 31)	**666**	2,211
Fair value gains on investment properties (note 9)	**(1,516)**	(1,343)
Fair value losses/(gains) on financial assets at fair value through profit or loss (note 17)	**1,863**	(51)
Fair value gains on derivative financial liabilities (note 23(c), note 24(a))	**(981)**	(797)
Gains on disposal of investment properties (note 29)	**(64)**	(106)
Gains on disposal of subsidiaries (note 28)	**(1,110)**	(2,198)
Share of (profits)/losses of investments accounted for using equity method (note 15)	**(2,967)**	874
Losses on disposal of joint ventures and associates (note 28)	**2**	138
Dividend income on FVOCI (note 29)	**(19)**	(320)
Gain of disposal of property and equipment and intangible asset	**(12)**	—
Impairment losses on intangible asset	**175**	—
Changes in working capital:		
Properties under development and completed properties held for sale	**(111,641)**	(90,029)
Inventories	**(219)**	126
Restricted cash as guarantee for construction of projects and other operating activities	**1,704**	14,314
Trade and other receivables, contract acquisition costs and prepayments	**6,661**	10,897
Trade and other payables and contract liabilities	**29,840**	62,099
Net cash generated from operations	**18,493**	135,347

36 CASH FLOW INFORMATION (Continued)

(b) The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings RMB million	Other payables (note (i)) RMB million	Total RMB million
As at 1 January 2019, as previously reported	**673,142**	**21,632**	**694,774**
Changes accounting policy	**—**	**1,811**	**1,811**
As at 1 January 2019, as restated	**673,142**	**23,443**	**696,585**
Cash flows			
— Inflow from financing activities	**534,762**	**45,204**	**579,967**
— Outflow from financing activities	**(425,867)**	**(15,725)**	**(441,592)**
Non-cash changes			
— Acquisition of subsidiaries	**11,695**	**379**	**12,074**
— Acquisition — leases	**—**	**245**	**245**
— Foreign exchange adjustments	**4,022**	**—**	**4,022**
— Other non-cash movement	**2,141**	**—**	**2,140**
As at 31 December 2019	**799,895**	**53,546**	**853,441**
As at 1 January 2018	732,625	23,119	755,744
Cash flows			
— Inflow from financing activities	382,625	13,589	396,214
— Outflow from financing activities	(443,335)	(15,076)	(458,411)
Non-cash changes			
— Acquisition of subsidiaries	10,598	—	10,598
— Disposal of subsidiaries	(12,785)	—	(12,785)
— Derivative financial liabilities of the convertible bonds at initial recognition	(3,604)	—	(3,604)
— Foreign exchange adjustments	6,244	—	6,244
— Other non-cash movement	774	—	774
As at 31 December 2018	673,142	21,632	694,774

(i) Amounts represent cash advances from associates, joint ventures, non-controlling interests, unit holders of consolidated investment entities and lease liabilities.

37 FINANCIAL GUARANTEES

	31 December 2019 RMB million	2018 RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	**456,982**	412,721
Guarantees for borrowings of cooperation parties (note (b))	**64,479**	49,711
Guarantees for borrowings of joint ventures and an associate (note 39(c))	**24,898**	19,052
	546,359	481,484

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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 interest and penalty owed by the defaulted 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 mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

(b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

38 COMMITMENTS

(a) Commitments for property development and acquisition of subsidiaries

	31 December 2019 RMB million	31 December 2018 RMB million
Contracted but not provided for		
Property development activities	**318,977**	283,004
Acquisition of land use rights	**84,664**	61,585
Acquisition of subsidiaries	**4,298**	2,710
	407,939	347,299

(b) Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2019 RMB million	31 December 2018 RMB million
Not later than one year	**102**	947
Later than one year and not later than five years	**–**	1,281
Later than five years	**–**	163
	102	2,391

As at 31 December 2019, the Group's lease commitments represented short-term and low value lease commitments.

39 RELATED PARTY TRANSACTIONS

Xin Xin (BVI) Limited ("Xin Xin") is the immediate holding company of the Company, and Dr Hui Ka Yan ("Dr. Hui") is the ultimate controlling shareholder and also the director of the Company.

(a) Transactions with related parties

Save as disclosed in note 13, 26 and 37, during the years ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Nature of transactions		
Associates		
Loan interest charged by an associate	**159**	258
Joint ventures		
Management and consulting service to joint ventures	**600**	1,100
Sales of goods to joint ventures	**671**	650
Provision of services to joint ventures	**395**	337
Rental income from joint ventures	**46**	14
Interest income from joint ventures	**729**	536
Advertisement service fees charged by a joint venture	**472**	420
Rental fee charged by joint ventures	**110**	75
Purchase of goods from a joint venture	**35**	52
Integrated insurance procurement	**155**	—
Loan interest charged by a joint venture	**523**	383
Shareholders of the Company		
Loan interest charged by Xin Xin and Dr. Hui	**229**	141

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

39 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

As at 31 December 2019 and 2018, the Group had the following significant non-trade balances with related parties:

	31 December 2019 RMB million	31 December 2018 RMB million
Due from related parties		
Included in cash and cash equivalents:		
— An associate	**48,598**	24,631
Included in trade and other receivables (note (i))		
— An associate	**30**	—
— Joint ventures	**27,744**	17,470
	27,774	17,470
Included in prepayments		
— Joint ventures	**76**	66

Note (i): Except for the amounts of RMB15,524 million (2018: RMB7,564 million) which carry interest rate ranging from 4% to 15% (2018: 4% to 15%) per annum and receivable according to respective loan agreements, the remaining balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

	31 December 2019 RMB million	31 December 2018 RMB million
Due to related parties		
Included in trade and other payables (note (i))		
— Joint ventures	**38,623**	11,204
— Associates	**457**	—
— Xin Xin and Dr. Hui	**—**	141
	39,080	11,345
Included in borrowings (note (ii))		
— A joint venture	**6,504**	3,700
— An associate	**1,300**	4,336
— Xin Xin and Dr. Hui	**—**	6,807
	7,804	14,843

39 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

Note (ii): The balances are borrowings in nature, which are secured, carry interest ranging from 6.27% to 15.00% per annum and repayable according to respective loan agreements.

(c) Financial guarantees to joint ventures and associates

	31 December	
	2019	2018
	RMB million	RMB million
— Joint ventures and associates	**24,898**	19,052

(d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Salaries and other employee benefits	**1,132**	1,022
Retirement scheme contributions	**5**	4
	1,137	1,026

40 NON-CONTROLLING INTERESTS

The movements of non-controlling interests were as follows:

	31 December 2019 RMB million	2018 RMB million
At 1 January	**175,631**	127,436
Change in accounting policy	**—**	(229)
Profit for the year	**16,262**	29,157
Change in value of FVOCI	**27**	(149)
Currency translation differences	**(95)**	192
Capital injection (note (i))	**46,932**	42,071
Acquisition of subsidiaries — acquisition of asset (note (ii))	**607**	1,365
Acquisition of subsidiaries — acquisition of business	**4,717**	10
Changes in ownership interests in subsidiaries without change of control (note (iii))	**(28,653)**	(11,510)
Dividends	**(2,748)**	(12,882)
Disposal of subsidiaries	**(20)**	(362)
Employee share option schemes	**177**	532
	212,837	175,631

(i) Capital injection

During the year ended 31 December 2019, the Group has established certain new subsidiaries engaging in property development and property investment businesses and received capital injections from minority interests totaling RMB46,932 million.

(ii) Acquisition of subsidiaries

During the year ended 31 December 2019, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB2,736 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB607 million.

(iii) Changes in ownership interests in subsidiaries without change of control

During the year ended 31 December 2019, the Group acquired certain equity interests of certain subsidiaries amounting to RMB28,653 million from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB5,188 million was recongnised as a decrease in reserves.

41 BUSINESS COMBINATIONS

During the year ended 31 December 2019, the Group acquired controlling interests of certain companies engaged in new energy vehicles business and property development in the PRC and Europe to increase its land reserve and diversify its business.

(i) Acquisition of National Electric Vehicle Sweden AB

In January 2019, the Group entered into a Sale and Purchase Agreement with a third party in relation to the acquisition of 100% equity interest of Mini Minor Limited ("Mini Minor") with a consideration of US$1,130 million (equivalent to approximately RMB7,755 million). Mini Minor held 51% shareholding of National Energy Vehicle Sweden AB ("NEVS"). NEVS, with its headquarters based in Sweden, is a global electric vehicle company focused on intelligent automobiles. Mini Minor subsequently acquired additional 17% equity interest of NEVS in May 2019.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	7,755
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,420
Right-of-use assets	776
Intangible assets	6,065
Inventories	23
Trade and other receivables	282
Prepayments	77
Financial assets at fair value through profit or loss	65
Restricted cash	16
Cash and cash equivalents	904
Borrowings	(4,522)
Deferred income tax liabilities	(1,532)
Trade and other payables	(1,635)
Total identifiable net assets	4,939
Non-controlling interest	(2,641)
Identifiable net assets acquired	2,298
Goodwill	5,457

41 BUSINESS COMBINATIONS (Continued)

(ii) Other acquisitions of new energy vehicles business

During the year ended 31 December 2019, saved for the acquisition of NEVS, the Group acquired some other new energy vehicles business with an aggregate consideration of RMB1,960 million.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	1,960
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	858
Right-of-use assets	27
Investments accounted for using equity method	29
Intangible assets	971
Inventories	323
Trade and other receivables	533
Prepayments	90
Cash and cash equivalents	471
Borrowings	(314)
Deferred income tax liabilities	(171)
Trade and other payables	(880)
Contract liabilities	(31)
Total identifiable net assets	1,906
Non-controlling interest	(682)
Identifiable net assets acquired	1,224
Goodwill	736

41 BUSINESS COMBINATIONS (Continued)

(iii) Acquisition of HangFa Investment Management Co., Ltd

In October 2019, the Group acquired 100% equity interest of HangFa Investment Management Co., Ltd at total consideration of RMB10,400 million.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	10,400
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3
Investment properties	329
Investments accounted for using equity method	164
Properties under development	56,097
Trade and other receivables	5,510
Prepayments	203
Cash and cash equivalents	1,544
Borrowings	(4,063)
Deferred income tax liabilities	(12,421)
Trade and other payables	(18,432)
Contract liabilities	(16,798)
Current income tax liabilities	(346)
Total identifiable net assets	11,790
Non-controlling interest	(1,390)
Identifiable net assets acquired	10,400
Goodwill	—

41 BUSINESS COMBINATIONS (Continued)

(iv) Acquisition of Kunming Jialize Tourism Culture Co., Ltd. ("KJTC")

In September 2019, the Group acquired 100% equity interest of KJTC at total consideration of RMB3,600 million.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	3,600
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	420
Right-of-use assets	74
Investment properties	872
Intangible assets	2
Investments accounted for using equity method	3
Inventories	9
Properties under development	5,454
Trade and other receivables	135
Cash and cash equivalents	23
Borrowings	(1,892)
Deferred income tax liabilities	(1,000)
Trade and other payables	(268)
Contract liabilities	(64)
Current income tax liabilities	(168)
Total identifiable net assets	3,600
Non-controlling interest	—
Identifiable net assets acquired	3,600
Goodwill	—

41 BUSINESS COMBINATIONS (Continued)

(v) Other acquisitions of property development business

During the year ended 31 December 2019, the Group acquired controlling interests in certain companies engaged in property development in the PRC.

The following table summarises the considerations paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition dates.

	RMB million
Cash consideration	984
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2
Investment properties	291
Properties under development	8,335
Trade and other receivables	258
Prepayments	1,198
Financial assets at fair value through profit or loss	33
Cash and cash equivalents	591
Borrowings	(904)
Deferred income tax liabilities	(571)
Trade and other payables	(6,369)
Contract liabilities	(1,868)
Current income tax liabilities	(8)
Total identifiable net assets	988
Non-controlling interest	(4)
Identifiable net assets acquired	984
Goodwill	—

41 BUSINESS COMBINATIONS (Continued)

(v) Other acquisitions of property development business (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	24,699
Prepaid in prior year	(8,808)
Considerations deferred	(2,502)
Cash and cash equivalents acquired	(3,533)
Payment for business combinations conducted in the year	9,856
Payment for business combinations conducted in prior year	2,858
Cash outflow on acquisitions	12,714

Acquisition-related costs of RMB2 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

The acquired businesses contributed revenues of RMB10,649 million and net losses of 2,439 million to the Group for the period from the respective acquisition dates to 31 December 2019. If the acquisitions had occurred on 1 January 2019, consolidated revenue and consolidated profit for the year ended 31 December 2019 would have been RMB478,208 million and RMB32,934 million respectively.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	31 December 2019 RMB million	31 December 2018 RMB million
ASSETS		
Non-current assets		
Investments in subsidiaries	**5,301**	5,003
Property, plant and equipment	**2**	2
	5,303	5,005
Current assets		
Amounts due from subsidiaries	**128,168**	94,367
Other receivables	**486**	419
Cash and cash equivalents	**13,766**	993
	142,420	95,779
Total assets	**147,723**	100,784
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital and premium	**1,575**	1,205
Other reserves	**4,852**	4,261
Accumulated losses	**(19,854)**	(11,701)
Total equity	**(13,427)**	(6,235)
LIABILITIES		
Non-current liabilities		
Derivative financial liabilities	**2,183**	2,807
Borrowings	**127,134**	73,583
	129,317	76,390
Current liabilities		
Amounts due to subsidiaries	**31,833**	30,629
Total liabilities	**161,150**	107,019
Total equity and liabilities	**147,723**	100,784

The balance sheet of the Company was approved by the Board on 31 March 2020 and was signed on its behalf.

Hui Ka Yan	**Pan Da Rong**
Director	*Director*

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Reserve movement of the Company

	Other reserves RMB million	Accumulated losses RMB million
At 1 January 2018	2,115	(7,491)
Profit for the year	—	13,087
Dividends	—	(14,802)
Issuance of shares pursuant to the option scheme	(76)	—
Employee share option schemes	2,211	—
Repurchase of shares	11	(2,495)
At 31 December 2018	4,261	(11,701)
At 1 January 2019	4,261	(11,701)
Loss for the year	—	(8,153)
Issuance of shares pursuant to the option scheme	(75)	—
Employee share option schemes	666	—
At 31 December 2019	4,852	(19,854)

43 SUBSEQUENT EVENTS

(a) Upon the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 in the PRC, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In order to minimise the impact of the COVID-19 outbreak and changes in the market, the Group has actively coordinated relevant resources and adjusted the advertising and promotion strategies in a timely manner. Certain cases of the Group's projects construction and sales were postponed for one or two months, while it will be caught up in the following months based on the enhanced advertising activities and adoption of online selling mode.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

43 SUBSEQUENT EVENTS (Continued)

(b) On 8 January 2020, the Group issued 6.98% PRC corporate bonds due 2023 with an aggregated principal amount of RMB4,500 million at the face value.

On 22 January 2020, the Group issued 11.5% senior notes due 2023 with an aggregated principal amount of US$1,000 million at the face value, and 12.0% senior notes due 2024 with an aggregated principal amount of US$1,000 million.

On 24 January 2020, the Group issued 11.5% senior notes due 2022 with an aggregated principal amount of US$2,000 million at the face value, and 12% senior notes due 2023 with an aggregated principal amount of US$2,000 million at the face value.

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2019 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	240	—	12	—	252
Mr. Xia Haijun *(Chief executive)*	240	152,171	16	1,656	154,083
Ms. He Miaoling	240	19,990	16	1,656	21,902
Mr. Pan Da Rong	240	8,041	72	8,282	16,635
Mr. Shi Junping	240	13,564	67	1,380	15,251
Mr. Huang Xiangui	240	8,728	16	828	9,812
Mr. Chau Shing Yim David	360	—	—	—	360
Mr. He Qi	360	—	—	—	360
Ms. Xie Hongxi	360	—	—	—	360
	2,520	202,494	199	13,802	219,015

44 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

The remuneration of directors of the Company for the year ended 31 December 2018 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	240	—	13	—	253
Mr. Xia Haijun *(Chief executive)*	240	222,768	16	19,453	242,477
Ms. He Miaoling	240	13,316	15	3,806	17,377
Mr. Pan Da Rong	240	6,455	72	10,201	16,968
Mr. Shi Junping	240	8,741	67	2,760	11,808
Mr. Huang Xiangui	240	5,475	30	1,903	7,648
Mr. Chau Shing Yim David	300	—	—	59	359
Mr. He Qi	360	—	—	118	478
Ms. Xie Hongxi	360	—	—	177	537
	2,460	256,755	213	38,477	297,905

(b) Directors' retirement benefits

During the year ended 31 December 2019, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2018: same).

(c) Directors' termination benefits

During the year ended 31 December 2019, there was no termination benefits received by the directors (2018: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, no consideration was paid for making available the services of the directors of the Company (2018: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During year ended 31 December 2019, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the particulars of principal subsidiaries at 31 December 2019:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
Incorporated in the BVI with limited liability and operating in the PRC					
ANJI (BVI) Limited	26 June 2006	US$100	100%	–	Investment holding
ShengJian (BVI) Limited	29 January 2007	US$100	–	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US$100	–	100%	Investment holding
Incorporated in Hong Kong with limited liability and operating in the PRC					
Success Will Group Limited	5 July 2007	HK$1,000	–	100%	Investment holding
Wisdom Gain Group Limited	13 June 2003	US$10,000	–	100%	Investment holding
Full Hill Limited	3 January 2002	US$1	–	100%	Investment holding
Grandday Group Limited	16 January 2008	US$100	–	100%	Investment holding
Incorporated and operating in Hong Kong with limited liability					
Pioneer Time Investment Limited	15 January 2016	US$10,000	–	100%	Property investment
Incorporated in the PRC with limited liability and operating in the PRC					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB2,500,000,000	–	63.46%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB4,821,000,000	–	100%	Property development
恒大地產集團江津有限公司 Hengda Real Estate Group (Jiangjin) Company Limited	27 July 2006	RMB1,330,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
鄂州恒大房地產開發有限公司 Ezhou Hengda Real Estate Development Company Limited	11 July 2008	RMB390,000,000	–	100%	Property development
恒大鑫豐 (彭山)置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	23 April 2010	RMB821,520,000	–	100%	Property development
啟東勤盛置業有限公司 Qinsheng (Qidong) Property Company Limited	1 January 2007	USD141,100,000	–	100%	Property development
金碧物業有限公司 Jinbi Property Management Company Limited	10 September 1997	RMB177,600,000	–	100%	Property management
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited	5 September 2007	RMB457,000,000	–	100%	Property development
南寧銀象房地產開發有限責任公司 Yinxiang (Nanning) Real Estate Development Company Limited	24 November 2005	RMB20,000,000	–	100%	Property development
佛山市南海俊誠房地產開發有限公司 Nanhai Juncheng (Foshan) Real Estate Development Company Limited	23 November 2007	RMB1,632,653,061	–	100%	Property development
恒大地產集團包頭有限公司 Hengda Real Estate Group (Baotou) Company Limited	9 August 2008	RMB525,000,000	–	100%	Property development
江西宏吉投資有限公司 Hongji (Jiangxi) Investment Company Limited	12 November 2012	RMB383,580,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
長沙寶瑞房地產開發有限公司 Baorui (Changsha) Real Estate Development Company Limited	13 July 2004	RMB470,000,000	–	100%	Property development
海南東方明珠房地產有限公司 Dongfang Mingzhu (Hainan) Real Estate Development Company Limited	8 June 2004	RMB70,000,000	–	100%	Property development
天津市津麗湖投資有限公司 Jinli Lake (Tianjin) Investment Company Limited	13 November 2009	RMB690,000,000	–	100%	Property development
濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited	18 January 2010	RMB870,000,000	–	100%	Property development
太原俊景房地產開發有限公司 Junjing (Taiyuan) Real Estate Development Company Limited	2 April 2010	RMB782,200,000	–	66%	Property development
成都天府水城房地產開發有限公司 Tianfu Shuicheng (Chengdu) Real Estate Development Company Limited	22 March 2010	USD230,000,000	–	84%	Property development
濟南恒大金碧房地產開發有限公司 Hengda Jinbi (Jinan) Real Estate Development Company Limited	18 May 2010	RMB740,000,000	–	100%	Property development
石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited	5 April 2010	RMB5,000,000	–	100%	Property development
榆中俊興房地產開發有限公司 Yuzhong Junxing Real Estate Company Limited	28 July 2010	RMB790,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團呼和浩特有限公司 Hengda (Hohhot) Real Estate Group Company Limited	6 September 2010	RMB390,000,000	–	100%	Property development
安陽通瑞達房地產開發有限公司 Tongruida (Anyang) Real Estate Development Company Limited	8 October 2010	RMB500,000,000	–	100%	Property development
天津濱僑投資有限公司 Binqiao (Tianjin) Investment Company Limited	28 November 2007	RMB1,000,000,000	–	100%	Property development
哈爾濱市恒大偉業房地產開發有限公司 Harbin Hengda Weiye Real Estate Development Company Limited	26 January 2011	RMB780,000,000	–	100%	Property development
清遠市銀湖城投資有限公司 Yinhucheng (Qingyuan) Investment Company Limited	28 September 2009	RMB1,463,000,000	–	51%	Property development
濰坊金碧置業有限公司 Jinbi (Weifang) Property Company Limited	4 March 2011	RMB600,000,000	–	100%	Property development
恒大地產集團韶關有限公司 Hengda (Shaoguan) Real Estate Group Company Limited	16 March 2011	RMB1,003,170,000	–	100%	Property development
合肥粵通置業有限公司 Yuetong (Hefei) Property Company Limited	25 August 2011	RMB200,000,000	–	100%	Property development
南昌中電投高新置業有限公司 Zhongdiantou Gaoxin (Nanchang) Property Company Limited	10 May 2011	RMB963,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
六安粵通置業有限公司 Luan Yuetong Property Corporation Limited	13 July 2011	RMB290,000,000	–	100%	Property development
恒大地產集團恩平有限公司 Hengda (Enping) Real Estate Group Company Limited	21 February 2012	RMB1,020,000,000	–	100%	Property development
新鄉御景置業有限公司 Yujing (Xinxiang) Property Corporation Limited	23 May 2012	RMB100,000,000	–	100%	Property development
城博(寧波)置業有限公司 Chengbo (Ningbo) Property Company Limited	18 January 2011	USD328,000,000	–	100%	Property development
潮州市恒大置業有限公司 Chaozhou Hengda Property Company Limited	10 July 2012	RMB280,000,000	–	100%	Property development
寧波御城置業有限公司 Yucheng (Ningbo) Property Company Limited	30 May 2012	USD76,834,508	–	100%	Property development
無錫盛東房產開發有限公司 Shengdong (Wuxi) Real Estate Development Company Limited	6 May 2010	RMB200,000,000	–	100%	Property development
海口外灘城房地產有限公司 Waitancheng (Haikou) Real Estate Company Limited	5 September 2012	RMB700,000,000	–	100%	Property development
濟南俊匯置業有限公司 Junhui (Jinan) Property Company Limited	13 May 2013	RMB288,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
長沙鑫芙置業有限公司 Xinfu (Changsha) Property Company Limited	13 May 2013	RMB663,265,300	–	100%	Property development
廣州市鑫誠置業有限公司 Xincheng (Guangzhou) Property Company Limited	23 May 2013	RMB720,000,000	–	100%	Property development
重慶恒大鑫泉置業有限公司 Hengda Xinquan (Chongqing) Property Company Limited	6 June 2013	RMB2,000,000,000	–	100%	Property development
恒大地產集團河源有限公司 Hengda Real Estate Group (Heyuan) Company Limited	17 June 2013	RMB20,000,000	–	100%	Property development
北京沙河恒大置業有限公司 Shahe Hengda (Beijing) Property Company Limited	12 July 2013	RMB1,330,000,000	–	100%	Property development
合肥粵誠置業有限公司 Yuecheng (Hefei) Property Company Limited	9 September 2013	RMB1,920,000,000	–	100%	Property development
宜昌楚天恒大房地產開發有限公司 Chutian Hengda (Yichang) Real Estate Company Limited	10 September 2013	RMB150,000,000	–	60%	Property development
常德鑫澤置業有限公司 Xinze (Changde) Property Company Limited	26 August 2013	RMB110,000,000	–	100%	Property development
恒大地產集團北京有限公司 Hengda (Beijing) Real Estate Group Company Limited	11 September 2013	RMB1,830,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
杭州穗華置業有限公司 Hangzhou Suihua Property Company Limited	25 September 2013	RMB1,500,000,000	–	100%	Property development
南京旭泰房地產開發有限公司 Nanjing Xutai Real Estate Company Limited	20 November 2013	RMB970,000,000	–	100%	Property development
南京美旭房地產開發有限公司 Nanjing Meixu Real Estate Development Company Limited	20 November 2013	RMB1,503,000,000	–	100%	Property development
北京恒興盛房地產開發有限公司 Hengxingsheng (Beijing) Real Estate Company Limited	8 November 2013	RMB3,520,000,000	–	100%	Property development
上海金碧置業有限公司 Jinbi (Shanghai) Property Company Limited	25 December 2013	RMB865,000,000	–	100%	Property development
上海松裕置業有限公司 Songyu (Shanghai) Property Company Limited	24 December 2013	RMB655,000,000	–	100%	Property development
上海茸善置業有限公司 Rongshan (Shanghai) Property Company Limited	23 December 2013	RMB418,000,000	–	100%	Property development
天津帝景房地產開發有限公司 Tianjin Dijing Real Estate Development Company Limited	23 December 2013	RMB30,000,000	–	100%	Property development
太原市俊恒房地產開發有限公司 Taiyuan Junheng Real Estate Company Limited	16 January 2014	RMB1,160,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Indirectly	Principal activities
北京正浩置業有限公司 Zhenghao (Beijing) Property Company Limited	4 March 2014	RMB1,750,000,000	–	100%	Property development
北京恒龍置業有限公司 Henglong (Beijing) Property Company Limited	12 March 2014	RMB1,719,090,500	–	70%	Property development
成都市恒大新西城置業有限公司 Hengda New West City (Chengdu) Property Company Limited	29 April 2014	RMB710,000,000	–	100%	Property development
長沙金霞開發建設有限公司 Jinxia (Changsha) Real Estate Development Company Limited	5 September 2014	RMB122,450,000	–	51%	Property development
太原金世恒房地產開發有限公司 Jinshiheng (Taiyuan) Real Estate Company Limited	27 November 2014	RMB1,685,530,000	–	100%	Property development
鄭州恒林置業有限公司 Henglin (Zhengzhou) Property Company Limited	6 September 2013	RMB500,239,600	–	51%	Property development
濟南東進龍鼎置業有限公司 Jinan Dongjin Longding Property Company Limited	3 November 2014	RMB820,000,000	–	100%	Property development
岳陽金瑞置業有限公司 Jinrui (Yueyang) Property Company Limited	15 January 2015	RMB20,000,000	–	64%	Property development
成都恒大新東城置業有限公司 Hengda New East City (Chengdu) Property Company Limited	15 January 2015	RMB1,620,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
武漢恒大都市房地產開發有限公司 Hengda Dushi (Wuhan) Real Estate Company Limited	17 March 2015	RMB50,000,000	–	60%	Property development
莆田金碧置業有限公司 Putian Jinbi Property Company Limited	2 April 2015	RMB20,000,000	–	100%	Property development
贛州恒大地產有限公司 Hengda (Ganzhou) Real Estate Company Limited	6 May 2015	RMB261,000,000	–	100%	Property development
重慶永利置業有限公司 Yongli (Chongqing) Property Company Limited	22 April 2015	RMB703,320,000	–	100%	Property development
張家港盛建置業有限公司 Shengjian (Zhangjiagang) Property Company Limited	13 May 2015	RMB350,000,000	–	100%	Property development
廈門恒大置業有限公司 Xiamen Hengda Property Company Limited	4 June 2015	RMB20,000,000	–	100%	Property development
重慶恒大鑫溉置業有限公司 Chongqing Hengda Xingai Property Company Limited	21 August 2014	RMB1,000,000,000	–	62%	Property development
北京恒隆興置業有限公司 Henglongxing (Beijing) Property Company Limited	25 June 2015	RMB1,000,000,000	–	100%	Property development
汕頭市恒悦置業有限公司 Hengyue (Shantou) Property Company Limited	27 May 2015	RMB300,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited	26 May 2015	RMB214,000,000	–	51%	Property development
武漢三江航天嘉園房地產開發有限公司 Sanjiang Hangtian Jiayuan (Wuhan) Real Estate Development Company Limited	11 November 2015	RMB10,000,000	–	100%	Property development
武漢三江航天投資發展有限公司 Sanjiang Hangtian (Wuhan) Investment Company Limited	11 November 2015	RMB10,000,000	–	100%	Property development
湖北三江航天商業經營有限公司 Sanjiang Hangtian (Wuhan) Business Operation Company Limited	11 December 2015	RMB10,000,000	–	100%	Property development
重慶中渝物業發展有限公司 Zhongyu (Chongqing) Property Management Company Limited	10 July 2015	USD131,000,000	–	100%	Property development
愛美高實業(成都)有限公司 Avergo (Chengdu) Industrial Company Limited	14 July 2015	RMB2,708,705,103	–	100%	Property development
儋州中潤旅遊開發有限公司 Zhongrun (Danzhou) Tourism Development Company Limited	19 August 2015	RMB20,000,000	–	100%	Property development
儋州信恒旅遊開發有限公司 Xinheng (Danzhou) Tourism Development Company Limited	19 August 2015	RMB800,000,000	–	100%	Property development
漳州信成房地產開發有限公司 Xincheng (Zhangzhou) Real Estate Company Limited	20 January 2015	RMB112,755,500	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
柳州市兆福地產置業有限公司 Zhaofu (Liuzhou) Property Company Limited	18 September 2015	RMB163,265,300	–	100%	Property development
江陰雅盛恒泰置業有限公司 Jiangyin Yasheng Hengtai Property Company Limited	19 July 2013	RMB400,000,000	–	100%	Property development
懷來恒天房地產開發有限公司 Hengtian (Huailai) Real Estate Development Company Limited	18 September 2015	RMB871,008,700	–	86%	Property development
重慶尖置房地產有限公司 Jianzhi (Chongqing) Real Estate Company Limited	10 July 2015	HKD5,880,000,000	–	100%	Property development
阜陽粵通置業有限公司 Yuetong (Fuyang) Property Company Limited	27 November 2015	RMB650,000,000	–	100%	Property development
衡水隆澤房地產開發有限公司 Longze (Hengshui) Real Estate Development Company Limited	10 December 2015	RMB617,293,000	–	60%	Property development
南寧耀世龍庭房地產開發有限公司 Yaoshi Longting (Nanning) Real Estate Development Company Limited	25 November 2015	RMB320,000,000	–	100%	Property development
南京臨江御景房地產開發有限公司 Linjiang Yujing (Nanjing) Real Estate Development Company Limited	11 December 2015	RMB1,471,650,000	–	100%	Property development
珠海市恒大海泉灣置業有限公司 Hengda Haiquanwan (Zhuhai) Property Company Limited	10 December 2015	RMB821,812,000	–	51%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
海南陵水棕櫚泉置業有限公司 Lingshui Zonglvquan (Hainan) Property Company Limited	12 June 2015	RMB1,070,000,000	–	100%	Property development
杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited	2 February 2016	USD370,000,000	–	76%	Property development
貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited	18 February 2016	USD301,350,000	–	100%	Property development
武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited	5 January 2016	RMB96,000,000	–	60%	Property development
上海豐濤置業有限公司 Fengtao (Shanghai) Property Company Limited	14 March 2016	RMB316,949,620	–	100%	Property development
哈爾濱市佳業房地產開發有限公司 Jiaye (Harbin) Real Estate Development Company Limited	18 January 2016	RMB20,000,000	–	100%	Property development
青島金灣置業有限公司 Qingdao Jinwan Property Company Limited	25 January 2016	RMB1,000,000,000	–	100%	Property development
長沙湘江名苑房地產有限公司 Xiangjiang Mingyuan (Changsha) Real Estate Company Limited	22 April 2016	RMB410,000,000	–	51%	Property development
北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited	11 January 2016	USD66,500,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
廣盛華僑 (大亞灣)投資有限公司 Guangsheng Huaqiao (Dayawan) Investment Company Limited	29 April 2016	USD20,820,000	–	100%	Property development
恒大地產集團鹽城城南置業有限公司 Hengda Chengnan (Yancheng) Real Estate Property Company Limited	27 January 2016	RMB620,000,000	–	100%	Property development
柳州御景龍恒房地產開發有限公司 Yujing Longheng (Liuzhou) Real Estate Company Limited	3 February 2016	RMB20,000,000	–	100%	Property development
天津御景灣投資有限公司 Yujingwan (Tianjin) Investment Company Limited	29 February 2016	RMB740,000,000	–	100%	Property development
南京恒裕房地產開發有限公司 Hengyu (Nanjing) Real Estate Company Limited	29 January 2016	RMB685,000,000	–	100%	Property development
佛山市裕朗通房地產開發有限公司 Yulangtong (Foshan) Real Estate Development Company Limited	26 February 2016	RMB1,600,000,000	–	100%	Property development
瀋陽嘉興置業有限公司 Jiaxing (Shenyang) Property Company Limited	28 March 2016	RMB350,000,000	–	100%	Property development
佛山市南海俊凱房地產開發有限公司 Nanhai Junkai (Foshan) Real Estate Development Company Limited	13 April 2016	RMB1,200,000,000	–	100%	Property development
廣東江門船廠有限公司 Jiangmen Chuanchang (Guangdong) Company Limited	17 October 2016	RMB40,000,000	–	80%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
河南恒龍置業有限公司 Henglong (Henan) Property Company Limited	14 April 2016	RMB500,000,000	–	100%	Property development
甘肅恒源房地產開發有限公司 Hengyuan (Gansu) Real Estate Development Company Limited	25 March 2016	RMB60,000,000	–	100%	Property development
哈爾濱高登置業有限公司 Gaodeng (Harbin) Property Company Limited	31 March 2016	RMB941,200,000	–	100%	Property development
濟南御峰置業有限公司 Yufeng (Jinan) Property Company Limited	1 April 2016	RMB500,000,000	–	100%	Property development
北海君海旅遊文化有限公司 Junhai (Beihai) Tourism Culture Company Limited	31 March 2016	RMB1,000,000	–	100%	Property development
成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited	3 May 2016	USD99,500,000	–	100%	Property development
武漢市金碧翡翠房地產開發有限公司 Jinbi Feicui (Wuhan) Real Estate Development Company Limited	13 May 2016	RMB975,000,000	–	100%	Property development
瀋陽嘉景置業有限公司 Jiajing (Shenyang) Property Company Limited	23 May 2016	RMB350,000,000	–	100%	Property development
開封國際城一號實業開發有限公司 Guojicheng Yihao (Kaifeng) Industrial Development Company Limited	17 May 2010	RMB788,247,873	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
山西蘭花康宇房地產開發有限公司 Lanhua Kangyu (Shanxi) Real Estate Development Company Limited	1 July 2016	RMB50,400,000	–	82%	Property development
成都盛世瑞城置業有限公司 Shengshi Ruicheng (Chengdu) Property Company Limited	4 July 2016	RMB530,000,000	–	100%	Property development
鄭州玖智房地產開發有限公司 Jiuzhi (Zhengzhou) Real Estate Development Company Limited	5 July 2016	RMB500,000,000	–	51%	Property development
貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited	26 December 2016	USD130,000,000	–	100%	Property development
梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited	8 June 2016	RMB1,022,000,000	–	100%	Property development
淶水利華房地產開發有限公司 Laishui Lihua Real Estate Development Company Limited	8 July 2016	RMB142,857,000	–	65%	Property development
四川亞天瑞和投資有限公司 Yatian Ruihe (Sichuan) Investment Company Limited	6 June 2016	RMB102,500,000	–	100%	Property development
成都樹仁置業有限公司 Shuren (Chengdu) Property Company Limited	14 July 2016	RMB10,000,000	–	100%	Property development
上饒市恒大置業有限公司 Hengda (Shangrao) Property Company Limited	11 August 2016	RMB50,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
大連東方盛都置地有限公司 Dongfang Shengdu (Dalian) Real Estate Company Limited	8 July 2016	RMB110,000,000	–	100%	Property development
新津恒大新城置業有限公司 Hengda Xincheng (Xinjin) Property Company Limited	22 June 2016	RMB483,118,005	–	100%	Property development
無錫雲廈置業有限公司 Yunxia (Wuxi) Property Company Limited	25 July 2016	RMB560,000,000	–	100%	Property development
濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited	18 July 2016	RMB900,000,000	–	100%	Property development
柳州山水韻和置業有限公司 Shanshui Yunhe (Liuzhou) Property Company Limited	24 August 2016	RMB33,333,400	–	85%	Property development
濟南西開置業有限公司 Jinan Xikai Property Company Limited	16 August 2016	RMB18,000,000	–	100%	Property development
濟南西業置業有限公司 Jinan Xiye Property Company Limited	16 August 2016	RMB18,000,000	–	100%	Property development
焦作御景置業有限公司 Yujing (Jiaozuo) Property Company Limited	22 August 2016	RMB100,000,000	–	100%	Property development
威海華府置業有限公司 Huafu (Weihai) Property Company Limited	6 September 2016	RMB300,000,000	–	100%	Property development
佛山市三水盈盛房地產發展有限公司 Sanshui Yingsheng (Foshan) Real Estate Development Company Limited	8 September 2016	RMB1,560,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
成都裕龍壹號房地產開發有限公司 Yulong Yihao (Chengdu) Real Estate Development Company Limited	18 September 2012	RMB525,000,000	–	100%	Property development
海南金萃房地產開發有限公司 Jincui (Hainan) Real Estate Company Limited	25 November 2016	RMB169,380,000	–	100%	Property development
紹興永恒置業有限公司 Yongheng (Shaoxing) Property Company Limited	30 September 2016	RMB2,400,000,000	–	100%	Property development
汕頭市恒合置業有限公司 Henghe (Shantou) Property Company Limited	3 December 2015	RMB200,000,000	–	100%	Property development
湖州市烏虹湖置業有限公司 Wuhonghu (Huzhou) Property Company Limited	27 October 2016	RMB1,632,653,061	–	51%	Property development
昆明恒海房地產開發有限公司 Henghai (Kunming) Real Estate Development Company Limited	24 October 2016	RMB180,000,000	–	100%	Property development
長沙恒大童世界旅遊開發有限公司 Hengda Tongshijie (Changsha) Real Estate Company Limited	20 October 2016	RMB1,920,000,000	–	100%	Property development
臨沂恒金置業有限公司 Hengjin (Linyi) Property Company Limited	23 September 2016	RMB50,000,000	–	60%	Property development
太原恒德隆房地產開發有限公司 Hengdelong (Taiyuan) Real Estate Development Company Limited	4 November 2016	–	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
成都萬浩置業有限公司 Wanhao (Chengdu) Property Company Limited	29 September 2016	RMB19,600,000	–	100%	Property development
西安遠聲實業有限公司 Yuansheng (Xian) Industrial Company Limited	26 December 2016	RMB120,000,000	–	100%	Property development
重慶恒大鑫南置業有限公司 Chongqing Hengda Xinnan Property Company Limited	22 December 2016	RMB718,000,000	–	100%	Property development
重慶同景宏航置地有限公司 Tongjing Honghang (Chongqing) Land Limited	22 December 2016	RMB220,000,000	–	100%	Property development
重慶同景共好置地有限公司 Tongjing Gonghao (Chongqing) Property Company Limited	22 December 2016	RMB610,000,000	–	100%	Property development
哈爾濱市振業房地產開發有限公司 Zhenye (Harbin) Real Estate Company Limited	28 September 2016	RMB20,000,000	–	100%	Property development
南通盛建置業有限公司 Shengjian (Nantong) Property Company Limited	9 January 2017	RMB500,000,000	–	100%	Property development
揚州盛基房地產開發有限公司 Shengji (Yangzhou) Real Estate Company Limited	22 March 2017	RMB20,000,000	–	100%	Property development
四川川大科技園 (南區)開發有限公司 Sichuan University Science Park (Southern District) Development Company Limited	13 January 2017	RMB37,915,300	–	91%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
深圳市萬京投資有限公司 Wanjing (Shenzhen) Investment Company Limited	28 March 2017	RMB30,000,000	–	100%	Property development
佛山市三水區能潤置地房地產開發有限公司 Sanshui Nengrun (Foshan) Real Estate Development Company Limited	4 April 2007	RMB752,000,000	–	100%	Property development
濟南西創置業有限公司 Xichuang (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	–	100%	Property development
濟南西實置業有限公司 Xishi (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	–	100%	Property development
四川雍橋置業有限公司 Yongqiao (Sichuan) Property Company Limited	26 October 2009	RMB100,000,000	–	100%	Property development
南京東潤置業有限公司 Dongrun (Nanjing) Property Company Limited	1 April 2017	RMB640,000,000	–	83%	Property development
溫州國鵬置業有限公司 Guopeng (Wenzhou) Property Company Limited	31 October 2017	RMB650,000,000	–	100%	Property development
安徽省陽光半島文化發展有限公司 Yangguang Bandao (Anhui) Real Estate Company Limited	31 August 2018	RMB7,186,050,000	–	100%	Property development
前海君臨實業發展(深圳)有限公司 Qianhai Junlin Industrial Development (Shenzhen) Company Limited	17 April 2015	RMB2,065,306,100	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
深圳市鴻騰投資管理有限公司 Shenzhen Hongteng Investment Management Company Limited	30 January 2015	RMB2,161,428,600	–	100%	Property development
三亞哈達農副產品交易有限公司 Sanya Hada Agricultural Products Company Limited	1 April 2016	RMB1,380,000,000	–	100%	Property development
建滔數碼發展(深圳)有限公司 Jiantao Digital Development (Shenzhen) Company Limited	5 July 2016	RMB25,323,200	–	100%	Property development
無錫盛建置業有限公司 Wuxi Shengjian Real Estate Company Limited	2 December 2016	RMB1,600,000,000	–	100%	Property development
瀋陽金道房地產開發有限公司 Shenyang Jindao Real Estate Development Company Limited	13 January 2018	RMB1,749,600,897	–	52%	Property development
淄博高新正承房地產開發有限公司 Zibo Gaoxin Zhengcheng Real Estate Development Company Limited	31 October 2017	RMB250,000,000	–	60%	Property development
泰州周山河房地產開發有限公司 Taizhou Zhoushanhe Real Estate Development Company Limited	7 June 2017	RMB441,176,471	–	100%	Property development
徐州御嘉置業有限公司 Xuzhou Yujia Real Estate Company Limited	24 October 2017	RMB816,326,500	–	100%	Property development
許昌裕豐房地產有限公司 Xuchang Yufeng Real Estate Company Limited	26 July 2017	RMB20,000,000	–	75%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
唐山恒瀚邑房地產開發有限公司 Tangshan Henghanyi Real Estate Development Company Limited	17 November 2017	RMB810,000,000	–	100%	Property development
寧波穗華置業有限公司 Ningbo Suihua Real Estate Company Limited	20 November 2017	RMB1,691,400,000	–	100%	Property development
亳州恒皖置業有限公司 Bozhou Hengwan Real Estate Company Limited	7 August 2017	RMB1,059,400,000	–	100%	Property development
舟山市新誠瑞豐房地產開發有限公司 Zhoushan Xincheng Ruifeng Real Estate Development Company Limited	27 June 2019	RMB25,028,000	–	100%	Property development
雲南尚居地產有限公司 Yunnan Shangju Real Estate Company Limited	31 October 2019	RMB300,000,000	–	70%	Property development
瀋陽航遠置業有限公司 Shenyang Hangyuan Real Estate Company Limited	31 October 2019	RMB50,000,000	–	100%	Property development
陝西航華投資管理有限公司 Shaan xi Hanghua Investment Management Company Limited	31 October 2019	RMB30,000,000	–	51%	Property development
重慶盛懷房地產開發有限公司 Chongqing Shenghuai Real Estate Development Company Limited	31 October 2019	RMB20,000,000	–	100%	Property development
重慶航悦置業有限公司 Chongqing Hangyue Real Estate Company Limited	31 October 2019	RMB190,000,000	–	100%	Property development

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
眉山隆和旅遊開發有限公司 Meishan Longhe Tourism Development Company Limited	31 October 2019	RMB953,064,800	–	100%	Property development
武漢巴登城投資有限公司 Wuhan Baden City Investment Company Limited	31 October 2019	RMB200,000,000	–	100%	Property development
國能新能源汽車有限責任公司 National New Energy Vehicle Company Limited	15 January 2019	RMB3,070,655,000	–	100%	Sales and manufacturing of smart mobility
國能電動汽車 (瑞典)有限公司 National Electric Vehicle Sweden AB	15 January 2019	SEK1,279,870,800	–	82%	Sales and manufacturing of smart mobility

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

(a) Non-controlling Interest

The Group held 63.46% equity interest of Hengda Real Estate, and set out below is the summarised financial information for Hengda Real Estate which non-controlling interests are material to the Group. The amounts disclosed for Hengda Real Estate are before inter-company elimination.

Summarised consolidated balance sheet

	31 December	
	2019	2018
	RMB million	RMB million
Current assets	**1,646,232**	1,422,411
Current liabilities	**(1,165,241)**	(1,027,577)
Net current assets	**480,991**	394,834
Non-current assets	**215,178**	213,150
Non-current liabilities	**(315,847)**	(285,735)
Non-current net liabilities	**(100,669)**	(72,585)
Net assets	**380,322**	322,249

Summarised consolidated statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Revenue	**426,470**	432,368
Profit for the year	**42,868**	72,239
Other comprehensive income	**352**	204
Total comprehensive income	**43,220**	72,443
Total profit attributable to shareholders of Hengda Real Estate (note (a))	**38,771**	65,874
Total profit attributable to non-controlling interest	**4,097**	6,365
Total comprehensive income attributable to shareholders of Hengda Real Estate	**39,123**	66,078
Total comprehensive income attributable to non-controlling interest	**4,097**	6,365

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

(a) Non-controlling Interest (Continued)

Summarised consolidated statement of cash flows

	Year ended31 December	
	2019	2018
	RMB million	RMB million
Cash flows of operating activities, net	**20,803**	134,655
Cash flows of investing activities, net	**(40,807)**	(44,886)
Cash flows of financing activities, net	**21,625**	(120,288)
Exchange loss on cash and cash equivalents	**103**	371
Net increase/(decrease) in cash and cash equivalents	**1,724**	(30,148)

Note (a):

Pursuant to the Investment Agreements entered by Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan with the SIs, the net profit after deducting the non-recurring gains or losses attributable to the shareholders of Hengda Real Estate (the "Net Profit") for the year ended 31 December 2019 should not be less than RMB55,000 million (the "Performance Undertaking Net Profit").

The shareholders of Hengda Real Estate will make a resolution to distribute at least 68% of actual Net Profit (the "Proposed Dividend") on conditions that subjected dividend payment will not adversely affect the ability of Hengda Real Estate to continue to operate and reorganisation agreement of the Proposed Reorganisation was not entered before 5 July 2020 (the "Conditions").

The actual Net Profit for the year ended 31 December 2019 was about RMB40,400 million, which was less than the Performance Undertaking Net Profit. Kailong Real Estate need to indemnify the SIs through adjusting upward the percentage ratio of the proportional dividend payable to SIs and adjusting downward the percentage ratio of the proportional dividend payable to itself if the dividend resolution was made before 5 July 2020, and the indemnity amount will be about RMB3,600 million.

As at 31 December 2019, the directors consider that there is no obligations for the Proposed Dividend as the dividend resolution has not been made which will be depend on the Conditions meet or not, and no indemnity to SIs should be reflected in the consolidated the financial statements.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

(as at 31 December)

	2015 RMB Million	2016 RMB Million	2017 RMB Million	2018 RMB Million	**2019** **RMB Million**
ASSETS					
Non-current assets	144,691	237,233	238,805	304,277	**359,763**
Current assets	612,344	1,113,635	1,522,947	1,575,751	**1,846,814**
Total assets	757,035	1,350,868	1,761,752	1,880,028	**2,206,577**
Total equity	142,142	192,532	242,208	308,626	**358,537**
LIABILITIES					
Non-current liabilities	158,212	424,942	434,689	411,946	**498,005**
Current liabilities	456,681	733,394	1,084,855	1,159,456	**1,350,035**
Total liabilities	614,893	1,158,336	1,519,544	1,571,402	**1,848,040**
Total equity and liabilities	757,035	1,350,868	1,761,752	1,880,028	**2,206,577**

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(for the year ended 31 December)

	2015 RMB Million	2016 RMB Million	2017 RMB Million	2018 RMB Million	**2019 RMB Million**
Revenue	133,130	211,444	311,022	466,196	**477,561**
Cost of sales	(95,717)	(152,022)	(198,760)	(297,249)	**(344,624)**
Gross Profit	37,413	59,422	112,262	168,947	**132,937**
Fair value gains on investment properties	12,859	5,124	8,513	1,343	**1,516**
Impairment losses on financial assets	—	—	(70)	(137)	**(194)**
Other gains/(losses),net	323	6,986	(6,022)	2,645	**1,729**
Other income	2,262	4,937	5,547	6,694	**6,997**
Selling and marketing costs	(13,325)	(15,983)	(17,210)	(18,086)	**(23,287)**
Administrative expenses	(6,139)	(9,598)	(12,176)	(14,813)	**(19,811)**
Other operating expenses	(1,077)	(2,663)	(5,599)	(5,179)	**(5,037)**
Operating profit	32,316	48,225	85,245	141,414	**94,850**
Share of (losses)/gains of investments accounted for using equity method	(392)	(203)	1,402	(874)	**2,967**
Fair value gains/(losses) on financial assets at fair value through profit or loss	2,515	141	(437)	51	**(1,863)**
Fair value (losses)/gains on derivative financial liabilities	—	—	(820)	797	**981**
Finance (costs)/income, net	(2,994)	(11,301)	(7,917)	(14,623)	**(22,763)**
Profit before income tax	31,445	36,862	77,473	126,765	**74,172**
Income tax expenses	(14,105)	(19,245)	(40,424)	(60,218)	**(40,630)**
Profit for the year	17,340	17,617	37,049	66,547	**33,542**
Other comprehensive income, net of tax	30	(4,892)	3,861	155	**(239)**
Total comprehensive income for the year	17,370	12,725	40,910	66,702	**33,303**
Total comprehensive income attributable to:					
Shareholders of the Company	10,490	199	27,432	37,502	**17,109**
Holders of perpetual capital instruments	5,088	10,646	—	—	**—**
Non-controlling interests	1,792	1,880	13,478	29,200	**16,194**
Total comprehensive income for the year	17,370	12,725	40,910	66,702	**33,303**

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